



Exploration of enablers and barriers of strategy alignment within state-owned enterprises in KwaZulu-Natal

By

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DEDICATION

This work is dedicated to my late parents “Nontsikelelo” and “Vusumuzi” for instilling a love for education in me whilst I was still young. I would like to further dedicate this work to my family for their continuous support throughout this journey, and great praise is reserved for God Almighty for providing strength and protection to me to achieve my dreams.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
SOE	State-Owned Enterprise
BSC	Balanced scorecard
KZN	KwaZulu-Natal
SA	Republic of South Africa
EDTEA	Economic Development, Tourism and Environmental Affairs
DPE	Department of Public Enterprises
PRC	Presidential Review Committee
OECD	Organisation of Economic Community Development
NDP	National Development Plan
MTSF	Medium-Term Strategic Framework
PFMA	Public Finance Management Act
RBV	Resource-Based View
BPM	Business Policy Model
NPM	New Public Management
PV	Public Value
SAM	Strategy Alignment Model
UET	Upper Echelon Theory
TMT	Top Management Teams
BOD	Board of Directors

ABSTRACT

In South Africa, poor strategy co-ordination and strategy implementation at state-owned enterprises results in continuous underperformance which has a negative effect on economic growth, service delivery, growth domestic product, skills development and delivery of the public mandate. The underperformance of state-owned enterprises is caused by the lack of proper strategy co-ordination, lack of leadership capacity, poor governance processes and strategy misalignment.

This qualitative study aimed to investigate enablers and barriers of strategy alignment to ultimately develop a framework for strategy alignment in state-owned enterprises in KwaZulu-Natal province, according to the chief executives and board members of state-owned enterprises. The study used a qualitative research design and purposive sampling to select twelve chief executive officers and eighteen board members of state-owned enterprises in KwaZulu-Natal. The strategic leaders were selected based on the position they occupy in the upper echelons of the state-owned enterprises, their familiarity with strategy planning and execution in the organisation. Data were collected using face-to-face, in-depth, and semi-structured interviews and analysed using a thematic analysis to develop themes.

Findings of this study reveal that strategy alignment was enabled when there was robust organisational-level strategic planning and formulation processes, strong relationships with multiple stakeholders, enabling leadership and relevant expertise in the upper echelon, financial resources, and effective board committees in state-owned enterprises in KwaZulu-Natal. On the other hand the variety of impediments included insufficient goal clarity, compromising political influence and bonding social capital between politicians and politically appointed organisational leaders, bureaucracy, short board tenure and misalignment between the board and chief executive in state-owned enterprises in KwaZulu-Natal.

In the state-owned enterprises in KwaZulu-Natal, Chief Executive Officers were influencing strategy alignment predominantly as enablers and strategic links between

the internal and external environment. They were also providers of insights to the boards on the organisation's inner workings in the backdrop of political interventions.

Boards in state-owned enterprises were serving as the monitors rather than strategic partners of Chief Executives in strategy development. Thus, efforts in driving multi-level alignment were predominantly for compliance and political direction rather than performance in state-owned enterprises. While performance management was being used mainly as a monitoring tool supporting and allowing alignment of individual and organisational performance with strategic goals, it failed to serve as a development tool. There were challenges to address adequately the problem of underperforming board members and Chief Executive Officers in complex and compromising political relations and social capital. The setting of inadequate, easy to achieve and manipulated performance targets resulted in misalignment with key performance drivers and failure to meaningfully shape performance in state-owned enterprises.

This study has developed and contributed a context-specific framework of integrative strategy alignment in state-owned enterprises in Kwazulu Natal, depicting the roles and multi-dimensional influence by strategic leaders, and boards on various stakeholders in pursuit of strategy alignment in SOEs as politicised organisations. The proposed framework provides insights for strategic leaders, boards and leadership development practitioners in state-owned enterprises into the variety of multi-dimensional influences integrated into the organisational architecture and multi stakeholders' expectations necessary in the collective pursuit of strategy alignment in state-owned enterprises in South Africa and similar contexts. The study recommends the pursuit of multi-dimensional and stakeholder influence by strategic leaders and board on strategy alignment, premised not only on board as just monitor of compliance and execution of strategy, but also strategic partner with capabilities of a empowered sense-maker and strategist to develop strategy work in state-owned enterprises.

Keywords: state-owned enterprises, strategy alignment, strategic leadership, board of directors

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CHAPTER 1

THE CONTEXT OF THE STUDY

1.1 INTRODUCTION

State-owned enterprises (SOEs), as government-created legal entities, play crucial economic and social roles in facilitating commercial activities and ensuring efficient and effective delivery of services to citizens (e.g. electricity, water, and transportation) on behalf of the government in South Africa (Phaladi & Ngulube, 2022). The importance of state-owned commercial enterprises is beneficial for the country's population because the success of state-owned enterprises delivers public goods and infrastructure (Mutize & Tefera, 2020). However, there is chronic underperformance of SOEs in South Africa due to strategic misalignment. A study by Gasela (2021) on public entities in the Northern Cape province concluded that misalignment between corporate and business level strategies impacted service delivery negatively. Gasela (2021) further argue that strategy misalignment occurred as a result of incapable leadership and lack of adequate communication. The study by Gasela (2021), apportioned the mis- alignment to lack of leadership capacity, insufficient communication, lack of impact assessments, and interestingly some entities not sure who is the parent department.

Li, Wang & Lu (2022) study focused on environmental factors affecting strategy alignment on Chinese SOE and concluded that strategy alignment is impacted by external environment and internal environment. Under the internal environment, the study concluded that organisational resources and organisational culture positively influence strategic alignment, whilst organisation structure which is hierarchal and bureaucratic is a barrier to strategy alignment. The study by Li, Wang & Lu (2022) further asserted that political interference and economy had a positive influence on strategy alignment, whilst technology and national culture were ignored by the study. The finding of political interference having a positive impact on strategy alignment is contrary to most studies, and the mostly probable reason is that Chinese SOEs are heavily politicised by government bureaucrats who infuse limitless resource for the SOEs to succeed in line with China political system. On the contrary, Chigudu (2020) study on public sector governance in Zimbabwe identified political interference as biggest contributor to SOE

failures due to mis-alignment. Similar findings were reported by Flepisi & Mlambo (2021), on the late delivery of projects in state-owned enterprises as per aligned strategy citing Eskom as a case study, the findings was that delays were influenced by lack of updated construction programs, and non-approval of key items due to political interference.

Another study by Mongale (2023) on IT investment on South African development banks, showed no marked improvement in banks performance despite IT investment and its ability as an enabler for business performance.

State-owned enterprises failures and underperformance in South Africa is well documented (Phaladi & Ngulube, 2022). Notably the underperformance of state-owned enterprises is attributed to mismanagement, lack of corporate governance, corruption and maladministration, resulting in government bailouts of state-owned enterprises such as the South African Broadcasting Corporation (SABC), South African Airways (SAA), ESKOM, Denel, Passenger Rail Agency of South Africa and Transnet amongst others (Phaladi & Ngulube, 2022). By the end of March 2023, combined government guarantees on debts owed by state-owned enterprises had reached R478 billion (equivalent to US\$25.1 billion), representing 16 per cent of South Africa's gross domestic product, a huge risk to a country sovereignty (*Budget Review*, 2023).

Organisational theorists assert that well-aligned organisations can generate better results because their people and teams work towards achieving common strategic goals (Sharma & Behl, 2023). Alignment occurs when there is agreement or co-operation among different elements or groups with a common cause or viewpoint. Strategic alignment involves integration of organisation's vision of success and the cohesive way leaders and individual contributors behave and interact in day-to-day organisational life (Sharma & Behl, 2023). Organisational alignment ensures that every member of the organisation is on the same page about short-term and long-term strategy initiatives, workflow and expectations and understands how each fit into the strategy and success formula of the organisation (Banker et al; 2023).

In this regard, scholars seek to understand the nature, enablers and barriers of strategy alignment that could account for the enhanced performance of an organisation. A dearth

of scholarly research unveils the degree and nature of strategic alignment or misalignment in state-owned enterprises in South Africa and how this affects organisational performance (Gasela,2022). Strategic alignment gives leaders and employees a complete overview of the different elements and interrelationships relevant to determining an overall strategy, its strategic priorities, and drivers of financial and non-financial performance (Gasela, 2022). Phaladi (2021) argues that alignment helps strategic leaders, strategists and board members identify what needs to be changed or re-aligned and describes how to change the organisational elements and the architecture coherently and cohesively in response to the volatile, uncertain, complex, and ambiguous (VUCA) environment in pursuit of the organisational purpose. Changes in one area or element of the organisation often translate into adjustments in resources in the organisation in a way that positively or negatively influences organisational performance (Phaladi, 2021).

Setting a strategy is about making choices in strategic leadership, performance management and corporate governance to ensure that the business activities and actions are aligned in SOEs (Banker et al; 2023). Without organisational alignment, the various elements of the organisational architecture of state-owned enterprises, such as skills, leadership styles, strategy, systems, resources, shared values and staff, to mention a few, can become misguided, chaotic and aimless (Phaladi, 2021).Operational challenges and problems of how teams and departments create their goals can quickly become siloed, flawed and counterproductive even when long-term goals are presented and clearly defined in an organisation (Gasela, 2022).

In many countries, including South Africa, state-owned enterprises operate in a complex and challenging environment with multiple stakeholders and political interference, which makes them not easy to lead and manage effectively and efficiently (Gasela, 2022). While research on state-owned enterprises embraces the concept of strategy alignment, there is a dearth of strategy alignment models situated in the context of state-owned enterprises in South Africa (Gasela, 2022).

Organisations are complex social systems that require ongoing adaptation (alignment and re-alignment) to an ever-changing environment (Susanto & Sawitri, 2023). Adaptation in

organisations takes place easily if interdependence is embraced by strategic leaders, employees and other key stakeholders. For any organisation to achieve and sustain strategic alignment, a need exists for prudent and dynamic arrangement, interactions, and interrelationships between an organisation's various internal and external elements as a cohesive whole (Susanto & Sawitri, 2023), which calls for aligning business strategy with organisational structure to achieve long-term goals and purposes (Gasela, 2022).

However, strategy alignment can be challenging and complex as it entails the holistic integration of diverse elements to ensure synergy and trade-offs of one set of internal elements for another (Phaladi, 2021). In some organisations, strategy alignment fails when leaders fall into the trap of making repeated changes in the organisational structure only, with little change to the other elements of the organisation, for example, system, staff, shared values, strategy, skills, etc. (Penny, Mpwanya & Lambert, 2021). This underscores that strategy alignment must be comprehensive because it involves more than the structure in the organisational architecture (Phaladi, 2021).

Notably, a high turnover rate at the managerial and board levels of state-owned enterprises in South Africa affects organisational performance (Penny et al; 2021). For example, since 2014, ESKOM suffered a turnover of seven different chief executive officers and three board administrations (Harper, 2023). The Passenger Rail Agency of South Africa also had five chief executives since 2013 (Harper, 2023) and uMngeni Water has, in twelve months, had two sets of board of directors, re-appointed only to be fired again by the Minister of Water and Sanitation (Harper, 2023).

Top management teams (TMTs) and board members as part of the upper echelon of state-owned enterprises, are responsible for developing, approving, aligning, implementing and monitoring the organisation's long-term direction (Phaladi & Ngulube, 2021). In state-owned enterprises, board members are part of the upper echelon that influences strategy alignment and performance) (Gasela, 2022). Board members are key in creating policies, systems, structures and strategic frameworks to guide top management teams on the operational work and the board's governance work (Hlobo, 2020). The policy work of the board is key in strategy alignment because it entails the creation or approval of a comprehensive strategic plan, business plan and budget

(Gasela, 2022). Beyond policy making, contemporary board members must be prepared to put time and energy into understanding the organisation's business and industry or professional sector they govern (Sharma & Behl, 2023). The board members must be competent and have a working knowledge of various fields, especially the one under which the state-owned enterprise operates, to execute their oversight role diligently (Hlobo et al; 2022).

As such, board members must regularly scan for insights into how their organisation inter-relates with other elements in the organisational architecture and the marketplace (Constable & Kuasirikun, 2018 and Niemi, 2023). The board is key in influencing strategy alignment and organisational performance because it delegates responsibilities to the chief executive officer (CEO) and management (Niemi, 2023). The board focuses on defining the "outcomes" of the organisation to control the top management teams in pursuit of strategy work (Niemi, 2023) and uses their knowledge and leadership to advise the top management teams of the entity (Mbanyele, 2020). Strategy alignment is critical for the board as it defines what the CEO is allowed/not allowed to do to limit their decision-making, which shapes the CEO's scope of decision-making powers and rights (Sdiki et al; 2023) in line with the Agency theory.

It is vital to explore how the board focuses on the organisational stakeholders, namely, clients, communities, marketplace, legislation and employees, to understand strategy alignment and define standards, expectations and performance to which the organisation aspires (Gasela, 2021). Strategy alignment is enhanced by the board's clear articulation of goals and setting the measures of organisational success. Board members' understanding of the values in their organisation creates the accountability framework around the outcome measures and is key to strategy alignment and organisational performance (Sidki et al; 2023). The governance work by the board is critical for the sustainability of the organisation, its services and products. While top managers can assist board members in acquiring industry knowledge, it is salient that board members have up-to-date industry knowledge and experience to offer suitable policy guidance and specify the desired strategic vision, mission and outcomes (Niemi, 2023).

To meet these challenges, leaders and managers in organisations need to improve their capability of aligning their value-creation process with the expectations of all their stakeholders (Phaladi,2021), which resonates with the view that an organisation is a complex open system that creates and trades value to benefit a variety of constituencies or stakeholders (Phaladi,2021). A strategy should match the external threats and opportunities in the business environment and comply with the organisation's internal processes, structures and stakeholder priorities (Li, Wang & Lu,2022). This view is significant because an organisation is considered a coalition of interest groups operating to benefit multiple constituencies. It is sound to emphasise that the perceived value may differ and often conflict with the organisation's external constituencies and internal stakeholders (Mongale,2023). Many organisations focus only on challenges existing in the external environment during strategic planning, although the key reason many fails is their inability to focus on internal obstacles (Panda,2019). Strategic management literature often endorses that an organisation's strategy must address external and internal environmental realities in ways that simultaneously meet all stakeholders' needs and expectations (Li, Wang & Lu,2022).

Stakeholders are critical in understanding strategic alignment and organisational performance because organisations are social systems held together by a shared commitment to joint ends (Panda, 2019). People are goal-oriented and are "pulled" along by a sense of purpose, desire, and value expectations (Burger & Pelser,2018). Organisational and, therefore, individual goals must be consistent with long-term goals and linked to a strategy to be effective (Panda, 2019).

Earlier work on learning organisations by Senge (1990: 23) cited in Cabrera D& Cabrera L (2023), find system thinking insightful because it offers a framework for seeing interrelationships rather than objects or subjects for seeing patterns of change rather than static snapshots. Arguably, an organisation's external and internal environments cannot be separated. Organisations with a narrow view of external and internal interdependencies will eventually experience a decline in performance as relationships extinguish or become destructive due to the inadequacy of interaction or path-dependent behaviours (Burger & Pelser, 2018).

In South Africa, the continuous underperformance of state-owned enterprises impacts the public mandate of service delivery to the citizens (Department of Public Enterprises, 2022). In the inaugural meeting of the Presidential State-Owned Enterprises Council held in November 2020, the immediate tasks of the council given by the President was to develop governance frameworks, improve financial and operational position of the SOEs and align them with sustainable developmental goals. The Presidential Council on State Owned Enterprises in 2021 reported missed targets for the local state-owned enterprises, which are, in the main, service delivery, skills development, employment opportunities, financial losses and creation of infrastructure (Myeza et al;2021). The poor performance of state-owned enterprises has increased sovereign debt (ESKOM being the major contributor), missed targets in rolling out communication infrastructure and non-delivery of essential projects, all this working against the National Development Plan (2020) and the country's developmental agenda.

In an attempt to understand the nature and complexity of problems of state-owned enterprises, scholars such as (Ngulube & Phaladi,2021) broadly categorise the variety of problems or challenges of state-owned enterprises into four categories: political, financial, regulatory, and managerial. First, (Myeza et al;2021 & OECD 2021) asserts that the most visible and sensitive political problem for the public is corruption, such as bribes given to SOE managers and closely followed by customs officials. Second, financial problems arise due to financial ill-discipline and weak internal controls in state-owned enterprises. Because the state is the owner of state-owned enterprises, there is no real risk of bankruptcy, given that the state always comes to the rescue of state-owned enterprises in the form of financial bailouts in the event of financial problems (Li, Wang & Lu, 2023). Consequently, state-owned enterprises have enjoyed privileged access to government guarantees or credit and low- or even zero-cost funding.

Third, regulatory problems also affect the performance of state-owned enterprises. For state-owned enterprises that operate well, the regulatory framework must not only envisage the enterprises and their relationships with the owners but also with the rest of the actors) (Phaladi &Marutha,2023). On the one hand, there may be a lack of regulation in terms of responsibilities, favourable treatment given to some state-owned enterprises

when it comes to observing certain regulations, coexistence of the public and the private sectors, protection of the rights of minority shareholders, or even how to restrain governments from using state-owned enterprises to avoid complying with certain rules (Li, Wang & Lu, 2023).

Fourth, management problems in the domain of state-owned enterprises can be generally divided into two groups (Gasela,2022). Problems relating to diluted responsibilities make leading and managing state-owned enterprises more demanding. For example, the responsible persons are not identified, and a certain disorder prevails due to a lack of clear objectives, clearly defined owners and an absence of structured information systems (Hlobo et al; 2022). Another group of management problem relates to the incentive policy being deficient at all levels, starting with the owner, followed by the board of directors and the management team, and finally, the workers (Gasela,2022). In a different vein, management problems are also evident in the form of a lack of training programs and the means of monitoring the executives in state-owned enterprises, who are less exposed to the discipline and the learning process that occurs in the private sector (Niemi, 2023).

Addressing one type of problem while ignoring the other may not result in cohesive and excellent performance; there is a need for diverse efforts to align and re-align the state-owned enterprises and create organisational synergy (Hlobo et al;2022). A need exists for awareness of the wider environment, regulatory issues and technological change (Gasela, 2022) to ensure the successful performance of state-owned enterprises.

Organisational alignment occurs through ongoing formal and informal agreement on organisational objectives and goals, stakeholder priorities and strategy execution among internal role-players (Gasela, 2022)

A study by Gasela (2021) on South African public entities attributed challenges of organisational performance and lack of service delivery to strategy misalignment and the high turnover rate of top management, poor financial health, lack of proper internal controls and non-delivery of the entities' mandates. In a study examining the productivity between state-owned enterprises and private firms in China, Cheng et al. (2021)

concluded that there was high productivity in state-owned enterprises compared to private firms, and this is attributed to strategy alignment that helps with collaborative decision-making with consistency, efficiency, common goals, and productivity.

It is also noteworthy that the government of South Africa through the office of Auditor General identified the lack of strategy coordination as the cause of poor performance and malfunctioning of state-owned enterprises and recommended implementation of turnaround strategies (Jamane et al; 2024).

As state-owned enterprises are a vehicle used to fulfil governments' developmental objectives and to set the country's business tone, it is essential to underline that some scholars and policymakers defend state interest in enterprises (Gasela, 2022). For example, it is argued that state-owned enterprises are an instrument for eliminating market failures or achieving non-economic objectives such as control over natural resources, social and employment objectives and regional policies (Gasela, 2022). One can decipher political, ideological, social and economic reasons for the support and existence of state-owned enterprises. First, political and ideological reasons for state-owned enterprises are underpinned by the belief that public intervention can significantly redistribute societal power (Gasela, 2021). Second, social reasons for state-owned enterprises aim to guarantee full employment, improve employment conditions for the working class or improve industrial relations through state-owned enterprises. Last, economic reasons for having state-owned enterprises relate to the government's attempt to address market failure and establish the well-needed infrastructure that the private sector can use to build new industries and for the state-owned enterprises themselves to be established as monopolies (Nzimakwe,2023)

Critics of state interventionism through state-owned enterprises suggest that the presence of state-owned enterprises responds to ideological motives, which can change depending on whichever elite is in power (Cheng et al; 2021).

Although alignment is a top-management concern, no comprehensive model of the construct is commonly used (Burger & Pelser, 2018). While agreement on

conceptualising alignment and its research foundation is limited, literature on the subject is critical to how organisations practice alignment.

Alignment of internal and external organisational role-players requires strategic consensus and alignment of priorities throughout an organisation for success (Khumalo, Niemi, 2023). It is, therefore, critical that the board and executive leaders of state-owned enterprises adopt and align management models in ways that minimise political, regulatory, management and financial problems while helping to ensure the quality of services and avoid the associated fiscal risks and strategy misalignment (Gasela, 2022).

Given the significance of state-owned enterprises as a vehicle to advance developmental agendas, the variety of contextual challenges experienced by state-owned enterprises, and the role of the upper echelon in terms of top management teams and boards, this chapter aims to introduce the current qualitative study that seeks to examine the enablers and barriers of strategy alignment in state-owned enterprises to ultimately develop a strategy alignment framework for state-owned enterprises in KwaZulu-Natal, South Africa. The chapter explores the meaning of state-owned enterprises and their evolution and ownership models before situating the phenomenon of state-owned enterprises in South Africa.

The chapter then presents the research problem, research aims, research objectives and questions, significance and delimitations of this qualitative study. The chapter concludes by presenting the structure of the thesis.

1.1.1 Definition of state-owned enterprises

As a point of departure, it is prudent to critically engage with the phenomenon of state-owned enterprises in the context of this study. To gain conceptual clarity, it is fundamental to initially delve into the definition, evolution and ownership model of state-owned enterprises as a concept of interest (Gasela, 2022). In defining the concept of state-owned enterprises, one can identify different and recurrent aspects, such as the emphasis on who creates a state-owned enterprise, the legislation pertaining to them, and the degree of independence from government control (Nzimakwe, 2023). For example, in terms of ownership, state-owned enterprises are organisations the government creates

through legislation to carry out a particular mandate in both commercial and non-commercial operations on its behalf (Baum et al;2024). The World Bank (2017), PricewaterhouseCoopers (2015) cited in Nzimakwe (2023), the Organisation for Economic Co-operation and Development (OECD, 2021), Schneider (2020), and Qi and Kotz (2020) describe state-owned enterprises as business entities that the government wholly or partially owns. With the emphasis on ownership, it is important to underscore that different names, such as government corporations, state enterprises, state-owned companies, parastatals, and public enterprises, are known as state-owned enterprises (Sidki et al;2023 & Mthombeni et al;2023). The Department of Public Enterprises (2018) and provincial government Departments of Economic Development in South Africa use the following terms interchangeably: public enterprise, public entities, state-owned entities, state-owned companies, and parastatals. The various naming conventions used for state-owned enterprises in South Africa are listed in Table 1.1.

Table 0.1: Naming Convention and Definition of Government Companies

<u>Name</u>	<u>Definition</u>
Government corporation	A government agency established by parliament to provide market-oriented public services and produce revenues that meet or approximate its expenditures.
State-owned enterprise	A legal entity created by a government (wholly or partially owned) to participate in specific commercial activities on the government's behalf. SOEs expect to earn profits and bring a revenue stream to the government budget.
State-owned company	A legal entity wholly owned by the state designed to pursue financial objectives commercially.
Parastatal	A wholly government-owned organisation set up for a specific purpose (usually a commercial activity). It is separated from regular government administration and is given sufficient autonomy to pursue its objective flexibly.
Public enterprise	A business organisation wholly or partly owned by the state and controlled by a public authority. Some public enterprises are placed under public ownership because, for social reasons, it is

	thought a state monopoly should provide the service or product.
Public entity	An organisation providing services to the public on behalf of the government or another public entity.

Source: Adapted from PWC (2015: 8)

As indicated in Table 1.1, state-owned enterprises are defined as independent because the state owns the company entirely or in part to accomplish its varied socio-economic objectives (National Treasury, 2019). Some state-owned enterprises are labelled public ownership because it is believed that a state monopoly should offer the goods or services for social reasons (National Treasury, 2019).

For this qualitative study, state-owned enterprises refer to all government corporations operating within all spheres of government, irrespective of whether they are commercial or non-commercial. This definition resonates with the ordinary meaning and state-owned enterprise convention as used by scholars such as Gasela (2021) in their study on the impact of strategy alignment on organisational performance in national public entities conducted in South Africa; Amatori and Toninelli (2013) in their study of state-owned enterprises models conducted in Italy and a study by Cheng et al. (2021) on the productivity between state-owned enterprises and private firms conducted in China. The current qualitative study focuses on organisations partially or entirely owned by the government in South Africa in the province of Kwa-Zulu-Natal, termed state-owned enterprises. With this conceptual clarity of state-owned enterprises, it is prudent to delve into how this type of organisation has evolved over the years and understand the various ownership models for state-owned enterprises (Sidki et al; 2023).

1.1.2 Evolution of the state-owned enterprises

Lampropoulou (2021) is explicit that the origin of state-owned enterprises in the modern era dates back to the nineteenth century. In this period, state-owned enterprises emerged to regulate, coordinate and define the rights of the new networks, energy systems and infrastructure created during the Industrial Revolution. Three main focus areas of state-owned enterprises were related to (1) mass consumption of services (e.g., drinking water, gas, transport, communications, telegraph and railway); (2) defining rights of way and regulating expropriations, routes, tariffs, engineering rules, guaranteed interests,

subsidies, taxes and administrative limits, and (3) new infrastructure built to last, in territories and cities (Lampropoulou, 2021).

According to Lampropoulou (2021) most European state-owned enterprises were established between the 1920s to 1930s with rapid expansion after WWII. The state-owned enterprises were established to rebuild the economy and infrastructure destroyed during the war and kick-start Europe's Industrial Revolution. Lampropoulou (2021) notes that the increase in activity and scale-up of the state after the 1940s was to achieve economic growth and deliver public goods such as energy, transportation and water in Europe. The state took the leading role in supplying public goods (postal service, drinking water supply and sewerage, electricity, telephone and railway transport), either directly or via public-private partnership schemes, which were fundamentally concessions in the nineteenth century to resolve problems and market failures (Lampropoulou, 2021).

Notably, the state-owned enterprises in developing countries arose during the post-colonial or republican era in response to shortcomings in water supply, transport and electricity supply services (Gasela 2022). However, the wave of privatisation was triggered by the conservative tendencies of many governments and the belief that state-owned enterprises were inefficient compared to their private-sector counterparts (Gasela, 2022). Notably, this belief went against the state's role as an entrepreneur and accelerated disinvestment in many enterprises where there was state participation (Sidki, 2023). According to Sanchez (2016), state-owned enterprises at the global level went through five notable historical stages, as shown in Table 1.2.

In the words of Sanchez (2016: 5),

The history of SOEs resembles the movement of a pendulum that oscillates between creating SOEs or nationalisation and periods of privatisation, driven fundamentally by macroeconomic shocks but also by ideological currents or different positioning.

More specifically, the history of state-owned enterprises in South Africa can be traced back to the early 1900s when the state needed to create a sustainable industrial economy (Verhoef, 2020). The Department of Post and Telegraphs, one of South Africa's early state-owned enterprises, was founded in 1910 with responsibility for

handling the delivery and receipt of mail (Verhoef, 2020). The first state-owned enterprise was part of the infrastructure publicly held when the British took over the Cape in 1806. The SOE was tasked with managing the expansion of the infrastructure and related services for the postal, telephone and broadcasting sectors. The goal was to empower the government with tools that would make it possible to develop a diverse industrial sector (Verhoef, 2020).

Following the establishment of the Cape Government Railways in 1872, the railway-building industry experienced rapid growth (Phaladi &Ngulube, 2022). Numerous narrow railway lines were built across South Africa in the late 19th and early 20th centuries (Phaladi &Ngulube 2022). The South African Railways and Harbours (SAR&H) was founded in 1918 following the amalgamation of South Africa's four colonies (specifically the Natal Colony, Cape Colony, Transvaal Colony and Orange River Colony) in 1910. This SOE was tasked with continuing to develop the nation's rail infrastructure (Phaladi &Ngulube, 2022).

Table 0.2: Five Historical Stages in the Evolution of SOEs

<u>Period</u>	<u>The key aspects of the stage</u>
Eighteenth-century	Proto-industrial, manufacturing, and royal arsenals
1815–1914	Public services with a new financial services and banking infrastructure;
1914–40	Expansion and restructuring were driven by two world wars, protectionism, and nationalism in the oil, coal, gas, electricity, radio, and armaments sectors.
1940– 80	Expansion, maturity, and restructuring with State intervention and direction in industrial activities
1990 onwards	Privatisation and reform, with nationalisations alternating with waves of privatisations in which the public sector presence is totally or partially reduced.

Source: Sanchez (2016: 6)

The Power Supply Commission (ESKOM) was founded in 1922 to develop the infrastructure needed to produce, transfer and distribute electricity (Verhoef, 2020). The establishment of major state-owned enterprises in South Africa is linked to the industrialisation drive in 1923, which was meant to stimulate the economy (Niemi; 2023).

The industrialisation drive led to the formation of the Electricity Supply Commission (United Nations Economic Commission for Africa, 2018). The National Party scaled up state-owned enterprises when it came to power in 1948 to promote the Afrikaner nationalist agenda. The agenda was to empower the Afrikaner nation to develop technical skills, drive economic growth to lift Afrikaners out of poverty and accelerate economic transformation to catch up with the English elite (Verhoef, 2020). While the initial economic activity in South Africa was mainly in the mining and manufacturing sectors, prior to expanding to general commodities, there was a need to create service industries to sustain and aid the growth of mining (Verhoef, 2020). As such, further state-owned enterprises were established in South Africa in the 20th century to support the diversification of the economy.

- Communication through letters and telegraphs (the Post Office and later Telkom—1910).
- Transportation of minerals to export ports (Railway, later renamed Transnet—1916).
- Electricity supply to scale up the mining production (ESKOM—1923).
- New commodity companies to diversify the economy, such as Iscor for steel and Sasol for energy security (1928 & 1950)
- Defence equipment and arms manufacturer for the country's armed forces (Denel and Armscor—1992).

In post-apartheid democratic South Africa, state-owned enterprises are tasked with continuing to play a critical role in pursuing economic transformation and developmental activities (Phaladi & Ngulube, 2022). State-owned enterprises are expected to lead the rollout of the modern infrastructure necessary to support the South African economy and service delivery (Phaladi & Ngulube, 2022)

1.1.3 Four ownership models of state-owned enterprises

In state-owned enterprises, ownership arrangement depicts how the state organises itself to exercise its ownership rights. One of the key challenges of SOE ownership is the existence of multiple owners, for example, central body, line ministry, ministry of finance,

etc. (Phaladi & Ngulube, 2022). The problem of multiple owners is also known as the common agency problem (Phaladi & Ngulube, 2022). The common agency problem creates a divergence of goals in which the executive unit focuses on pursuing its objectives, which do not coincide with the owner's goals (Phaladi & Ngulube, 2022).

Managers of the organisation (agents) are autonomous individuals, each with their interpretation of value and sense of purpose, and as a result, the interests of the principles and the agents may not necessarily align (Boachie, 2023). Divergence of interests and subsequent organisational goals result in a loss of efficiency and conflicts. When an enterprise's objectives are ambiguous or contradictory, executives and managers tend to lead the company toward their interests (Boachie, 2023). For example, it is difficult to reconcile the objectives of finance ministries with those of line or sector ministries concerning service quality, proposing investments to maintain and improve quality, and seeking to increase service coverage, even when profitability is limited or non-existent (Boachie, 2023)

In state-owned enterprises, it is critical to understand ownership models and the political problems which arise from the failure to separate the figure of the regulator from that of the owner, which results in conflict over prices and roles (Klimovich, 2023). The lack of leadership by the owner or failure to exercise its role creates the principal-agent problem, which directly affects the management and performance of an SOE (Klimovich, 2023).

The OECD (2021) guidelines are crucial for understanding state-owned enterprises' three standard ownership models. In this regard, state-owned enterprises can be owned at the central/federal, state/regional and local levels (OECD, 2021). It is interesting to unearth the logic, the core concepts, advantages and disadvantages and key factors for success that inform the three pre-dominant state-owned enterprises ownership models, namely centralised, decentralised and dual ownership models (OECD, 2021).

1.1.2.1 Centralised Model

A clear understanding of a centralised model helps identify the enablers and barriers of strategy alignment in state-owned enterprises. According to Adebayo & Ackers (2023), "The essence of centralised models is that they have a sole owner". Centralised models

of state-owned enterprises can be classified into three categories according to their degree of separation from political power (Adebayo,2023). The first category of the centralised model of state-owned enterprises is where the ministry has the function of ownership, resulting in the least political independence in the state-owned enterprise (Adebayo ,2023). Here, the employees are civil servants.

The second category of the centralised model is the Agency model, characterised by greater independence than those owned by a ministry, generally within a framework of public legislation (Maiwasha, 2023). Last, the holding company is usually regulated by private law and enjoys budgetary and managerial independence. Holding companies might be considered the purest form among these three centralised management models for two key reasons (Maiwasha, 2023). First, holding companies are permitted to act with greater independence from political power and enjoy the appropriate legal status and budgetary independence in many cases (Adebayo, 2023). Second, holding companies have an owner within the government that is separate from the line ministry responsible for regulation (Gu et al;2023). This way, centralised models enjoy the required separation between regulatory functions and ownership.

The idea of centralised models envisages a single body exercising ownership rights and duties (Negara & Jened,2024). This idea differs from state-owned enterprises having multiple owners with different and/or contradictory objectives. The political advantage of the centralised ownership model is that it attempts to erect more barriers between political power and state-owned enterprise management, making political interference more difficult (Phaladi, 2021). A centralised model allows an autonomous agency or holding company to exercise property rights, reinforcing the separation of these rights from regulatory functions or public policy (Phaladi, 2021).

It is argued that a centralised model of state-owned enterprises improves management and governance, facilitates the implementation of cross-cutting policies, and has more effective, transparent and informative monitoring and evaluation systems (Ganda, 2023). Other scholars, such as Makona (2023), assert that the centralised model of state-owned enterprises offers economies of scale in some operational regions by functioning as a group of enterprises, allowing for more professional management and attracting more

talented people. At the same time, the centralised model allows the sector to be analysed and treated holistically (Ganda,2023). This model also enables effectively including and coordinating all actors in the state-owned enterprise ecosystem.

The centralised model has one super ministry representing shareholder interest in state-owned enterprises (Mbengo & Lumka,2024). Globally, a centralised model is characterised by one central decision-making body carrying out the mission of the shareholder in all companies and organisations controlled by the state (Mbengo & Lumka, 2024). Financial targets, technical and operational targets and performance management are all conducted by the central body. Table 1.3 summarises the advantages of centralised models of state-owned enterprises.

Table 0.3: Summary of the Advantages of Centralised Models

<u>Type of Advantage</u>	<u>Nature of advantage of the model</u>
Political advantage	• Political interference is problematic because there are more intermediate levels (limit political infiltration). • Solves the problem of multiple state-owned enterprise owners and mitigates the agency problem between shareholders and executives. • Facilitates the separation between ownership and regulatory functions.
Regulatory advantage	• Enables a uniform legal and regulatory framework to be established. • Facilitates a uniform corporate governance policy in both substance and over time. • Centralised models enable the same level of corporate governance to be established.
Management advantage	• Opportunity to analyse state-owned enterprises from a joint perspective, unifying areas that need reviewing, cross-cutting and/or common to all. • Better knowledge can be gained about the behaviour of the state-owned enterprise as a group and its effects, needs, and available resources. • State-owned enterprises can be managed in a more uniform and coordinated manner. • Offers greater independence and management capacity. • Encourages specialisation and competition. Centralised models can attract staff who are more adept at business functions than civil servants. • The functions of the owner and public policymaker can be separated, and there are no multiple owners following disjointed strategies, facilitating management policy design and the identification of objectives and responsible individuals. • Improves information, transparency, monitoring, evaluation, and oversight systems.

Financial advantages

- Improves coordination with other actors and harmonises operational policies (e.g., investment, human resources).
- Creates economies of scale as all state-owned enterprise resources are grouped under the same ownership, strengthening the state's negotiating power.
- Produces synergies between enterprises, and prices, services and products, debt, and contracts can be coordinated, thus avoiding confrontation.

Source: Adapted from Sanchez (2016: 23)

One of the potential disadvantages and limitations of the centralised models is the lack of formal commitment by the government to refrain from interference and to cede autonomy to a state-owned enterprise (Shen et al,2020). In this case, a state-owned enterprise fails to achieve its goals and becomes merely an additional level without authority and power. When poorly managed, state-owned enterprises can become mere instruments to transfer funds from profitable to less profitable companies, thereby camouflaging their results (Kim & Chung,2020). Disempowered managers and leaders of state-owned enterprises may work toward the wrong objectives, merely playing to the gallery with no real intention of seeking greater efficiency and thus only appear better at management (Kim & Chung,2020).

Another disadvantage is that a centralised model may become a purely bureaucratic and inflexible entity if not appropriately managed (Medas & Sy,2023). Consequently, rather than helping, the centralised model can hinder the state-owned enterprise's regular activity (Kim & Chung,2020). Inter-ministerial power struggles that may result from grouping several state-owned enterprises are another limitation under a centralised management model (Meday & Sy,2023). In larger state-owned enterprises, there is a risk of a power struggle between similar executive levels, such as the company president and the president of the centralised body (OECD,2021). Last, there is also the potential problem of an insufficient and ineffective single central body for all state-owned enterprises in a country.

For the centralised model of state-owned enterprise to succeed, it is important to adopt a comprehensive approach that considers the ecosystem of actors and their responsibilities to establish the basis for bringing stability and sustainability to the sector (Sasidharan, 2020). This consideration calls for clarity on the steps, phases and areas (e.g. planning

and implementation guidelines, regulation, ownership, corporate governance, information, systems, and internal policies) that need to be addressed as part of the centralised model (Leutert, 2024). An explicit and definite mandate, sufficient resources for the centralised body (e.g., capable and qualified people), harmonisation of internal management policies in all of the state-owned enterprises and suitable information systems are necessary for internal and external transparency and are the basis for monitoring and accountability mechanisms (Leutert, 2024).

1.1.2.2 Decentralised Model

The concept of decentralised ownership lies in the fact that the state-owned enterprise is managed by multiple ministries (Adebayo & Ackers, 2022). The management set-up of the state-owned enterprise in the decentralised model is supposed to capacitate and increase the likelihood of strategy alignment and success in the marketplace for the state-owned enterprise (Adebayo & Ackers, 2022). The idea of decentralised state-owned enterprises emerged from the challenges faced by centralised state-owned enterprises, such as increased bureaucracy and inflexibility (Gu et al; 2023). In the decentralised model, there is more than one ministry responsible for the SOE, with the main advantage being that the sector/line ministry provides expertise, ministries like finance exercise fiduciary duties, and other ministries provide policy and planning duties (Adebayo & Ackers, 2022).

Advocates of the decentralised model argue that implementing the state developmental agenda will likely succeed with the decentralised model, as line ministries directly influence and control the state-owned enterprises that implement their policy. For example, different ministries or institutions can share responsibilities in managing these organisations under a decentralised model (Gu et al,2022). The state-owned enterprises that are implementing agents for infrastructure in the built environment in South Africa follow the decentralised model structure (Adebayo &Ackers, 2023). For example, with ESKOM, the Department of Mineral Resources and Energy provides policy development, pricing and regulation, the Department of Finance is responsible for providing budgeting function and guarantees, whilst the Department of Public Enterprises is responsible for operational aspects, oversight and monitoring, and recently the Ministry of Electricity has

been established as a project and performance management office (PMO) to remove problems with the ESKOM machinery (Pandit, 2022).

One of the main advantages of this model is that it brings flexibility, making innovation easy since rigid government structures do not limit the state-owned enterprise. Thus, decentralised state-owned enterprises can adapt quickly to any changing circumstances. Adebayo & Ackers (2023) also notes that decentralising state-owned enterprises promotes competition, which results in efficiency and further benefits the people. Moreover, decentralised state-owned enterprises can still enjoy some level of independence while benefiting from government intervention in times of crisis (Adebayo & Ackers, 2022). This benefit is because the state-owned enterprises maintain their relationship with the government through government ministries tasked to oversee the enterprise (Adebayo, 2023) argues that the ministry overseeing the enterprise has experience in the sector, although this help might not be sufficient compared to the help that centralised enterprises receive.

The disadvantage of decentralised state-owned enterprises is the lack of central-coordination because different ministries operate independently (Kong, Zhu & Qin, 2022). Moreover, a single agent can combine the roles of owner, regulator, and public policymaker. Adebayo (2023) notes that operational and governance strategies tend to be uncoordinated in structure and timetables; monitoring mechanisms are scattered and uncoordinated. In South Africa, some state-owned enterprises fall under the Department of Public Enterprises for operational requirements. However, funding requirements are undertaken by the Treasury, which sometimes refuses to offer bail-outs, pointing to a lack of coordination of strategies and timeframes. Other drawbacks of this model include a lack of transparency and increased exposure to political interference.

1.1.2.3 Dual ownership model

The concept of a dual ownership model entails a situation where one or more ministers have control over the state-owned enterprise, and this control can be finance and specific line functions (Maiwasha, 2023). It combines the strengths of centralised and decentralised models, where the ownership and management of the state-owned enterprise are shared and coordinated (Jin, 2023). The model is found in developing

countries still stuck between ideology and the need for radical implementation of state-owned enterprise reforms. The dual model is found in Brazil, Bulgaria, Mexico, South Africa and other countries (Mutize & Tefere,2020). The dual model is premised on creating monopolies for mega industries, with the Finance ministry playing a role in fiscal matters and Public Enterprises concerned with operational challenges. Ideally, both the ownership of these departments must be on equal terms, and any grey areas must be clarified expeditiously (Mutize & Tefere,2020). The drawbacks of centralised and decentralised models led to the creation a mixed approach, also known as a dual mode (Adebayo, 2023) The dual model is where, in addition to line ministries, a second ministry, such as the Ministry of Finance, may have certain responsibilities.

Many reformists, such as Yuan et al; (2023), recommend the dual ownership model where state-owned enterprises of strategic national importance are owned by one super ministry (e.g., Public Enterprises) whilst other state-owned enterprises are controlled at the sector level in addition to the Ministry of Finance (Yan et al; 2023). The key characteristic of this model is that it combines elements of centralised and decentralised models to create a hybrid model. Sun et al;(2023) gives an example of Poland, where the Ministry of State Assets creates government policies guiding state-owned enterprises. However, state-owned enterprises are given the independence to operate and make financial decisions (Sun et al; 2023). The uniqueness of this model is that it is built through a combination or mixture of centralised and decentralised models to create a hybrid model.

The main advantage of this model is that ownership is also shared across different ministries, leading to fiscal and financial discipline (Chamba& Chazireni,2023). The model can also eliminate the dilemma of having one entity being the regulator and owner. The dual model can promote innovation while maintaining oversight from government ministries. On the other hand, the model has its drawbacks. Sun et al; (2023) argues that too many owners can lead to a conflict of interest. Conflicts can affect or delay decision-making. Moreover, dual ownership in state-owned enterprises is not immune to political interference, which can affect the goals and objectives of state-owned enterprises (Sun et al; 2023)

The disadvantage of this model is the issue of multiple owners at a time, leading to contradictory mandates (Lo et al; 2022). (Lo et al; 2022) further argues that the dual model opens the door to interference by politicians and the political leadership of the ruling elite. The political interference coupled with multiple owners can result in double agency problems impacting the allocation of responsibilities and accountability, leading to indecisiveness amongst the leaders. Multiple ownership leads to difficulties in coordination (Nguyen T& Nguyen H, 2020).

However, Aboud & Diab (2022) notes that the key to the success of dual models is through a clear definition of roles that are balanced and in the case of an overlap in responsibilities, clear leadership roles must be provided. Moreover, the model requires the political will and maturity of the state-owned enterprise actors to respect their respective boundaries and support one another (Aboud & Diab,2022). The main characteristics of the three state-owned enterprise management models are listed in Table 1.4 with their respective regulatory, operational efficiency, and governance elements.

Table 0.4: Main Characteristics of SOE management Models

Management Models	<u>Decentralised</u>	<u>Dual</u>	<u>Centralised</u>
<u>Regulatory Framework</u>			
Legislative and regulatory uniformity	—	—	✓
Harmonisation of corporate legal forms	—	—	✓
<u>Operational Efficiency</u>			
Management capacity	—	—	✓
Sector knowledge	—	✓	—
Application of cross-cutting policies and governance	—	—	✓
Economies of scale	—	—	✓
Fiscal and financial discipline	—	✓	✓
<u>Governance</u>			
Comprehensive vision	—	—	✓
Harmonisation of objectives	—	—	✓
Separation of regulator and owner	—	✓	✓
Separation from political power	—	—	✓
Reduction of agency problems	—	—	✓
Facilitates monitoring and evaluation	—	—	✓
Coordination with the ecosystem of actors	—	—	✓
Better information and transparency	—	—	✓

Source: Sanchez (2016:16)

Table 1.4 presents the main characteristics of different types of state-owned enterprise management models and provides a clear view of each model's potential strengths and weaknesses under different pillars. As per Table 1.4, the guidelines will assist policymakers with the type of management model to choose when establishing a new state-owned enterprise or implementing reforms, considering all the pillars, state of country development, type and purpose of the state-owned enterprise, i.e., commercial or non-commercial. The next section presents another ownership model, coordinating agency, successfully implemented in other countries to achieve strategy alignment.

1.1.2.4 Coordinating Agency Model

According to Mariotti & Marzano (2020) state-owned enterprises can be managed by a holding company, similar to the private sector. However, in the case of the state-owned enterprises, the holding company is an advisor to other line/sector ministries on technical and operational issues, monitors the performance of the state-owned enterprises and provides thorough evaluation and reporting (Mariotti & Marzano, 2020). Negara & Jened (2024) argue that the coordinating agency model is designed to address the challenges associated with dual models. For example, one of the main challenges of the dual model is that it requires proper oversight and political will to ensure that the enterprise refrains from clientele and focuses on service delivery. The OECD (2021) defines a coordinating agency as a “traffic cop”, ensuring everyone complies with the organisation's objectives. In countries like Israel, coordinating agencies direct the state-owned enterprises by setting the objectives. However, to ensure the success of state-owned enterprises, the agency body further monitors and evaluates them to ensure they adhere to the set objectives.

Thus, ownership remains dispersed in the coordinating agency model, but an advisory or coordinating body is created to advise ministries on ownership matters (Leutert, 2024). In this way, the coordinating model is also called the advisory model (Negara, 2023). Moreover, introducing a coordinating agency leads to greater consistency, transparency and harmonisation of crucial processes such as board appointments, chief executive appointments and remuneration (Negara, 2023). The key characteristic of this model and its effect on state-owned enterprises is that it gives enterprises a chance to succeed

because a different agency is tasked with policy creation, monitoring and evaluation of state-owned enterprises (Yuan et al;2023). The most notable success story of the advisory or coordinating agency model is the UK Shareholder Executive, later renamed UK Government Investments, which manages the government-shareholder relationship for partial or wholly owned government businesses (Van Thiel et al; 2020). The primary purpose of the UK Government Investments is to look after 23 state-owned enterprises and de-link state-owned enterprises from politics and manage them through a holding company staffed by professional experts in governance, finance and other skills needed by state companies in the UK (Van Thiel et al; 2020). Another famous co-ordination agency is the China State Asset Supervision and Administration Council (World Bank, 2018), which is responsible for managing Chinese state-owned enterprises, appointing and removing executive leaders, including boards, undertaking performance management of state-owned enterprises, and acting as a strategic investor to recapitalise state-owned enterprise (World Bank, 2018). It is responsible for setting up state-owned enterprise leadership selection and appointments, retaining state-owned enterprise leaders, among other duties, and reporting directly to the China State Council (Sheehy & Madrid, 2022). It is accountable to the cabinet, not a minister. These agencies generally play a role in policy-making and evaluating the progress of state-owned enterprises.

The advantage of the coordinating agency model is that state-owned enterprises are restricted from following policies that only pursue profit and neglect social and environmental concerns (Landoni, 2020). By creating coordinating agencies, corporate social responsibility can be met by state-owned enterprises because the coordinating agencies represent the government's interests (Landoni, 2020). However, the challenge with this model is that central agencies often have a limited role. This understanding confirms that the coordinating agency model has some overlapping similarities with the decentralised model, thereby inheriting the challenges of the decentralised model (Gao& Yi,2021).

According to Hapsari et al;(2023) countries implementing centralised ownership models have more successful state-owned enterprises than countries with other ownership

models. Figure 1.1 presents geographical contexts where the three dominant basic models of decentralised, dual, and centralised models are practised worldwide.

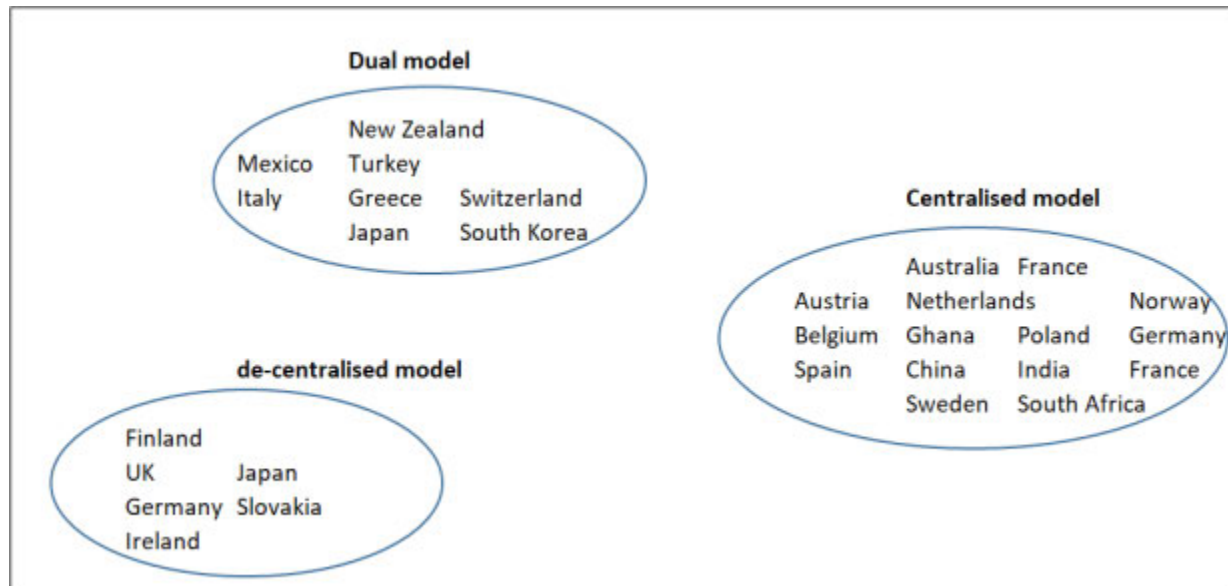


Figure 1.1: Ownership models of State-Owned Enterprises

Source: OECD, 2018

1.1.4 South African model of state-owned enterprises

It is essential to be precise that the South African state-owned enterprises are owned at national, provincial and municipal levels. According to Chitiga-Mabugy & Henseler (2022) South African state-owned enterprises either conform to the centralised or decentralised model, with the dominant model being the decentralised model. The national state-owned enterprises are owned by the Department of Public Enterprises or line (sector-specific) Ministries (DPE, 2022). The provincial state-owned enterprises are dominantly owned by a single department of Economic Development across the country's nine provinces. The shareholder representative at the national level is the Minister of Public Enterprises. The primary mandate of the Department of Public Enterprises in South Africa is to provide oversight and strategic direction for strategic state-owned enterprises (Department of Public Enterprises, 2021). For example, the Department of Public Enterprises in South Africa is a direct shareholder in whole or in part in six of the approximately 700 state-owned enterprises that exist at the national level, including Alexkor (diamonds), Denel (military and defence equipment), ESKOM (electricity

generation), Transnet (railway and pipelines logistics); South African Express, South African Forestry Company (SAFCOL) (forestry), and the South African Broadcasting Corporation (SABC).

As for provincial SOEs, the relevant sector minister and the corresponding Executive Council for Economic Development members own state-owned enterprises. The Deputy City Manager is the shareholder representative for the state-owned enterprises owned at the municipal level.

Evidence worldwide confirms that centralised state-owned enterprises provide governments with better oversight and consistency in managing state assets and insulating entities from political interference in decision-making (Muzike & Tekere, 2020).

As part of the state-owned enterprises' reform agenda in South Africa, one of the key recommendations in the Presidential State-Owned Enterprises (SOE) Council is to pursue a centralised model for the key state-owned enterprises (Chamba & Chazireni, 2023). The model entails not only separating the state's ownership functions from its policymaking and regulatory functions and minimising the scope of political interference but also introducing greater professionalism and management of state assets in a way that protects and sustains shareholder value (Chamba & Chazireni, 2023).

Second, non-preference entails that whether a state-owned enterprise is distressed, such as ESKOM, South African Airways, Denel, etc., in South Africa, no cash can be doled out from the government, as this would constitute preferential support vis a vis non-state-owned enterprise distressed firms (Ackers & Adebayo, 2022). Focusing on non-commercial tasks by a state-owned enterprise inhibits non-interference and non-preference principles that may even render a state-owned enterprise bankrupt, contrary to the "profit maximisation" commercial principle (Ackers & Adebayo, 2022).

As per policy, strategic state-owned enterprises in South Africa like Transnet, ESKOM and others play meaningful developmental roles, improving the efficacy of the state's capital, and are defined as commercial enterprises (Kanyane & Sambo, 2021). Therefore, broader policy reforms are necessary for state-owned enterprises to balance profit maximisation with developmental objectives.

In pursuit of any reform of state-owned enterprise policy in South Africa, it is vital to underline that the current policy setting and the institutional characteristics of state-owned enterprises, such as functions, power of state-owned enterprises and corruption (special interest capture) and current politics inhibits the successful adoption of the centralisation model (Kanyane & Sambo, 2021).

Nonetheless, it is less surprising that, like other countries, South African state-owned enterprises are tasked with implementing strategic objectives of the developmental state (Pooe & Setlhalogile, 2023). In South Africa, these goals are summarised in the National Development Plan (NDP2030,2022) and Medium-Term Strategic Framework (MTSF). The key strategic objective of the state-owned enterprises in South Africa is to support the attainment of state developmental goals, as listed in Table 1.5

Table 0.5: Strategic Objectives of the State-Owned Enterprises

<u>Strategic objectives</u>	<u>Output</u>	<u>Impact</u>
Promote financial stability	Improved state-owned enterprise balance sheet. Expand services rendered by the state-owned enterprises.	Self-funding of growth programs and new investments.
Sustain self-reliable operation	Increase margin. Increase productivity and safety.	Increase employment. Increase economies of scale to render public goods affordable.
Delivery of capital projects	Scale up of infrastructure investments. GDP expansion/growth Innovation and enhanced capacities in key sectors.	Increased employment Stimulate economic growth. New technology and human capital training.
Strong shareholder	Competent and capable boards. Robust performance management systems.	Improved state-owned enterprise management. Improved state-owned enterprise performance and consequence management.
Alignment and efficiency	Improved shareholder model and oversight role. Clear separation of functions.	Improved decision-making. Clearly defined roles and responsibilities. Enhanced capacity to manage state-owned enterprises.

Source: Department of Public Enterprises (2018:9)

1.1.5 Classification of state-owned enterprises in South Africa

In a study of state-owned enterprises, it is important to go beyond the ownership models of state-owned enterprises and delve into other ways of classifying state-owned enterprises. For example, South African state-owned enterprises are classified according

to size, economic sector of operation and according to the Act that enacted their existence (Myeza et al;2021). The Public Finance Management Act (PFMA) of 1999 in South Africa categorises different state-owned enterprises into three different schedules based on size, autonomy, economic activity, and ownership level (national or provincial) of the state-owned enterprise (Myeza et al; 2021). According to the Schedules, state-owned enterprises' levels of autonomy vary; for instance, state-owned enterprises listed on Schedule One have complete autonomy, whilst state-owned enterprises listed on Schedule Three have restricted autonomy (Kathrada et al; 2021). According to Adebayo & Ackers (2023) guideline classification of state-owned enterprises is as follows:

Schedule One state-owned enterprises are constitutional institutions whose mandate is to strengthen and safeguard democracy, such as the Public Protector, the South African Human Rights Commission, the Auditor General, the Electoral Commission and the Commission for Gender Equality (Kathrada et al; 2021).

Schedule Two state-owned enterprises include commercial and public entities under the National Departments. They include, amongst others, the South African Broadcasting Corporation (SABC), Telkom SA Limited, and the South African Post Office, which falls under the Department of Communications. Other major SOEs, such as ESKOM, South African Airways, and Transnet, fall under the Department of Public Enterprises. Other SOEs, such as the Airport Company of South Africa (ACSA) and the Passenger Rail Agency of South Africa (PRASA), fall under the Department of Transport (Adebayo& Ackers, 2023).

Schedule Three includes public entities that do not have an industry/sector supervisory body that oversees their governance and are required to report direct to the Financial Intelligence Centre. Schedule Three state-owned enterprises are further subcategorised into 3A, 3B, 3C and 3D, with the relevant explanations provided below (Myeza et al; 2021):

- 3A—National Public Entities such as the Financial Services Board, Sector Education and Training Authority and Legal Aid Board, amongst others.

- 3B—National Government Business Enterprises such as Water Boards and the South African Bureau of Standards, among others.
- 3C—Provincial Public Entities across different provinces, such as the Dube Trade Port Corporation, KwaZulu-Natal Film Commission, and Limpopo Gambling Board, amongst others, focus on sector mandates.
- 3D—Provincial Government Business Enterprises such as the Ithala Development Finance Corporation, Mpumalanga Growth Economic Agency, and Mjindi Farming (Pty) Ltd, among others.

Given the above classification schedule, this study focuses on Schedule 3C& 3D state-owned enterprises located in the province of KwaZulu-Natal. This focus is primarily because most of the chief executives and board members in KwaZulu-Natal are for state-owned enterprises in Schedule 3C and 3D, which makes it possible to access the study participants to obtain data. In addition, the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) in KwaZulu-Natal has the province's most extensive state-owned enterprise portfolio, allowing access to participants who are board members and chief executives employed by the public entities in the province.

1.2.6 Commercial and non-commercial state-owned enterprises

As alluded to earlier, not all state-owned enterprises in South Africa are commercial. As such, it is critical to understand the basis of state-owned enterprise classification into commercial and non-commercial dimensions (Myeza et al; 2021). A study by Qi and Kotz (2019) established that state-owned enterprises in China are economic stabilisers, playing a significant role in maintaining aggregate demand, promoting technical progress and creating employment. China effectively uses state-owned enterprises to implement policy, providing socioeconomic stability and building infrastructure, resulting in megacities such as Hangzhou and Shenzhen (Qi & Kotz, 2019).

Commercial state-owned enterprises are expected to generate profits for the owner and, at best, fund their operations. Commercial state-owned enterprises participate in the economy mainly with commercial objectives (Myeza et al;2021). As the term “commercial” means profit-maximising activities devoid of state developmental appendages, it is

questionable whether some of the state-owned enterprises in South Africa are genuinely commercial or promote a balance between commercial and social objectives (Hlobo et al; 2022). In South Africa, commercial state-owned enterprises are expected to operate according to their objectives as far as possible, consistent with private sector practices such as King IV (2017) and the Companies Act of 2008, in addition to regulating the PFMA (Chauke & Motubatse, 2020). Commercial state-owned enterprises in South Africa play a significant role in the economy, contributing more than 8.5% of the gross domestic product and maintaining networks and services in key sectors such as infrastructure, finance, national security, and social sectors (Statistics SA, 2019).

Some state-owned enterprises have been established to pursue mostly non-commercial activities (Khambule, 2021). In many cases, the activities of non-commercial state-owned enterprises might otherwise be carried out by government institutions (Matuszak & Kabaciński, 2021). Non-commercial state-owned enterprises fulfil the social/public objectives mandate and are not expected to generate profit for the owner but to deliver the mandate and are fully funded by the state (Chamba & Chazireni, 2023). In South Africa, non-commercial state-owned enterprises are mostly Schedule One entities and some sub-categories of Schedule Three. The mandate of the non-commercial state-owned enterprises must be transparent and disclosed publicly to safeguard against misuse of public funds and allow for accountability (The National Treasury, 2017).

In a slightly different vein, the state partially subsidises semi-commercial state-owned enterprises and carries out mixed commercial and social/public objectives (National Treasury, 2017). Most semi-commercial state-owned enterprises in South Africa are found in the Schedule Three sub-categories.

The separation of the ownership role and control of the state is an important factor, to prevent political interference (Department of Public Enterprises 2021). The state, though the owner, must not be involved in the day-to-day running of the entities but should exercise its ownership rights as prescribed by the law.

While clarity on the concept, evolution of, variety of ownership models and classification of state-owned enterprises is fundamental to understanding the context of this study, it is

also salient to specifically grasp the overview of the critical issues shaping the state of state-owned enterprises in South Africa.

1.2 OVERVIEW OF THE CURRENT STATE OF SOEs IN SOUTH AFRICA

State-owned enterprises are numerous in South Africa and are crucial for the country's economic growth. Approximately 700 state-owned enterprises exist nationally (DPE, 2018). The most common state-owned enterprises in South Africa include Alexkor (diamonds), Denel (military equipment), ESKOM (electricity generation), Transnet (railway transport and pipelines), South African Express, the South African Forestry Company (SAFCOL) (forestry) and the South African Broadcasting Corporation (DPE, 2018). These enterprises are regulated by the Public Finance Management Act of 1999, which ensures that state-owned enterprises use tax-payers money prudently whilst pursuing their mandate. However, state-owned enterprises in South Africa have attracted attention for negative reasons. State-owned enterprises like ESKOM and South African Airways have attracted attention for poor performance, which has led to the failure of these enterprises to operate fully. Issues of corruption and high turnover of managers have affected these sectors.

ESKOM is battling to meet its mandate of providing affordable and reliable electricity to citizens; instead, it is plunging the country into darkness regularly when executing load shedding. As a result, the Department of Minerals and Energy has also approved independent power producers to increase self-generation without obtaining a license from 1MW to 100MW. Both announcements represent a significant shift in the government's stance and indicate an awareness of the state-owned enterprises' choked capacity and limitations. The ongoing financial and operational crises some major state-owned enterprises face have cast doubt on their practicality and survival. Total state-owned enterprises' debt stands at a staggering R692.9 billion. The most recent budget review by Gondongwana (2023) indicates that state-owned enterprises have reported huge losses, high costs and elevated debt servicing costs, and several appear to be at risk of defaulting on their debts.

There are a variety of problems in state-owned enterprises in South Africa that scholars have identified. A snapshot of problems in state-owned enterprises is listed in Table 1.6.

Table 0.6: Sample of Problems in State-Owned Enterprises

<u>Challenge</u>	<u>Source</u>
Transnet Chairman stepped down. His resignation comes a few weeks after the Group CEO had resigned on 13 October 2023. Molefe has been Transnet's chairperson since 2018.	Ebrahim (2023))
Transnet CEO & CFO resigns in Sept 2023. The CEO has been with Transnet as CEO since February 2020. The CEO was just past the halfway mark, indicating instability at the upper echelon of the state logistics company.	Maeko (2023).
ESKOM's Chairperson resigns on 9 Oct 2022 amid conflict with the Public Enterprises Minister over appointing a new CEO. The chairperson has only been in his role for one year. ESKOM has not had a full-time CEO for eight months.	Nyathi (2023),
Umgeni Water Board was fired again after the board shortlisted a candidate who was not qualified and undertook a cost arbitration process that has cost Umngeni millions of rands. The board blew several million rands on the search for a CEO in defiance of the instruction to stop doing so ahead of the merger with Mhlathuze.	Haper (2023)
KwaZulu-Natal public entities underspent their 2022/23 budget by R510m, a report tabled before the legislature finance committee revealed. The low level of spending is due to a high number of vacancies due to the non-filling of posts while the rationalisation process of public entities was underway. The report also cautioned about leadership instability at the entities owing to the rationalisation process.	Mbotho (2023)
Eskom CEO resign on 14 December 2022	(Cowan & du Toit 2022)

*Source: Author collection from media

1.3 PROBLEM STATEMENT

Chronic underperformance of state-owned enterprises in South Africa has evoked the need to understand the nature of strategy alignment and how strategic leadership, governance and performance influence strategy alignment in these organisations (OECD, 2021). While research on state-owned enterprises and the private sector embrace the concept of strategic alignment, a dearth of strategy alignment models reflects on organisational performance in South Africa (Burger & Pelser, 2018). In the South African mining enterprises, Burger and Pelser (2018) developed a framework of organisational

alignment. In South African state-owned enterprises, strategy alignment is critical as organisations' pursuit of profit needs to be increasingly balanced with the needs of society and the environment and reconcile internal risk orientation with external expectations, requiring a less defensive and more constructive approach to stakeholder engagement (Myeza et al;2021).

The study by Gasela (2021) cited lack of capacity, and ineffective communication as causes of misalignment. Mongale (2023) argued that corporate governance, policies and procedures impact strategy alignment together with internal and external factors, however there is no further explanation on breakdown on internal and external alignment.

Strategy alignment concept in state-owned enterprises has been studied by many authors, with Abdi et al;(2023) arguing that lack of communication and corporate culture as the cause of misalignment, (Mariotti & Marzano, 2020) cited poor visionary leadership and maladministration as contributing factor impacting alignment and results in underperformance. Ntene et al; (2020) study on strategy alignment highlighted lack of skills and political interference in addition to poor corporate governance as major cause of SOE failures.

A study by Makona (2023) focusing on the challenges in state-owned enterprises in South Africa identified leadership instability and a weak board and performance culture as critical challenges. While the study recommends a model of interaction between shareholders and boards to enhance performance, it does not specify the conditions and nature of the interrelationship between elements in the model or organisational architecture to ensure strategy alignment. Similarly, Limbo and Brand's (2020) study on Namibia state-owned enterprises recommends improving the board roles in various ways, adherence to King IV (2017) principles and developing a state-owned enterprise framework but fails to develop a framework for strategy alignment and its constituent components. A study by Bonney (2020) revealed strategies to improve the financial performance of state-owned enterprises in Ghana but could not progress to develop an integrative model or framework of strategy alignment in SOEs. The strategy review of the Department of Public Enterprises (2021) acknowledged that sub-optimal financial and operational performance in state-owned enterprises reduces the state's ability to deliver

shareholder value. Like previous studies, the review recommends strengthening strategy alignment but remains silent on the details of the nature and elements of strategy alignment.

A study by Al-Surmi et al;(2020) and Gasela (2021) that focused on strategy alignment in state-owned enterprises concluded that they are either based on traditional IT alignment, strategic leadership or corporate governance. While research on state-owned enterprises and public entities embrace the concept of strategy alignment, there is a dearth of strategy alignment models or frameworks that reflect strategy alignment with strategic leadership, governance and organisational performance as variables of study.

Other variables studied are corporate governance (Mthombeni et al;2023), leadership (Badarai et al;2023), organisational culture and political interference without integration (Nel et al; 2023) all in isolation to each other. The purpose of this qualitative study is to close this gap by examining enablers and barriers of strategy alignment holistically and in an integrative manner on how the variables of strategic leadership, board of directors, corporate governance and performance management influence strategy alignment (positively or negatively) of the state-owned enterprises.

The positioning of the study in the current debates of SOEs underperformance and strategy alignment is the novelty it brings. The novelty of this study is the integrative investigation of the influence of strategic leadership, board of directors, corporate governance and performance management towards developing strategy alignment framework. The current study closes the research gap by developing the integrative strategy alignment framework of state-owned enterprises in KwaZulu-Natal by exploring the enablers and barriers of strategy alignment.

1.4 AIM OF THE STUDY

This study examined the enablers and barriers to strategy alignment to develop a model for strategy alignment within state-owned enterprises in KwaZulu-Natal.

1.5 OBJECTIVES OF THE STUDY

The qualitative study will address the following objectives:

- Evaluate the role of strategic leadership in influencing the nature of strategy alignment within state-owned enterprises in KwaZulu-Natal.
- Analyse the influence of the state-owned enterprise boards on strategy alignment within state-owned enterprises in KwaZulu-Natal.
- Analyse corporate governance-related enablers and barriers to strategy alignment within state-owned enterprises in KwaZulu-Natal.
- Examine the impact of performance management on strategy alignment within state-owned enterprises in KwaZulu-Natal.
- Develop a framework of strategy alignment for state-owned enterprises in KwaZulu-Natal.

The research questions in this qualitative study are the following:

- How does strategic leadership influence strategy alignment within state-owned enterprises in KwaZulu-Natal?
- How do the state-owned enterprise boards influence strategy alignment within state-owned enterprises in KwaZulu-Natal?
- How does corporate governance enable or impede strategy alignment within state-owned enterprises in KwaZulu-Natal?
- How does performance management support or impede strategy alignment within state-owned enterprises in KwaZulu-Natal?

1.6 SIGNIFICANCE OF THE STUDY

The significance of this qualitative study is to develop a framework for strategy alignment specific to the context of state-owned enterprises in KwaZulu-Natal. The proposed framework, will result in improved performance of state-owned enterprises and service delivery in KwaZulu-Natal. Further benefits of performing SOEs is accelerated skills development and economic growth to the citizens of KwaZulu-Natal. The improved performance of state-owned enterprises will restore their centrality in the developmental agenda, realisation of the National Development Plan and Sustainability Developmental Goals. The proposed framework is a foundation for the organisational alignment of state-owned enterprises and is a catalyst for future research on strategic leadership, internal

organisational functioning of state-owned enterprises and strategic re-alignment to achieve results.

The proposed framework of strategy alignment for the performance of state-owned enterprises is a context-specific basis for further research examining the internal organisational functioning of this type of enterprises and how they need to re-align to their strategic direction and goals and promotion of good business practice to aid in the realisation of a developmental state. The study's recommendations may contribute to the theory of strategy alignment and organisational alignment for state-owned enterprises in South Africa.

In addition to the academic contribution, the framework will contribute to organisational and strategic leadership practice by:

- Providing insights on how to develop capacity for strategic leaders of state-owned enterprises in KwaZulu-Natal (e.g. board chairpersons, and executives) for better coordination and alignment of state-owned enterprises activities to deliver their mandate.
- Providing insights on the multi-dimensional nature of strategy-alignment in state-owned enterprises to improve service delivery in the KwaZulu-Natal province.
- Unlocking the full potential of state-owned enterprises' performance in fulfilling their developmental mandate, and how they may be better resourced for desirable strategy alignment.
- Contributing to policy debates on how to pursue and sustain strategy alignment for state-owned enterprises in a politicised environment where social capital may have adverse effect on politicisation of appointing processes, employee and organisation level performance.

1.7 DELIMITATIONS OF THE STUDY

The qualitative study's limitations are the circumstances that are beyond the researcher control (Christou, 2023). On the other hand, delimitations relate to what the researcher has deliberately chosen to focus on or exclude in a research (Mthuli, 2021). First, the researcher has deliberately decided to delimit the study to state-owned enterprises

geographically located in KwaZulu Natal. Second, the type of state-owned enterprises is those in Schedule Three state-owned enterprises in the province of KwaZulu-Natal. The state-owned enterprises under study are a combination of commercial and non-commercial state-owned enterprises. The choice of the state-owned enterprises for the study is dictated by the proximity of the researcher to the state-owned enterprises, i.e., the researcher is based in KwaZulu-Natal, making the data collection in KwaZulu-Natal less onerous.

Second, a delimitation of the qualitative study is that it is focused on data from the top management and board members and excludes lower-level management and employees. The focus is because top management teams and the board members are the custodians of strategy development, approval, implementation and evaluation. Another delimitation of the study is the exclusion of influential stakeholders external to the state-owned enterprises, such as government departments and Heads of Departments that oversee the state-owned enterprises. Furthermore, the study is focused on organisational architecture, which relates to the internal context and how strategy is aligned with the various interdependent elements that shape the internal functioning of an organisation. The location of the study, the province of KwaZulu-Natal, was chosen because the researcher is based in KwaZulu-Natal, which facilitated data collection. The qualitative study is undertaken on twelve KwaZulu-Natal public entities which falls under the jurisdiction of Department of Economic Development, Tourism and Environmental Affairs.

1.8 THESIS OUTLINE

The thesis is divided into seven chapters to facilitate logical coherence. The structure is briefly discussed below.

Chapter One: Context of the study

The chapter provides the contextual background, rationale and setting for the study. The SOEs' setting, importance, and centrality of strategy alignment in delivering value are introduced. The problem statement, research objectives and questions for the study are covered in this chapter. The chapter further outlines the delimitations and the thesis structure before summarising the chapter.

Chapter Two: Strategy and strategy alignment

This chapter reviews the origins, history and complexity of strategy and strategy alignment, which is critical to influencing performance in an organisational context. The chapter further focuses on the historical origins of strategy and perspectives of strategy, which are inside-out and outside-in, to understand the dimensions of the strategy approach and strategy alignment. The chapter also covers the complexity of strategy and strategy alignment and the variety of models available, as well as organisational architecture and how it supports or undermines strategy alignment in an organisation. The chapter concludes with a summary.

Chapter Three: Strategic leadership and performance management

This chapter presents the concept of strategic leadership and the upper echelons theory, frames of strategic leadership, competencies and activities of chief executives and board members and performance management in state-owned enterprises at the chief executive and board level. Previous research on strategic leadership and performance management in state-owned enterprises is discussed, and the research framework of the proposed strategy alignment model is introduced.

Chapter Four: Research methodology

The chapter commences with the exposition of research paradigms, positivist/post-positivist and constructivist/interpretive epistemology and the epistemology within which the study is located. The rationale for choosing the research paradigm, design and methods is provided. Qualitative, quantitative, and mixed-method approaches to research design are discussed with emphasis on the qualitative approach used in the study, including the sampling methods, data collection and analysis, validity and reliability, and ethical considerations. The chapter concludes with a summary.

Chapter Five: Presentation of results

This chapter presents the results from the interview data. The focus is exploring enablers and barriers to strategy alignment within state-owned enterprises (SOEs) in KwaZulu-Natal (KZN) and presenting the results concerning the research objectives. The chapter first presents key themes on the role of strategic leadership in strategy alignment within

state-owned enterprises, the influence of the board of directors in the pursuit of strategy alignment within state-owned enterprises, and corporate governance in promoting strategy alignment within state-owned enterprises. Last, the chapter presents themes on the role of performance management in securing strategy alignment within state-owned enterprises. The presentation of findings is supported by direct quotations from interviewees. The chapter closes with a summary.

Chapter Six: Discussion of results

This chapter discusses the findings in relation with existing literature and previous research. The findings discussed in this chapter are crucial for providing insight into the role of strategic leadership that embraces the board and CEO in strategy alignment. The chapter also highlights enablers and barriers to strategy alignment within the state-owned enterprises in the KwaZulu-Natal province.

Chapter Seven: Conclusions and recommendations

This chapter presents the conclusions and recommendations for the study, the limitations and contributions of this qualitative study to the body of knowledge and recommendations for future research.

1.9 CHAPTER SUMMARY

The current chapter presented the introduction and contextual background to the study. The research's purpose and study's significance were discussed in detail. The chapter further presented the study's objectives necessary to answer the research questions. A brief history of the SOEs was provided regarding their origins in different parts of the world, including South Africa. Different ownership models were discussed, highlighting the advantages and disadvantages of different SEO models. The concept of strategy alignment and types of alignment were introduced. The different types of alignment and organisational models were discussed, and the chapter ended by outlining the structure of the thesis. The next chapter reviews relevant literature for this study.

CHAPTER 2

STRATEGY AND STRATEGY ALIGNMENT

2.1 INTRODUCTION

This chapter aims to critically review the origins, history and complexity of strategy and strategy alignment that are critical for influencing performance in an organisational context. Given this aim, the focus is on the historical origin of strategy perspectives of strategy, namely, inside-out and outside-in, to understand the dimensions of the strategy approach and strategy alignment. Furthermore, the chapter covers the complexity of strategy and strategy alignment, a variety of models and organisational architectures, and how the architecture supports or undermines strategy alignment in an organisation. The chapter concludes with a summary.

2.2 HISTORICAL ORIGINS OF STRATEGY AND SIGNIFICANCE OF STRATEGY

Historically, 'strategy' derives from the Greek word *strategos*, meaning 'a general' (Louw et al; 2019). In this regard, *stratos* means the army, while *agein* means to lead. Strategy is traceable to the military, particularly the 'art of leading the army' (Louw et al; 2019). In the army, strategy was the work of the generals who pursued courses of action in uncertain conditions to defeat the enemy (Louw et al; 2019). In this regard, the general uses strategy as a type of problem-solving, which entails a *diagnosis* that defines or explains the nature of the challenge, *guiding policy* for dealing with the challenge, and coherent *actions* designed to carry out the guiding policy.

Over the years, the strategy concept moved from the military to the business and public sector contexts. Strategy is vital in military and business contexts because the resources available to achieve goals are usually limited (Wirtz, 2023). As such, a strategy generally involves setting goals and priorities, determining actions to achieve the goals, and mobilising resources to execute the actions (Wirtz, 2023). A strategy describes how the ends (goals) will be achieved by the means (resources). In the case of an SOE, strategy entails not only pre-determined or emergent goals but also the means in terms of resources or courses of action to achieve strategic outcomes and priorities.

Arguably, strategy is a collective term used to guide the action of an organisation to achieve its vision (Wirtz, 2023). Wirtz, 2023 noted that management expressed a great

sense of strategy appreciation and understanding after involvement in strategy formulation. According to Louw et al; (2019), an organisation strategy is the management plan of action to conduct the daily business operations of an organisation. He defined the board of directors' role in endorsing strategy, delegating a set of actions to implement the strategy to management. Strategy has gained prominence in the business world in the 20th century (Wirtz, 2023). Military and business operations share common principles and concepts, particularly strategy and tactics. A tactic is a plan for a specific action, while strategy is the overall scheme for leveraging resources to gain a competitive advantage (Wirtz, 2023). Some of the common traits shared by military and business regarding strategy are the following:

- Strategy is concerned with the long-term direction and sustainability of the organisation.
- The strategy exploits the link between external and internal – the so-called strategic link.
- Strategies require significant resources.
- Strategies are likely to affect the whole organisation.
- The values and expectations of the stakeholder's shape strategies.
- Strategies are directed by the vision and the ability to move forward.

Strategy provides the direction and scope for an organisation over the long term to achieve its goals, including a detailed action plan (Louw et al;2019). Strategic planning establishes priorities, allocates resources for strategic initiatives, coordinates activities to achieve desired results, increases the alignment of all organisational activities, and fosters commitment at all levels. Strategy defines clear lines of accountability and timelines for achieving expected results on the agreed strategic initiatives (Malan ,2023).

The general theory of competitive behaviour and the theory of games and economic behaviour were published in 1944. Corporate strategy concepts were developed between 1950 and the 1970s (Louw et al; 2019 &Malan, 2023). During the era, strategy was defined as a process comprising further sub-processes, among them:

- Identifying and analysing threats and opportunities.

- Responding to threats and opportunities by formulating strategic plans.
- Implementing strategic plans.
- Designing control systems for implementing processes.

In the 1970s, the increase in oil prices influenced strategy direction in many organisations, with Japanese, European and Southeast Asian organisations bringing increased competition worldwide (Velyako & Musa, 2023). In the mid-1980s, academics and organisations focused on analysing the external environment and viewed strategy as a quest for positioning and market leadership, introducing concepts such as competitive advantage, agility, and profit-maximising potential, with Porter and the Boston Consulting Group leading this research (Velyako & Musa, 2023). In the late 1980s and early 1990s, the focus shifted to the internal organisational environment and from strategic planning to strategic management (Louw et al; 2019).

2.2.1 The nature of strategy and its key components in the 21st century

The beginning of the 21st century saw the development of key theoretical concepts that influenced the rethinking of contemporary business models, including applying game and complexity theories to business. Complexity theory is the science of complex interacting systems characterised by non-linearity, unpredictability and periodic (Apaydin, 2021). The biggest challenge facing organisations in the 21st century was incorporating the unpredictable conditions of non-linearity, uncertainty, and ambiguity (Wirtz, 2023). Other developments in the 21st century included:

- Diagnosis of the 21st-century competitive landscape and the impact of globalisation.
- The strategic use of knowledge in organisations.
- The application of real options thinking.
- Risk management.
- Multiple connections or interconnectedness between markets.
- The power of the cloud and the Internet of Things.
- Value innovation, blue ocean strategy and non-disruptive creation.
- Sustainability, governance and ethics.
- The principle of action and reaction to strategising.

The experience of the world recession in 2008–2009 amplified the need for sustainability and corporate governance as part of the strategy (Apaydin, 2021). In addition to sustainability, the other main issues included contemporary business models and the ability to attain a competitive advantage.

The focus shifted from structure to processes. Multiple connections refer to interconnectivity between markets and are driven by volatility in the marketplace. The historical evolution of strategy throughout the years and the main themes and drivers are summarised in Table 2.1. The dominant themes and tools kept changing through the years due to an improved understanding of the marketplace and the emergence of new strategy concepts (Venter et al;2021).

According to Table 2.1, there have been changes in strategy thinking as the years progressed and the business environment became unpredictable. These changes included budgetary planning control, corporate planning, positioning and competitive advantage, and strategic and organisational innovation. Efficiency and competitiveness are the key for organisations to survive (Venter et al; 2021).

Attention now turns to understanding how strategy alignment may be influenced by the strategy perspective adopted in an organisation.

2.3 PERSPECTIVES ON STRATEGY MANAGEMENT

As defined in the previous section, an outcome of strategy implementation is a competitive advantage. A strategy has to be consistent with the organisation's internal and external environment to achieve a competitive advantage (Venter et al;2021). Strategy is a link between an organisation's internal environment and external environment (Meyer et al; 2023). In this study, the term *strategy* will refer to the long-term goals of organisations and how these goals are strategically aligned with the organisation's vision in an ever-changing environment.

Table 0.1: Historical Evolution of Strategy

Period	1950s	(1960-1970)s	(1970-1980)s	(1980-1990)s	2000s	2010s	2020s
Dominant theme	Budgetary planning and control	Corporate Planning	Positioning	Competitive advantage	Strategic and organisational innovation	Competitive advantage that is sustainable	IT as an enabler and scenario planning
Main issues	Financial control through operational and capital budgeting	Planning growth, especially diversification and portfolio planning	Selecting industries and markets. Positioning for market leadership	Focusing strategy around resources of competitive advantage. New business development	Reconciling size with flexibility and responsiveness	Focusing on value innovation. Sustainability. Stakeholder engagement. Winner takes all markets. Multiple connections	Focusing on value innovation. Sustainability. Stakeholder engagement. Winner takes all markets. Multiple connections
Principles; concepts and techniques	Financial budgeting. Investment planning. Project appraisal	Business forecasting. Corporate planning techniques. Synergy	Industry analysis. Segmentation. Experience curves. Strategic Business Units. Portfolio planning	Resources and capabilities. Shareholder value. Knowledge management. Information technology	Cooperative strategies. Competing for standards. Complexity and self-organisation. Corporate social responsibility	Value innovation. Stakeholder engagement. Governance and ethics. Multiple connections	Value innovation. Stakeholder engagement. Governance and ethics. Multiple connections
Organisational implications	Systems of operational and capital budgeting become key mechanisms of coordination and control	Rise of corporate planning departments and long term formal planning. Mergers and acquisitions	Multidivisional and multinational structures. Greater industry and market selectivity	Restructuring and re-engineering. Refocusing. Outsourcing. E-business	Alliances and networks. New models of leadership. Informal structures. Less reliance on direction and more on emergence.	Global strategies. Blue ocean strategy and non-disruptive creation. Integrated sustainability reporting. Brokering and participating in stakeholder relationships. More reliance on distinctive capabilities (process) rather than resources. Strategic action and reaction.	Global strategies. Blue ocean strategy and non-disruptive creation. Integrated sustainability reporting. Brokering and participating in stakeholder relationships. More reliance on distinctive capabilities (process) rather than resources. Strategic action and reaction.
IT enabler strategy	Systems of operational and capital budgeting become key mechanisms of coordination and control	Rise of corporate planning departments and long term formal planning. Mergers and acquisitions	Multidivisional and multinational structures. Greater industry and market selectivity	Restructuring and re-engineering. Refocusing. Outsourcing. E-business	Alliances and networks. New models of leadership. Informal structures. Less reliance on direction and more on emergence.	Global strategies. Blue ocean strategy and non-disruptive creation. Integrated sustainability reporting. Brokering and participating in stakeholder relationships. More reliance on distinctive capabilities (process) rather than resources. Strategic action and reaction.	Scenario planning for pandemics. IT as an enabler for business continuity. Contingent planning. Resource capabilities. Talent management and succession planning

Source: Adapted from Venter et al. (2021)

2.3.1 The inside-out perspective

Strategic leaders who adopt an inside-out perspective believe that strategies should be designed and developed around an organisation's resources, dynamic capabilities and organisational architecture and the ability to convert market intelligence into workable knowledge to take advantage of the opportunities in the external environment (Almandoz,

2023). Flexibility, agility, and innovation are central to achieving a competitive advantage. The resource-based and dynamic capabilities form the basis of the inside-out strategies.

The resource-based view (RBV) assumes that the organisation understands how its competitive advantage is achieved and sustained over time (Almandoz, 2023). This view assumes the organisation has resources that can be distributed to gain a competitive advantage. The organisation uses unique resources to implement value-creating strategies and explore new market opportunities (Rindova & Martins, 2023). The perspective of inside-out organisations is that a sustainable organisation can be achieved by formulating and implementing value-creation strategies while concurrently addressing the community's urgent social and environmental problems (Rindova & Martins, 2023). When organisations implement value-creation strategies, the other competitors cannot duplicate them as the organisation has achieved a competitive advantage due to their unique set of resources (Rindova & Martins, 2023).

Dynamic capabilities are activities that a strategic leader employs to integrate, build and reconfigure internal and external competencies to address rapidly changing environments, and which become the source of sustained competitive advantage (Nguyen et al; 2023). The dynamic capabilities are drivers for creating, evolving and recombining other resources into new sources of competitive advantage and cut across the entire organisation. However, resources and capabilities can threaten an organisation if lost, diminished or too entrenched to change rapidly (Goto, Makino & Ando, 2023). The enablers of competitive advantage, resources and capabilities can also lead to the organisation's downfall due to the inability to take appropriate action when there are changes to the external environment (Goto, Makino & Ando, 2023). Managerial stubbornness and incompetence are the usual causes of delayed action. An organisation can build on its internal resources, such as technological infrastructure and capabilities, such as information technology, to take advantage of external market forces (Brockwell & Mochizuki, 2023).

2.3.1.1 Weaknesses of the inside-out perspective

The inside-out perspective is a strategic paradigm that underscores the alignment of organisational strategy with its internal resources and capabilities. This approach has

wielded substantial influence across diverse contexts. Nevertheless, its application to various business settings is not without substantial drawbacks. Hence, Adžić (2020) outlines that an inside-out orientation, which emphasises leveraging internal strengths, may seem compelling, yet its compatibility with external dynamics warrants careful consideration (Isaksson, Ramanathan & Rosvall, 2023). Drawing insights from a spectrum of scholarly contributions illuminates the limitations while underscoring the demand for a more nuanced framework that accommodates the distinctive attributes of different enterprises (Adžić, 2020).

The inside-out perspective is a strategic approach that emphasises aligning organisational strategy with internal resources and capabilities. It has proven to be influential in various contexts. Inherent to organisations is a susceptibility to political, regulatory, and societal influences, giving rise to a dynamic and volatile operational landscape (Isaksson, Ramanathan & Rosvall, 2023). The internal-centric nature of the inside-out approach could impede the adaptability of these organisations to rapid external transformations. They encounter exigencies stemming from various external forces, often necessitating prompt responses that may not seamlessly align with the intrinsic principles of the inside-out strategy (Isaksson, Ramanathan & Rosvall, 2023). For instance, in state-owned enterprises, the inside-out perspective may hinder the ability to adapt to external changes quickly. However, they face challenges from government mandates and societal expectations that may require speedy adjustments, which may not align well with the inside-out approach typically used by private entities (Cambrea & Paolone, 2023).

Organisations function within intricate networks of stakeholders, encompassing diverse interests, including government entities and societal welfare (Mijan et al; 2022). Sole reliance on internal resources might obstruct the assimilation of external perspectives and considerations. Hoffjann (2020) posits that strategic decisions cannot solely emanate from internal considerations; instead, they must be informed by an external perspective to resonate with the intended audience. Neglecting other stakeholders' specific demands and objectives bears the risk of a tarnished reputation, legal repercussions, and a disconnect from the broader environment (Cambrea & Paolone, 2023).

Central to the inside-out perspective is the elevation of internal capabilities, potentially hampering organisations' capacities to harness external innovation and collaborative alliances (Chesbrough et al., 2021). For instance, in a study on the discourse on crafting strategies for international marketing, Cambrea & Paolone (2023) emphasise the need to synchronise internal capabilities with external market dynamics, which amplifies the necessity of a balanced approach to remain competitive in a global marketplace. While internal resources are pivotal, aligning with external realities such as market trends is equally crucial (Cambrea & Paolone; 2023). This approach can catalyse innovation, a pursuit that might be stifled within an inflexible inside-out framework.

A self-focused strategy centred on internal capacities can impede the adoption of pioneering technologies, curtailing the competitive prowess of these organisations (Chesbrough et al., 2021). In stark contrast, the assimilation of external insights within an adaptive strategy might facilitate technological leapfrogging, offering the potential for rapid advancements. In state-owned enterprises, the rigid internal focus of the inside-out perspective may hinder responsiveness to rapidly evolving external circumstances (Twum-Darko et al; 2023).

Crucially, the strategic trajectories of organisations are profoundly interwoven with industry dynamics and external factors. An inside-out orientation may inadvertently overlook the evolving environment, resulting in a misalignment between organisational strategy and requisites (Twum-Darko et al;2023). This incongruence can potentially compromise the efficacy of the selected strategic approach.

In summary, while the inside-out perspective has demonstrated its value within traditional business settings, its application to state-owned enterprises demands a more nuanced and deliberate approach (Twum-Darko et al;2023). The complexity of contemporary business environments necessitates a balanced approach that draws on inside-out and outside-in perspectives (Twum-Darko et al;2023). Adžić (2020) highlights the need for a hybrid strategy that effectively fuses these approaches to address intricate challenges. The intricate interplay of political influences, the intricacies of stakeholders, and the dynamics of governmental policies call for a strategy that seamlessly integrates internal capacities with external contextual variables. Embracing such an approach empowers

state-owned enterprises to navigate the intricate operating environment and secure a sustainable competitive advantage (Adžić ,2020).

In conclusion, the factors delineating an organisation's internal capacities evolve continually. Commencing with tangible resources, organisations progress to encompass explicit processes and values, leveraging business intelligence as a catalyst for strategic decision-making. Ultimately, these elements become entrenched in the fabric of the organisational culture.

2.3.2 The outside-in perspective

The outside-in perspective is also called the market-driven strategy and the industrial organisational model (Adžić, 2020; Hoffjann, 2020). Strategic leaders who adopt an outside-in perspective believe that strategies must be designed and developed as determined by market needs and based on the understanding of and response to the external environment (Hoffjann, 2020). From this perspective, the organisation:

- Identifies opportunities in the external environment.
- Defines its competitive industry creatively, facilitated by environmental scanning activities known as competitive intelligence.
- Adapts its resources and dynamic capabilities to take advantage of these opportunities, commonly known as strategic fit.

The key to this perspective is competing successfully in an attractive industry, with the external environment as the initiator of strategy. Successful competition requires an organisation to develop new resources to establish a competitive advantage, or the organisation can create new opportunities by forming strategic alliances with organisations that already have superior resources (Adžić, 2020; Hoffjann, 2020).

2.3.2.1 Weaknesses of the outside-in perspective

The outside-in strategic approach, which focuses on adjusting organisational strategies in response to external market forces, has become increasingly prominent in strategic management (Ashfaq, Zaheer &Arif, 2023). A primary critique of this approach is its reactionary nature. One limitation of this approach is its tendency to prioritise reactive

strategies rather than proactive measures to prevent negative consequences (Ashfaq, Zaheer & Aric, 2023). Several studies have identified weaknesses in this approach, highlighting the need for a comprehensive strategy that considers both internal capabilities and external dynamics (Adžić, 2020; Hoffjann, 2020). Organisations that adopt an outside-in perspective and effectively develop or acquire internal resources and dynamic capabilities to align with the demands of the external environment tend to achieve higher-than-average returns (Wang, Hu & Zhang, 2023).

Adžić (2020) examines the compatibility of outside-in strategies in different organisational contexts. Although not the main emphasis, Adze's (2020) observations align with the challenges of implementing outside-in approaches to strategic management in various organisational contexts. State-owned enterprises face challenges due to political influences and societal expectations, which can hinder their ability to incorporate external market insights effectively (Wang, Hu & Zhang, 2023).

Hoffjann (2020) examined the origins of content in strategic communication, focusing on the interaction between "outside-in" and "inside-out" paradigms. This research offers insights into the limitations of relying solely on an outside-in approach. This framework emphasises the significance of adopting a comprehensive strategic perspective incorporating internal and external factors. In the context of state-owned enterprises (SOEs), solely focusing on an external perspective may fail to recognise the importance of internal resources and capabilities that could potentially enhance the organisation's strategic advantage (Wang, Hu & Zhang, 2023).

Wang, Hu & Zhang, (2023) examine the complexities of formulating strategies for international marketing, specifically focusing on the dilemma of choosing between an "outside-in" or "inside-out" approach. While not explicitly targeting state-owned enterprises, their research findings align with the difficulties encountered by these organisations. The governance of state-owned enterprises often requires them to align with the government's broader societal interests and mandates. Relying solely on external market perspectives may cause a disconnect from specific responsibilities, potentially leading to a misalignment with societal goals and expectations (Wang, Hu & Zhang, 2023)

Although outside-in strategies provide valuable market insights, it is crucial to consider internal strengths, stakeholder complexities, and societal expectations. A comprehensive strategy considering internal and external perspectives enables state-owned enterprises to navigate their intricate operational environment effectively and align with their diverse roles in the broader societal framework.

2.3.3 The hybrid perspective

The hybrid perspective in strategic management emerges as a versatile and adaptable approach. Informed by a synthesis of internal capabilities and external dynamics, it presents a coherent strategy that accommodates the complexities of various contexts (Mijan et al; 2022). The hybrid perspective combines the two strategy approaches. The private sector setting will likely follow either the inside-out driven mainly by market intelligence or the outside-in perspective because the organisation clearly understands its resources and dynamic capabilities (Mijan et al; 2022, Chesbrough et al;2021).

According to the works of Mijan et al;(2022), and Chesbrough et al;(2021), a hybrid approach to strategic management should be adopted in different organisations. For instance, state-owned enterprises naturally function within complicated ecosystems, which might involve investigation into political and stakeholder complications (Mijan et al; 2022) while for small and medium enterprises a hybrid approach is essential for enabling capitalising on their internal strengths while responding to the changing external forces that affect their businesses (Mijan et al; 2022). Mijan et al; (2022), argue that although state-owned enterprises are corporates in terms of their outlook and architecture, they are candidates for the hybrid perspective by being owned by the government. The private sector agility enables the organisation to respond to market intelligence rapidly, scale up resources and capabilities, such as upgrading IT systems, and attract and recruit critical skills to exploit new opportunities (Turnbull, Chugh & Luck, 2023). Governments, in contrast, and by extension state-owned enterprises, are less agile and constrained by bureaucracy in several areas, such as:

- Identifying new market opportunities or a need to explore a gap.

- Enacting a law or an act in parliament or legislature to create state-owned enterprises that carry out only that particular mandate.
- Providing resources and reviewing dynamic abilities in capacitating the organisation.
- Moving between inside-out and outside-in strategic approaches to fulfil the mandate risks missing opportunities due to the first-mover-advantage principle.

2.4 ONTOLOGY AND THE COMPLEXITY OF STRATEGY

In any scholarly effort to explore the nature of strategic alignment or understand the barriers and enablers of strategic alignment, it is very prudent to grasp the nature and complexity of strategy. First, it is essential to underline that complexity is traceable to the Latin word '*complexus*'. Christensen & Madsen, (2023) reveals that *com* means “together” and *plectere* means “to weave” or “braid”, suggesting *complexity* means arising from inter-relationship, inter-action, and inter-connectivity of elements at a micro-level and sometimes among different macro-level systems (Christensen & Madsen, 2023). In a strategy, different elements relate to the organisation’s long-term direction. Strategy is also about the web of internal interdependencies and cross-functional collaboration to create synergies in internal functioning. Johnson and Scholes’s (2002: 10) cited in Ibrahim & Kwando (2023) appreciates the complexity of strategy and its elements. These two scholars define strategy as “the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations” (Ibrahim & Kyando (2023).

Table 2.2 is used to illuminate the six interrelated components, namely, direction, scope, advantage, resources, environment and stakeholders, that depict the complexity of the strategy concept.

Table 0.2: Components of the Complexity of the Concept of Strategy

• Where is the business trying to get to in the long run (direction)?
• Which markets should the business compete in, and what activities are involved? (Markets; scope)
• How can the business perform better than the competition in those markets? (Advantage)
• What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (Resources)

- | |
|--|
| <ul style="list-style-type: none">• What external environmental factors affect the business's ability to compete? (environment)• What are the values and expectations of those with power in and around the business? (Stakeholders). |
|--|

Source: Adapted from Johnson and Scholes (2002:6).

Notably, the most recent definition of strategy by Amini & Rahmani (2023) is concise and labelled as a three-element definition of strategy as an organisation's long-term direction. According to Amini & Rahmani (2023) defining strategy in the long term entails pushing out the horizon as far as possible and a comprehensive view of an organisation, including deliberate, logical and emergent strategy patterns. In addition, long-term direction can embrace strategies that emphasise differences and competition and recognise cooperation and imitation. The direction of strategy is set according to long-term objectives. However, it is vital to understand that sometimes strategic direction emerges as a coherent pattern over time (Amini & Rahmani ,2023).

The complexity of strategy is also decipherable in the different approaches (e.g. inside-out, outside-in) and the different and interrelated conceptual meanings of strategy. Second, there is a lack of consensus among strategy scholars and practitioners on the meaning of strategy.

The old but still insightful work by Henry Mintzberg (1987), a Canadian scholar and businessman, depicts the complexity of strategy through the five Ps framework of strategy. Henry Mintzeberg (1987) cited in Khalifa (2023) conceptualises strategy in five different ways, which are insightful in the strategy domain. In this regard, strategy may be conceived as a plan, ploy, perspective, position and pattern in an organisational context. The work of Henry Mintzberg (1987) is fascinating when it comes to the nature of strategy because it reveals the complexity and variety of perspectives of strategy (Louw & Venter, 2021).

Arguably, the meaning of strategy that strategic leaders in an organisation adopt can influence the type of activities undertaken or reinforced in the pursuit of strategy alignment and performance. Figure 2.1 illustrates the five Ps by Mintzberg (1987), followed by a critical discussion of each framework element.

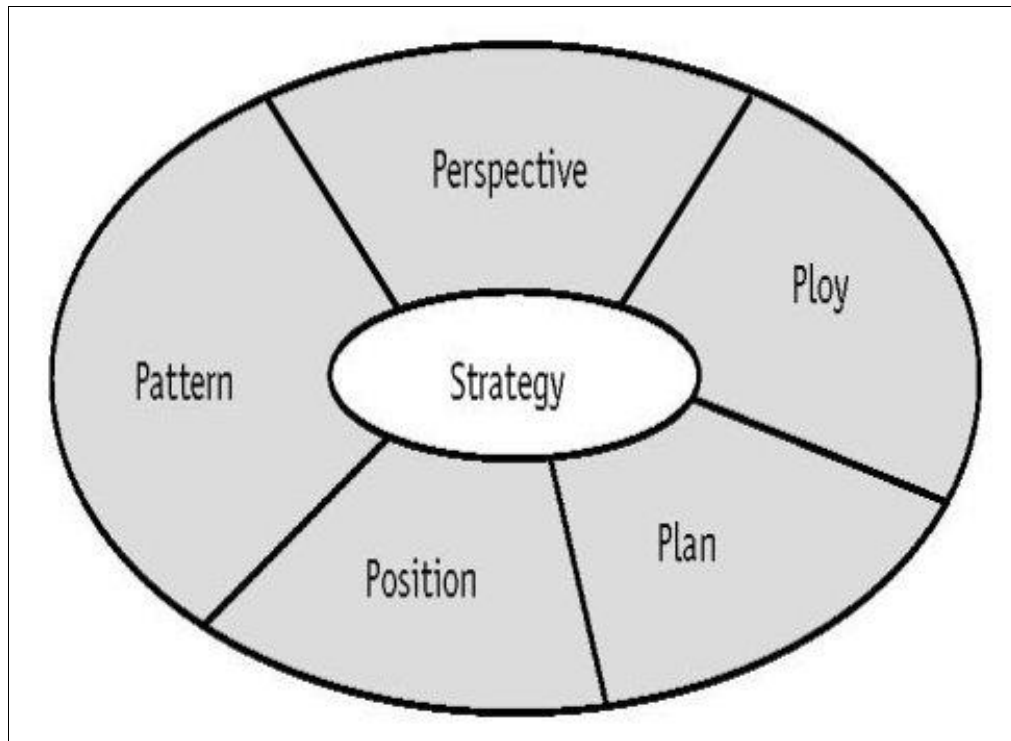


Figure 2.1: Five Ps of Strategy

Source: Mintzberg (1987:8)

2.4.1 Strategy as plan

Louw & Venter (2021) argue that a plan provides overall direction and a course of action to be followed by an organisation. This ontology of strategy reveals a future orientation and the notion that strategy is made before possible actions are taken. Thus, strategy as a plan is developed consciously and purposefully (Louw & Venter, 2021). This study focuses on aligning strategy as a plan in state-owned enterprises in KwaZulu-Natal. Organisations use this technique to equip themselves to make better strategies for decision-making and link the internal organisation's capabilities to the external environment. Louw & Venter (2021) define strategy as a game plan outlining a manager's choices. Strategy as a plan and a consciously intended course of action or a set of guidelines to deal with the situation has two key characteristics. Khalifa (2023) identifies these two essential characteristics as depicting that (1) strategy is made in advance of the actions to which they apply and (2) that strategy is developed consciously and purposefully. Organisations are social systems held together with the glue of shared commitment to common ends. Strategy as a plan creates a common destination and unity

of purpose (Togayev, 2023). People are goal-oriented and “pulled” along by a sense of purpose, desire, and value expectations clarified in the strategy. Organisational and subsequent individual goals must be consistent with long-term goals and linked to a strategy to be effective (Togayev, 2023).

One major limitation of strategy as a plan is that it assumes that one can objectively anticipate events and evaluate alternative courses of action and that there are simple, straightforward, direct solutions. However, this is inconsistent with the dynamic nature of implementation, where the end state is sometimes unknown. A strategy must incorporate sensitivity or scenario analysis for possible changes/deviations to develop mitigation steps to overcome this limitation.

2.4.2 Strategy as a ploy

In an organisation or industry, there is no way to avoid competitors. Ploys are specific tactics designed to try and outsmart or disrupt what the competitors are doing. Mintzterberg (1987) and Louw and Venter (2021) posit that a ploy is a strategy the organisation can use to confuse the market and get the better of competitors: the organisation must plot to disrupt, dissuade, discourage or otherwise influence. Strategy as a ploy is a specific manoeuvre intended to outwit an opponent or competitor. The idea is that strategy is a ploy focusing on a competitive rather than collaborative dimension. State-owned enterprises in KwaZulu-Natal operate in a competitive (a need to keep costs down) political environment with numerous stakeholders (Louw and Venter ,2021).

2.4.3 Strategy as a pattern

Patterns are how organisations do things consistently over time (Louw & Venter, 2021). There is the ontology of strategy as a pattern in a stream of actions over time. While strategy as a plan is futuristic and requires foresight, strategy as a pattern relies on hindsight. It encompasses the resulting behaviour such that strategy is the consistency in the past activities, processes and behaviours, whether intended or not (Louw & Venter, 2023). In understanding strategy as a pattern, it is essential to acknowledge that behavioural patterns are separated into three groups (intended strategies, emergent strategies and unrealised strategies) (Twum-Darko et al;2023). Strategic plans and ploys

are deliberate exercises; however, strategy emerges from past organisation behaviour. Instead of a strategy being an intentional choice, strategy is viewed as the consistent pattern in the activities and behaviours that are decipherable over time. Overall, strategy emerges as a pattern considering the various internal and external situations rather than being pre-planned (Khalifa, 2023).

2.4.4 Strategy as a position

There is the ontology of strategy as a position in the environment. In the environment, an organisation may position itself in relation to its competitors and other types of stakeholders (Louw & Venter, 2021). Positioning as a strategy assists organisations to position themselves in the market and against competition (Louw & Venter, 2021). The ontology of strategy as a position in the environment is about locating an organisation in an “environment” and the interaction between the internal and external contexts. In the environment, an organisation may position itself in relation to its competitors and other types of stakeholders (Louw & Venter, 2021). Position answers, “How are we going to carve out a piece of the market for ourselves?” There will be pros and cons to each answer. For example, a state-owned enterprise, such as the South African Broadcasting Corporation, positions itself as a credible, financially sustainable, digitalised national broadcaster in South Africa (Gasela, 2022).

In this case, an organisation carefully considers how it wants to position itself and how that matches stakeholders’ expectations. How an organisation positions itself results from a proactive and conscious attempt to create a fit between an organisation and its environment (Phaladi, 2021). The strategic position helps against competitors and gives the organisation a firm place in the market. Alternatively, the organisational position may arise through a pattern of behaviour depicting how an organisation relates to the environment and its stakeholders (Khalifa, 2023). A state-owned enterprise’s position is influenced by various stakeholders, inside and outside the organisation, and drives its strategic actions and goals (Gasela, 2022). For instance, some of the pressures in state-owned enterprises in South Africa derive from service delivery mandates, ownership models, demands from the community and political forces.

The inside-out perspective resonates with strategy as a position, which emphasises that an organisation must focus on how the internal resources respond to the threats or opportunities in the macro environment. In this way, strategy helps organisations explore the fit between the organisation and the external environment to establish a sustainable competitive advantage (Twum-Darko et al;2023). Thus, a state-owned enterprise's relative position within its industry matters for performance. Strategic positioning reflects a state-owned enterprise's choices about the value it will create and how that value will be created differently than its rivals. While strategy as a position looks out to the world, strategy as a perspective looks inward (Twum-Darko et al;2023).

2.4.5 Strategy as a perspective

Strategy as a perspective refers to how an organisation functions and gets things done (Louw & Venter 2021). More importantly, strategy as perspective relates to the shared perceptions and mental framework for perceiving the world and the ways of acting. Because it is cognitive, strategy as perspective refers to an organisational way of doing things. In this regard, strategy is a perspective shared by members of an organisation through their intentions and/or actions (Handayani & Pranoto, 2023). For example, employee's perspectives of their organisation shape how they deal with key stakeholders such as customers (Handayani & Pranoto, 2023). It is crucial to determine how different segments of employees perceive their organisations. What is the image of their organisation, and how does it deliver its goods and services? In the municipality's case, one may question how the different employees view citizens, superiors, businesses and politicians as some of the stakeholders (Handayani & Pranoto, 2023). To understand how strategy is implemented, the different views of all these individuals and stakeholders become a valuable source of information. The ontology of strategy as a perspective is grounded in the idea that organisations carve a distinctive niche or an identity (e.g. the most customer friendly bank, most dysfunctional state-owned enterprises) in the environment and the minds of stakeholders (Khalifa, 2023).

The choice an organisation makes about its strategy relies heavily on its culture. For strategy as perspective to be helpful, it must be shared by all members of an organisation. It must also be lived by everyone in the organisation's daily actions (Khalifa, 2023). It is

critical to underscore that a key role for leaders and managers in an organisation is to try and ensure everyone shares the same perspective (Louw & Venter, 2021). In state-owned enterprises, this may relate to how well leaders share the vision and values of the organisation, along with the roadmap to realise that vision (Louw & Venter, 2021).

Louw & Venter (2021) asserts that the five Ps framework of strategy is insightful for a scholar of strategy alignment because it illustrates how what was once an intentional and conscious plan becomes an unconscious pattern of behaviour, thus reflecting what was realised in an organisation over time. The five Ps of strategy drive the point that strategy is complex, and there are different ways of understanding this concept when understanding how activities and internal organisational functions align or misalign with the strategy adopted in an organisation such as a state-owned enterprise (Khalifa, 2023). The complexity of strategy as a phenomenon demands that a researcher of strategy alignment is familiar with these nuances while being clear on what ontology is adopted in a particular study and the reasons for that approach (Khalifa, 2023).

Given the above discussion on the complexity of strategy, it is pivotal to illuminate that the definition of strategy in this study refers to the long-term direction of an organisation guided by its objectives and goals in an ever-changing environment. This definition is suitable and relevant because it helps clarify how organisations should align their strategies and goals in this study of state-owned enterprises.

2.5 FUNDAMENTAL ELEMENTS AND LEVELS OF STRATEGY ALIGNMENT

In literature, there is a lack of conceptual consensus on the meaning of alignment and its limited research foundation. One of the ongoing debates pertains to the nature of strategy alignment, why it is required, how organisations can improve their alignment, and how it should be researched (Chauke & Motubatse, 2020). Chauke & Motubatse (2020) commented that alignment and misalignment remain vague as numerous gaps exist in the literature, and scholars hold different opinions about the meaning and consequences of alignment. Strategy alignment is the extent to which a firm's capabilities and resources match the organisation's strategic intent (Veille, 2023). Strategy alignment means coordinating organisation resources (both internal and external) to implement the

company vision (Veile, 2023). Sharma & Behl (2023) also emphasised the importance of strategic alignment as a foundation for effective execution. According to Yang & Jiang (2023), alignment means properly coordinating and integrating strategy components to enhance successful implementation, especially the internal company resources and external environment. Other research by Henderson and Vekentraman (2013) cited in Chidinma et al; (2023) describes strategy alignment as a dynamic fit between the organisation's external and internal factors. Veile (2023) describes strategic alignment as the perfect condition where strategy, employees, customers and stakeholders work together to achieve strategy execution. Kaplan and Norton (2006) view alignment as the principal driver that enables highly successful companies to implement their strategy effectively and achieve their strategic goals and mandates. Table 2.3 depicts different types of alignment predominantly related to business and IT.

Table 0.3: Different Types of Alignment

<u>Alignment type</u>	<u>Description</u>
Intellectual alignment	The integration of business strategy with IT strategy
Operational alignment	The integration of business infrastructure and processes with IT infrastructure
IT/IS alignment	The integration of IT strategy with IT infrastructure and processes
Business alignment	The integration of business strategy with organisational infrastructure and processes
Cross-domain alignment	The integration of business strategy with IT infrastructure and processes
Cross-domain alignment	The integration of IT strategy with organisational infrastructure

Source: Street, Gallupe and Baker . (2018: 69)

Table 2.3 list different alignment types and their and conditions that integrate and coordinate activities to increase successful strategy execution. The alignment of business strategies is pivotal to defining and maintaining a line of sight. Strategies must, therefore, work together for maximum efficiency and effectiveness and minimise wastage of resources. A typical business alignment technique is a vertical and horizontal alignment.

Gisela (2021) amplified the importance of vertical alignment. For them, it ensures that strategies correlate directly to the organisation's goals so that resources are deployed and used effectively. On the other hand, horizontal alignment ensures that all strategies work together to avoid competing for priorities (Gasela, 2021). Aligning vertical and horizontal strategies can be helpful, especially for South African state-owned enterprises, to increase productivity and decrease wastage. In South Africa, bureaucracy and unclear

decision-making procedures frequently engender difficulties for state-owned enterprises (Chauke & Motubatse, 2020). State-owned enterprises may enhance decision-making and increase efficiency by ensuring that strategic objectives and plans are aligned vertically and horizontally. Shared knowledge of the organisation's aims and objectives can also be developed through strategy alignment, enhancing internal communication and collaboration (Chauke & Motubatse, 2020) .

2.5.1 Business-IT alignment

In a qualitative study of the strategic alignment perspective of public sector organisations in Saudi Arabia in the digitalisation age, Alghazi et al;(2020) suggest that strategic alignment is the extent of the match between the Information Technology (IT) strategy and a firm's business strategy. This view is closely aligned to the domain of IT, where strategic alignment is recognised as a top priority in creating business value in information technology (IT) by business managers and IT executives (Sharma and Behl, 2023). The business-IT strategic alignment is vital because it relates to how an organisation translates IT into improvements to business performance (Sharma and Behl, 2023)

It is equally notable that technology is identified as a critical driver and facilitator of the complex changes embedded in an organisation's architecture and internal functioning (Kandukuri, 2023). Effective IT-business alignment is characterised by whether technology has end goals equal to those of the other disciplines involved in the organisation (e.g., production, sales, operations and, most importantly, product development) and work in unison towards the overall organisational success (Broccardo et al; 2023). Effective business-IT alignment is pivotal to translating business requirements into technology solutions as organisations increasingly engage in digital transformation. However, one of the significant challenges is always related to how individual groups can align themselves around common goals and strategic priorities (Westerveld et al;2023). It is also challenging to ensure strategic alignment when key players fail to identify the drivers of these goals and how they combine to achieve organisational success.

Strategic alignment in state-owned enterprises encompasses various organisational aspects beyond IT-business alignment. This alignment requires a detailed understanding

of how these dimensions intersect to guide the organisation towards its overall goals while effectively managing the complexities associated with ownership structures and external political influences in the context of state-owned enterprises (Rukmana et al;2023) However, studies reveal that IT technologies are important in improving the efficiency of complex management environments (Alghazi et al., 2020). According to Alghazi et al; (2020), strategy alignment is prioritised by managers to seek and improve the efficiency of their organisations by focusing on IT and technology as drivers of the strategy.

Adiputra et al; (2020) conducted a study that highlights the significance of “levers of control” and enterprise risk management (ERM) in the business strategies and financial performance of state-owned enterprises. Business IT systems support control mechanisms and risk management in this context. State-owned enterprises can use advanced IT solutions to effectively monitor operations, streamline financial processes, and ensure adherence to strategic directives (Llmudeen et al; 2023). IT systems offer real-time data and analytics, facilitating decision-makers in aligning their actions with strategic objectives and promptly adapting to changing circumstances.

Stone et al; (2022) and Nie (2022) highlight certain state-owned enterprises’ geopolitical and international context, particularly in China. The studies highlight the frequent utilisation of state-owned enterprises as tools for domestic and international policy objectives. Business IT ensures that an organisation’s operations align with broader national strategies. IT systems enable the exchange of information among government entities, state-owned enterprises, and international stakeholders (Stone et al;2022). This exchange facilitates the coordination of business decisions with broader national goals.

Raynard, Lu, and Jing (2020) argue that state-owned enterprises must adapt and reinvent themselves to respond to environmental disruptions. This idea aligns with the ever-changing nature of the business landscape, characterised by rapid technological advancements and market fluctuations. Due to their agility and flexibility, business IT systems enable state-owned enterprises to adapt their strategies and operations in response to dynamic conditions. Information technology (IT) facilitates the quick sharing of information, collaboration and decision-making processes, ensuring that strategic

changes are effectively communicated and implemented across the organisation (Raynard, Lu, and Jing, 2020).

Puspitawati (2021) emphasises the significance of effective management accounting information systems in moderating the impact of strategic information, thereby underscoring the role of IT in shaping the strategic alignment of state-owned enterprises. Accurate and timely data, facilitated by information technology systems, is critical in aligning business strategies with performance measurement (Puspitawati, 2021). State-owned enterprises can use IT-enabled analytics and reporting to monitor the implementation of strategic initiatives, detect any deviations, and make necessary adjustments to ensure alignment with long-term objectives (Sharmaa and Behl, 2023).

Business IT is crucial in helping state-owned enterprises navigate dynamic business environments. It acts as a bridge between strategic objectives and operational implementation, facilitating the coordination of different components to accomplish organisational goals (Sharmaa and Behl, 2023).

2.5.2 Levels in strategic alignment

Effective strategic alignment is crucial for the success of state-owned enterprises because they face challenges from their complex ownership structures, public mandates, and dynamic operating environments. Strategy alignment has different levels, the most notable being vertical and horizontal (Gasela, 2021). The vertical axis links people with strategy, while the horizontal axis connects business processes with customers. Vertical alignment in state-owned enterprises refers to aligning objectives and strategies across various hierarchical levels. It entails the effective and consistent dissemination of goals from top-level management to all levels of the organisation. Alignment is crucial for avoiding conflicting priorities, improving communication, and fostering a shared sense of purpose (Pesce & Neirotti, 2023).

Vertical alignment cascades the organisational strategic goals down the organisational hierarchy. Vertical alignment describes a condition in which every employee can articulate the enterprise's strategy and explain how daily work activities support that strategy (Zhang et al; 2023). Vertical alignment within an organisational context is how resources

and strategies are engaged in the same direction to work towards the organisation's goals, mission, or purpose. When this happens, everyone involved knows what they are contributing towards and that their contributions are valued as a small part of a larger whole (Momo, Hare & Lucet, 2023).

The notion of the vertical level of strategy alignment within the state-owned enterprise depicts the government as the executive authority, the board as the accounting authority and the chief executive as the accounting officer (Wang et al; 2023). The strategy of the state-owned enterprise emanates from the government (shareholder) as a vision, and the shareholder enacts the law that forms the state-owned enterprise for a particular mandate. The policy creation by the legislators contributes a significant input to state-owned enterprise strategy formulation and, at times, is delinked from the realms of implementation. The executive authority entrusts the accounting authority (the board) with strategy formulation, approval and ownership functions, which the chief executive officer implements (Havenga, Simpson & Neethling, 2023).

The chief executive develops a strategy and presents it to the board for challenge, input and approval before implementation. When presenting the strategy to the board, the chief executive officer would have aligned internally with other managers such that upon approval, all systems are prepared for execution (Havenga, Simpson & Neethling, 2023). In the private setting, strategy alignment is generally a response to capture the market and gain a competitive advantage in the changing market landscape. Therefore, strategy alignment in the private sector supports agility to capture economic opportunities and maximise shareholders' revenue (Zhang et al; 2023).

Vertical alignment encourages efficiency from the top down and bottom up. Those at the top will know that their front-facing employees are aligned with the organisation's values and mission. As the name suggests, vertical alignment looks at the relationships between individual hierarchies (Havenga, Simpson & Neethling, 2023). How can one's work and the resulting outcomes support those on the level above them to accomplish their goals? If this is taken into account with organisational alignment, all hierarchical departments will automatically be working together towards the highest-level strategic goal. If there is a lack of vertical alignment, silos emerge when teams pursue goals not aligned with the

company's goals (Havenga, Simpson & Neethling,2023). As a result, they work only for themselves and do not contribute to the progress of higher-level goals. The alignment process clarifies who is working on what topics and where support from other teams may be necessary (Yudong et al;2023).

Lack of transparency about strategic priorities occurs when vertical alignment is lacking. Transparency regarding the most important priorities helps teams focus. Ideally, each employee has an overview of the dependencies of their own team goals on other goals and the influence their own goals have on higher-level ones (Yudong et al;2023). When leadership's goals align with the goals of those they supervise, it helps an organisation work more cohesively and establishes credibility among leadership. Hence, the corporate strategy is transformed into performance plans for each business unit and department, and further down, performance plans are split into performance contracts for each employee to create a line of sight from the lowest organisation level to the top and vice versa (Yudong et al;2023).

Horizontal alignment involves harmonising strategic goals and performance measures used in different business units assessing and reviewing performances to ensure good benchmarking (Gasela, 2021). Horizontal alignment breaks through the boundaries that often separate companies from their customers. Employees in horizontally aligned organisations notice the links between strategy, customers, and people and customers. Alignment between these elements is as important as vertical alignment. A strategy, for instance, that does not align or make sense for customers will undermine everything the organisation and its employees attempt to do (Atiku et al;2024).

As well as aligning from top to bottom, it is also possible and essential to align across all areas of connected business. Horizontal alignment focuses on the various teams within the company. Each team has its own goals, but it is still vital to see how they relate to those from other departments (Atiku et al; 2024). Are there overlaps and commonalities with these goals? Do some goals depend on goals from other teams? If teams have these insights, it is much easier to prioritise capacity and, as a result, increase employee productivity. At the horizontal level, a lack of planning results in teams often starting with the execution phase directly after drafting their goals, which can lead to unexpected

blockages because dependencies on other teams' goals are not determined in advance (Atiku et al; 2024). Resource bottlenecks are also common because there is no clarity regarding which goals and how many require capacity from each respective team. If alignment is not considered early on, teams may work in different directions than the one specified by the company strategy, preventing or delaying goals from turning into results. The four elements in terms of strategy, people, processes and customers must be aligned and realigned to achieve high performance (Adebayo & Ackers, 2023).

Whatever the enterprise or its goals, the degree to which the key elements are integrated and working in concert will determine how quickly and successfully it will fulfil its primary purpose (Adebayo & Ackers, 2023). With strategic alignment, employees in every department and every area of the value chain are all aligned to the specified strategic goal. In this way, all work processes within the company perfectly mesh together, running like a well-oiled machine, making each employee and department much more efficient (Adebayo & Ackers, 2023).

Alignment is necessary for organisational efficiency and effectiveness, whereby all members at different levels work towards the same purpose. The commonality of purpose, direction and synergy are key in understanding strategy alignment. According to Heravi et al;(2023), strategy alignment is simply defined as the extent to which the strategy, structure and culture of the organisation are combined to create synergy to achieve the goals of the organisation. Alignment must be created, institutionalised, and strengthened within the organisation for successful strategy implementation (Heravi et al;2023). Heravi et al; (2023) argues that strong alignment enhances productivity, and organisations with solid alignments are the most successful.

Heravi et al;(2023) defined alignment as an optimal state where resources, employees and all stakeholders work harmoniously to achieve an organisational goal. Alignment refers to a harmonised performance where each choir member knows precisely their role. The concept of alignment is key to the successful execution of organisational strategy (Heravi et al;2023. While the attempt to understand the complexity of strategic alignment in terms of level is key, it is essential to underscore that alignment relates to the organisation's numerous internal and external elements – from its business strategy to its

organisational structure to best support the fulfilment of the long-term goals and purpose (Heravi et al;2023).

Vertical and horizontal alignment is helpful for state-owned enterprises and, consequently, for this study because examining alignment in terms of vertical and horizontal requirements allows organisations to effectively align their strategies with their objectives (Pramono & Azmi, 2023). In sum, state-owned enterprises can have strategies and goals, but they will be negatively affected if they are poorly structured and aligned. Most importantly, this section emphasises that alignment starts with individual employees and managers knowing all the organisation's capabilities and consensus on what needs to be done to achieve these objectives (Pramono & Azmi, 2023). This has been the missing aspect with most state-owned enterprises, such as ESKOM and South African Airways, which have seen chief executives come and go (Phaladi, 2021). The high turnover in leadership positions can directly affect strategy alignment because new leaders develop different strategies and leave without enough time to implement them. Mutiara et al. (2019) studied IT governance-process capability levels, emphasising the importance of vertical alignment in technology initiatives. Findings were that the efficient communication of IT strategies from upper management to operational teams is essential for ensuring the alignment of technology investments with the broader business.

Pramjeeth's (2021) case study on leadership in state-owned enterprises highlights the significance of top-level leadership in establishing a strategic direction. Vertical leadership involves effectively communicating a coherent vision, objectives, and values upheld consistently throughout the organisation. This alignment promotes a unified organisational culture and a mutual comprehension of strategic priorities, facilitating collaboration among various levels of state-owned enterprises to achieve shared objectives. In contrast, horizontal alignment within state-owned enterprises aims to coordinate activities among various functional areas or departments. It entails promoting collaboration, sharing of information, and coordinated endeavours to accomplish common goals. Horizontal alignment is essential in state-owned enterprises due to their complex mandates and operations (Phaladi & Ngulube, 2022).

Raynard et al; (2020) emphasise the significance of horizontal alignment in examining the reinvention of state-owned enterprises. State-owned enterprises must ensure the seamless implementation of changes across different departments as they adapt to evolving environments. The alignment prevents the formation of isolated groups and promotes the unified adoption of new strategies and processes throughout the organisation.

Gasela (2021) highlights the importance of horizontal alignment in public entities when examining the relationship between strategy alignment and organisational performance. Effective collaboration between units or divisions within state-owned enterprises is essential for translating strategic goals into measurable outcomes. Horizontal alignment of departments enhances efficiency and facilitates collaboration by leveraging their respective strengths to overcome challenges and accomplish shared goals.

The alignment of vertical and horizontal structures within state-owned enterprises is crucial for their overall success. Vertical alignment facilitates the dissemination of strategic goals across the organisational hierarchy, fostering a collective understanding of purpose (Gasela, 2021). Horizontal alignment promotes cross-functional collaboration, allowing various organisational units to collaborate effectively in pursuit of shared goals. These alignments improve the agility, efficiency, and effectiveness of the state-owned enterprises in addressing challenges (Gasela, 2021).

2.5.3 Strategic alignment as holistic and multi-dimensional

An organisation must adopt a holistic strategic alignment that includes many internal and external factors to manage difficulties and accomplish long-term goals (Adebayo & Ackers, 2023). This method considers the complex interplay between many aspects and seeks to balance them for maximum efficiency and longevity. Strategic alignment is holistic because it relates to harmonising the three “hard S’s” of strategy, structure and systems and the four “soft S’s” of skills, staff, style and shared values, which makes the organisation perform better as a cohesive unit (Jing, Meng & Yu, 2023). In a slightly different vein, alignment is about ensuring that everyone inside the organisation knows its direction and their respective contribution to move in unison towards the desired future

state. Louw et al. (2019) emphasised the importance of strategic alignment whereby organisational strategy is calibrated against the culture, strategic leadership, organisational design and governance so that everyone has a line of sight and sees how their contribution fits the strategy. It is also important to highlight that strategic alignment is the interdependence and cross-coordination of organisational functions and resources to implement the company vision (Jing, Meng & Yu, 2023).

Gasela (2021) concur that alignment demands proper coordination and integration of various internal components (e.g., strategy, system, styles, structure, staff, and shared values) to enhance successful implementation, especially the internal company resources and external environment. Notably, scholars view strategic alignment in terms of the web of interactions and internal organisational functioning, which is critical for organisational-level outcomes and synergy (Hlobo et al;2022). For example, (Adebayo & Ackers,2023) describes strategic alignment as the perfect condition where strategy, employees, customers and stakeholders work together to achieve strategy execution.

Kaplan and Norton (2006) cited in Lamia (2023) argue that alignment creates focus and coordination across even the most complex organisations, making identifying and realising synergies easier. Kaplan and Norton (2006: 2) refer to organisational alignment as one of the five key strategy implementation management processes. The holistic approach to strategy alignment is crucial for this study because it covers all the angles on how organisations can align their strategies. The approach contends that alignment is not only about aligning strategy with goals but also about workers and managers pulling in the same direction and with the same intentions (Lamia, 2023). It is also important to note that the holistic approach defines alignment as a process tied to external factors. This tie means that customers and other external stakeholders must have the same goals and intentions as the internal stakeholders of organisations (Burger & Pelsner, 2018), and is crucial for organisations such as state-owned enterprises that are not immune to external pressure to meet service delivery while remaining competitive and profitable. Therefore, a holistic approach to alignment can benefit state-owned enterprises in South Africa because it demands cooperation between all internal and external stakeholders.

Pramjeeth's (2021) research on state-owned firms operating in unstable situations shows the importance of leadership in achieving holistic strategic alignment. Leaders significantly impact an organisation's trajectory, culture and resilience in facing external uncertainty. Aligning leadership practises with overarching strategic goals is emphasised in a more comprehensive understanding of strategic alignment. This holistic viewpoint guarantees that executives steer the organisation through uncertainty and cultivate a unified culture in tune with the state-owned enterprise's broader objectives.

Soewarno and Tjahjadi (2020) emphasise the multifaceted nature of alignment by examining the relationship between an eco-oriented culture, innovation strategy, continuous improvement and financial performance. This perspective acknowledges that strategic alignment extends beyond financial goals to include environmental factors and societal expectations. A comprehensive strategy for alignment incorporates sustainability principles into the organisation, demonstrating a commitment to environmental stewardship and long-term viability.

Hilson and Ovadia (2020) argue for integrating local content policies and broader socioeconomic objectives in the extractive industry. This alignment recognises the varied effects of the extractive industry on different stakeholders and sectors. State-owned enterprises can optimise their impact by aligning local content policies with economic diversification and community development, resulting in positive outcomes across various dimensions.

Marcoux and Sylvestre-Fleury (2022) examine China's involvement in the Belt and Road Initiative, highlighting the importance of considering alignment from multiple dimensions. The study highlights the complex relationship between international efforts and domestic priorities. A comprehensive perspective on strategic alignment acknowledges the importance of integrating international initiatives with domestic strategic objectives. By aligning global initiatives with the overarching objectives of the SOE, a multi-dimensional alignment ensures that international engagements effectively contribute to the organisation's broader mission (Li et al;2023).

Li et al. (2023) examine the interplay between home and host country considerations in Chinese state-owned multinational corporations. This alignment recognises the necessity of reconciling various political, economic, and cultural factors. A comprehensive strategy for alignment ensures that an organisation's activities effectively address the complex challenges of global operations while staying true to its core objectives.

Moletsane (2023) highlights the importance of alignment in privatising state-owned enterprises, emphasising its multi-dimensional nature. Privatisation entails complex financial, operational, and strategic factors. A comprehensive perspective on strategic alignment acknowledges the importance of reconciling financial goals with preserving the state-owned enterprise's identity and dedication to public interests.

Notably, some scholars posit that strategic alignment is a multi-dimensional phenomenon. For example, a quantitative study of strategy alignment in South African mining enterprises by Burger and Pelser (2018) operationalised organisational alignment as internal role-players' perceived degree of agreement on three dimensions. The first dimension was *the organisation's purpose*, which refers to the organisation's overall objectives and goals and the value to be created. More specifically, the organisation's purpose dimensions were perceived as "alignment with market stakeholders", "alignment with non-market stakeholders", and "alignment between internal stakeholders".

The second dimension is the *stakeholder priorities*, referring to the relative priorities of internal and external stakeholders. These dimensions hinge on the perceived agreement between managers on the relative priorities of internal and external stakeholders. Burger and Pelser (2018) posit that actions taken in an organisation to identify and prioritise stakeholders, improved agreement levels on stakeholder priorities, and effective allocation of resources are critical in enhancing strategic alignment. The stakeholder dimension upholds the social view on the functioning of an organisation, which is missing within large sections of South African organisations (Moletsane, 2023).

Last is the dimension of *execution focus*, referring to action plans and resource allocation used to achieve the agreed objectives and the execution of the value creation process.

The execution focus dimension of organisational alignment includes two factors, namely stakeholder satisfaction and resource allocation (Moletsane, 2023)

The study is important because it simplifies the applicability of strategy alignment for state-owned enterprises. Because the study emphasised the need for a clear consensus between external and internal stakeholders regarding the organisation structure and goals, it can be helpful for state-owned enterprises, especially decentralised ones or those with dual ownership (Gasela, 2021). The next section delves into interdependent elements of strategy aligned organisation.

2.5.4 Five interdependent elements for a strategically aligned organisation

Strategy alignment in an organisation does not independently occur because it relates to several elements and their interrelationships and outcomes in a system. Trevor and Varcoe (2023), in their article entitled, “How Aligned Is Your Organisation?” are clear that while many executives are aware of the need to align strategies, organisational capabilities, resources and management systems to support the organisation’s purpose, the challenges is how to fit all these together as a system.

In the organisational context, strategy alignment means excelling through a tightly managed value chain that connects an organisation’s *purpose* (what we do and why we do it) to its *business strategy* (what we are trying to win at to fulfil our purpose), *organisational capability* (what we need to be good at to win), *resource architecture* (what makes us good), and *management systems* (what delivers the winning performance we need). There are five interdependent elements of a strategically aligned organisation, according to Trevor and Varcoe (2023). The interconnection between the five elements reveals areas where strategic leaders may focus their attention to influence the interdependent aspects of strategy alignment, as presented in Figure 2.2 on interdependent elements for a strategically aligned organisation.

According to Figure 2.2, the enterprise’s purpose is first about what an organisation does and why it does it. Purpose is the bedrock upon which an organisation is built. Financial success is the consequence of commercial enterprises fulfilling their purposes well, but it is not the enterprise’s purpose itself. The purpose is clear and enduring and depicts why

the organisation exists and cares about what it does. It is insightful to understand the enduring purpose of an organisation, why it would matter if the organisation went out of business tomorrow, and who would care. Is the purpose clear enough for investors, employees, partners, and customers to articulate it?



Figure 2.2: Interdependent Elements for a Strategically Aligned Organisation

Source: Trevor and Varcoe (2017: 3)

Second, business strategy is another key interdependent component of strategy alignment. It is about what an organisation tries to win to fulfil its purpose. If the purpose is what the enterprise exists to achieve and why it matters, business strategy is planning for what the enterprise must win to fulfil its purpose (Trevor & Varcoe, 2023). While business strategy connotes the issues of how to compete, it is crucial to underscore that non-commercial organisations may focus on different types of strategy (e.g., partnership). The most critical aspect is that the enterprise's strategy must respond to future opportunities and threats (Veile, 2023). The degree to which an enterprise's strategy fulfils its purpose is the measure of its effectiveness. In this regard, strategy alignment is deciphered through questions on customer offerings in the form of products and services and how these offerings are consistent with the organisation's purpose (Adebayo & Ackers, 2023). What is missing? What is it that the organisation does or does not offer that it should not? Who are the customers, and what are they demanding of the products and services offered, now and in the future?

Third, organisational capability is also an interdependent component for strategy alignment. It relates to what an organisation needs to be good at to excel. The best strategy is useless unless supported by appropriate organisational capabilities. It is reckless for a leadership team to commit to a strategy without knowing whether they can achieve it (Jing et al;2023). Traditionally, organisations competed on their abilities to execute their planned strategies for matching supply to demand as efficiently as possible. Many enterprises will continue to operate this way in future, but additional capabilities are increasingly important. The strategic value of organisational capabilities such as agility (around the customer), connectivity (between complementary offerings), and innovativeness (to explore novel opportunities) are increasingly becoming very important. In pursuit of strategy alignment, it is salient to continuously review the organisational capabilities required to be good and successfully achieve the strategy (Jing et al;2023).

The fourth component in a strategically aligned organisation is the resource architecture. In a nutshell, this hinges on what makes an organisation good and how good it is. (Veile, 2023). Strategically aligned enterprises are made capable by their organisational resources, including people, structures, cultures and work processes, and by the degree to which they are configured to be strategically valuable. People reflect the value of skills, experience, and knowledge required to perform the enterprise's work (Veile, 2023). The structure reflects the value of formal and informal relationships, networks, and functional connections through which work is structured. Processes reflect the value of planned and ad hoc work routines through which work is performed and valuable knowledge is retained organisationally (Veile, 2023). It is critical to underscore that culture reflects the values, beliefs, and attitudes that guide everyday working behaviour. It is essential to consider what type of resources (e.g., people, culture, work processes, structure) are core for the organisation to be superior at the things it needs to be good at to excel.

Last is management systems as a component of the strategically aligned organisation. Management systems include all aspects of management infrastructure, operations, and tactics, from information systems to employee performance management (Moletsane, 2023). The alignment issue relates to what management practices, systems and technologies best fit the organisation's strategy for fulfilling the organisation's

purpose. What are the appropriate measures of success, both short and long-term? Where is the focus of managerial effort and attention in the organisation, and is it aligned with how it plans to excel (Moletsane, 2023)?

All five aspects will be adopted in this study because strategy alignment requires a holistic approach for state-owned enterprises. Moreover, state-owned enterprises face different challenges because they have different structures, such as centralised, decentralised and a mixture of centralised and decentralised (Li et al; 2023). However, this study will take into consideration the importance of resources. State-owned enterprises must evaluate resources like people, structures, cultures, and work processes to ensure they are always current with the organisation's priorities and strategies (Li et al; 2023).

Based on the discussion of the elements of strategic aligned organisation, strategy alignment means excelling through a tightly managed value chain that connects an organisation's purpose to its business strategy, organisational capability, resource architecture and management systems. The preceding definition is suitable because it helps to improve the efficiency and competitiveness of state-owned enterprises. The following section explores the link between strategy alignment and organisational architecture.

2.6 STRATEGY ALIGNMENT AND ORGANISATIONAL ARCHITECTURE

A well-aligned organisation is an important part of an organisation's success. Organisational alignment allows the members of an organisation to work together to achieve common goals while communicating honestly and maintaining accountability across departments (Beese et al;2023). Because most organisations and business units are structured along functional lines (e.g., marketing, operations, finance, human resources, R&D, IT, logistics), cross-functional execution issues are sometimes overlooked when the strategy is changed. Organisational alignment encourages collaboration across entire organisations. When collaboration and teamwork improve, productivity and efficiency may also improve (Beese et al;2023).

Strategy alignment relates to the degree of interdependencies reinforced between different elements or coordination of cross-functional activities to work harmoniously in

an organisational architecture (Rahimi, Yatya & Bakar,2023). Organisational architecture, as a metaphor, implies a connection between the organisational structure and other systems inside the organisation to create a unique synergistic system that will be more than just the sum of its parts (Louw & Venter, 2021). There are many definitions of organisational architecture and little consensus. For example, Louw and Venter (2023), defines organisational architecture as the underlying model of the organisation`s way of doing things. Organisational architecture clarifies what the organisation is about and facilitates strategy formulation, implementation and monitoring of strategic progress because everyone has the same goal. In this regard, organisational architecture specifies the key strategic drivers of the organisation, creating a blueprint that is unique and specific to a particular organisation. It is vital for all constituencies in the organisation to collectively agree on the key elements necessary to attain maximum strategic impact (Rahimi, Yatya & Bakar,2023)

The goal of organisational architecture is to create an organisation that continuously creates value for present and future customers, optimising and organising itself. Organisational architecture also connotes the idea of building blocks, which are mandatory for the performance and growth of organisations (Ciacci, Balzano & Marzi, 2024).

Organisational architecture is an integrated strategic tool that draws together key dimensions of the organisation, such as structure, leadership, culture, and policies, to guide strategy alignment and implementation (Ciacci, Balzano & Marzi, 2024). In this regard, the ability of strategic leaders and employees in an organisation to facilitate an effective and efficient strategy is key for the cohesive internal functioning of an organisation (Ciacci, Balzano & Marzi, 2024). The internal organisation describes who does what, which may result in a pattern of alignment or misalignment. Strategies are implemented, and results are delivered through a pattern of alignment between elements such as organisational culture, policies and procedures, adequate knowledge and skills base, suitable organisational structure, and different processes and systems (Ciacci, Balzano & Marzi, 2024). Various organisational architecture models align the internal organisation, with the most famous one being the McKinsey 7S developed by Peters and

Waterman (1982). The model was later revised into the Higgins 8S by Higgins (2005). To clearly understand strategic alignment, it is essential to briefly explore the nature and elements of the most well-known model of McKinsey 7S and the Higgins 8S models.

2.6.1 McKinsey 7S model of organisational architecture

In any organisation, internal alignment of intertwined elements – each reinforcing the others in a web of interrelationships – is cardinal to reach desired strategic alignment and outcomes. Long ago, Peters and Waterman (1982) noted that managers get more done if they achieve an integrated harmony or internal alignment of interdependent factors, categorised as either “hard” (e.g., strategy, structure, and systems) or “soft” (e.g., shared values, skills, staff, and styles). In this way, the seven elements identified by the McKinsey 7S model as shaping the internal functioning of organisations in America in 1982 are similar to those shaping the internal functioning of contemporary organisations in South Africa today (Van der Walddt, Rooi& Botha, 2023)

However, organisational theorists warn that paying attention to the “hard” elements of the organisation while ignoring the “soft” aspects is a significant pitfall that negatively affects the performance of organisations such as state-owned enterprises to achieve their strategic objectives (Edward, 2023). The spider web-like inter-relationships between various elements reinforce each other in delivering desired outcomes in state-owned enterprises (Edward, 2023). An organisation’s key factors can become misaligned for several reasons. However, mostly, the chief executive officer and other change leaders either do not recognise the need to align the other Ss with a new strategy or do so only perfunctorily because they do not fully understand the implications of the required alignment (Edward, 2023). For example, if a company adopts a strategy based on low costs as opposed to its previous strategy, which is based on differentiation through new product development, there are implications for making changes in each of the S’s (e.g., structure, system, leadership style, skills, staff) (Sumbane et al;2023).

The McKinsey 7S model identifies seven elements which need to be aligned if strategy execution is to be successful and evident in desirable strategic outcomes. The model identifies the various elements that enable the organisation to achieve its strategic

objectives and provide agility in the dynamic business environment. (Dodor, 2023). The McKinsey 7S model is relevant, applicable, and systematic for exploring the dynamics and interdependencies that enhance or impede contemporary organisations' internal functioning, such as state-owned enterprises (Dodor, 2023). The McKinsey model depicted in Figure 2.3 shows the spider web-like inter-relationships between various elements, reinforcing each other in delivering desired outcomes in an organisation.

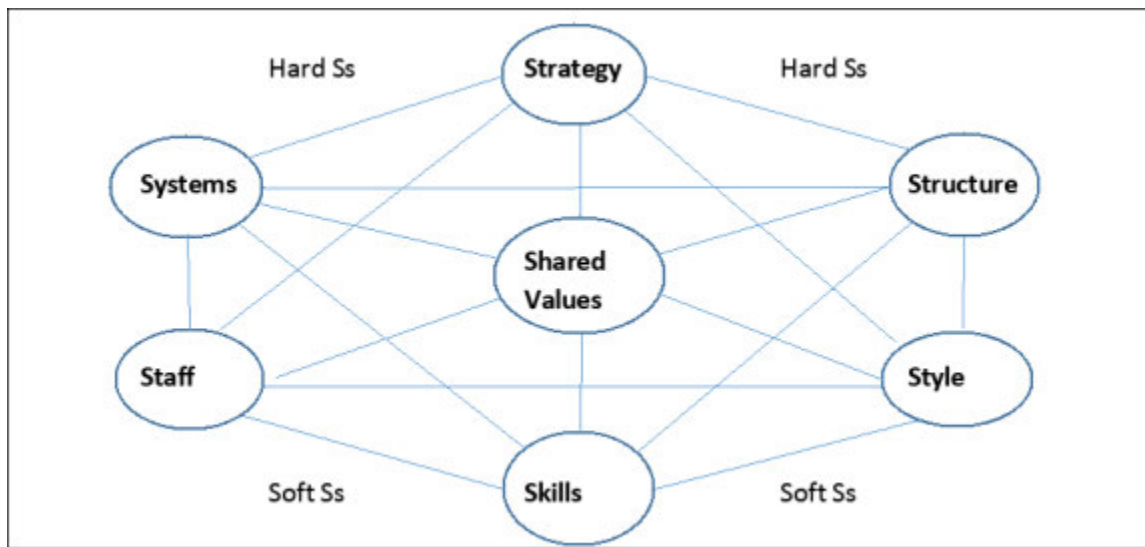


Figure 2.3: The Mckinsey 7S Model

Source: Sumbane et al (2023:2)

One of the key aspects of the organisational architecture is that shared values shape all the elements of an organisation, which is why shared values are placed at the centre of the model. A culture that facilitates and drives strategy is vital in any organisation, including a state-owned enterprise. Culture must create a shared identity that regulates employee behaviours, norms, and beliefs and engenders organisational loyalty (Sumbane et al;2023).

As depicted in Figure 2.3, the model's shape indicates the importance, level of connectedness, and alignment among different factors to implement the strategy. The adaptable model has been used in different circumstances, such as the International Healthcare system (in Utah), which used it to analyse its effectiveness in the 1990s (Sumbane et al;2023). Its most common functions, among others, are the following:

1. To facilitate organisational change
2. To Implement a new strategy
3. To create agility for future changes
4. To facilitate mergers of different organisations

The following paragraphs briefly describe each of the McKinsey model's seven elements.

Strategy is a plan the organisation develops to achieve a competitive advantage in the market. According to the McKinsey model, a good strategy must be clearly articulated, realistic and sustainable in the long term and help attain a firm's competitive advantage (Sumbane et al; 2023). The advantage of using the McKinsey model is to test the alignments of all elements for achieving competitive advantage.

Structure is the set-up of business units and divisions to implement the strategy. The structure is the simplest element to change when the business environment becomes dynamic (Sumbane et al; 2023).

Systems are procedures and processes of the company that guide how daily activities are performed and decisions are made. Systems are usually the focus of managers during organisational changes (Sumbane et al; 2023).

Skills are the abilities and capabilities of the employees to execute their tasks well. Skills include the firm employees' competencies during organisational changes and new strategies. The often-encountered question is whether the skill set of the employees is sufficient to deliver the strategy (Sumbane et al., 2023).

Staff refers to the human capital that is required to execute strategy. It requires proper recruitment, training and development, motivation, and reward (Sumbane et al; 2023).

Style represents how top managers conduct themselves, how they run the company and how decisions are taken. In short, it is the measurement of the leadership style of company managers (Sumbane et al; 2023).

Shared values are the core fundamental of McKinsey's 7S model. They are the norms and standards that guide the employees' behaviour and company actions, which is the

foundation of every organisation (Sumbane et al; 2023). The shared values are the centre of the model in any organisation. The shared value links every other element of the strategy in the framework.

The McKinsey model has significant benefits if applied correctly in the business. The most outstanding benefits are as follows:

- The model is an effective diagnostic tool used to analyse and comprehend the complexity of organisations.
- It is used as a guiding tool to implement the required changes.
- It considers all elements essential for strategy implementation and aligns and interlinks them to execute strategy successfully.
- It allows business leaders to test the links and agility of the 7S elements.

While the McKinsey 7S model depicts the web of interdependencies necessary for strategy execution, it is criticised because it portrays an organisation with non-aligned 7S's with arrows pointing in all directions. In executing strategy, top leadership must be conscious of how to align or re-align the various elements that constitute the web of interdependencies in an organisation (Gechkova & Kaleeva, 2020). In addition, aligning or misaligning the various internal elements in the organisational architecture influences not only the agility and adaptability of the organisation but also its performance in a volatility, uncertainty, complexity and ambiguity environment. (Sumbane et al; 2023).

The McKinsey 7S model promotes internal interdependencies, alignment, and an organisation's systems thinking perspective. When managing organisations, many find systems thinking effective because it includes how complex entities interact, influence each other, and make up the whole system (Sumbane et al; 2023). Systems thinking is an approach to analysing how the different parts of a system interrelate and how systems work within the context of other, larger systems. Different divisions or teams within an organisation connect with and affect each other. Ideally, they work together toward a goal. Business or organisational leaders who are systems thinkers see "the big picture", which they focus on to maximise organisational performance (Sumbane et al; 2023). Aside from understanding how various components work with and affect each other,

systems thinkers also consider how their actions in any component can affect the system as a whole (Sumbane et al; 2023). Taking a systems perspective is no easy feat. It involves not only the senior management because everyone in the organisation needs to understand the business goals and what processes to implement to achieve them. It is essential to develop the practice of seeing the system as a whole and taking actions that will benefit the entire organisation (Sumbane et al; 2023).

Although the McKinsey 7S model is old and originates in the United States private sector, it may be valid and applicable in the contemporary public sector and voluntary organisations in South Africa and other countries.

2.6.2 Understanding the Higgins 8S model and its critics

The Higgins (2005) 8S model is a cross-functional way of executing strategy and implementing change across an organisation. This model is based on the McKinsey 7S model, first introduced in 1982 by Peters and Waterman. The Higgins (2005) 8S model is a revision of the McKinsey 7S model. In the revision, the most significant change comes in deleting skills from the McKinsey model and including resources in its place. In addition, strategic performance is added to the model to help focus the strategy execution effort (Eybers, 2021). The 8S model differs from the original 7S model because reSources replaced Skills as one of the seven contextual S's. The original 7S model did not contain an 'S' devoted to resources other than the 'S' for staff. An organisation cannot successfully execute a strategy without marshalling additional resources such as funding, information, technology, and time (Eybers, 2021).

The Higgins (2005: 4) 8S model consists of eight interdependent elements, reflecting an integrated way of thinking about executing strategy and implementing change across an organisation to achieve intended objectives. According to Mwangi & Kihara (2021) cross-functional execution issues tend to be given limited attention as organisations are structured based on functions. In particular, it is important to highlight that Higgins's (2005) 8S model is subdivided into the seven contextual S's and strategic performance. The seven contextual S's are strategy and purposes, structure, systems and processes, style, staff, resources, and shared values; these must all be aligned for strategic

performance to be at its best. Equally essential is that the Higgins 8S model involves and insists on aligning these eight interdependent elements (Mwangi & Kihara,2021).

At a minimum, executives must align the following cross-functional organisational factors: structure, systems and processes, leadership style, staff, resources, and shared values (Wangui, Kahuthia & Muhoho,2022). They must align with each new strategy for its success and strategic performance. Due to the frequency and significance of the changes in strategy and the required changes as key organisational factors, executives would benefit from a heuristic that guides cross-functional thinking. When an organisation is aligned, arrows for each element all point in the same direction; that is, they should all be aligned with one another (Wangui, Kahuthia & Muhoho,2022). In short, the six contextual S's should point in the same direction as strategy. In this regard, Higgins (2005: 12) advises that any chief executive officer or other strategic leader to be successful, they must ask themselves what each of the 'S's should be like for strategy to succeed. Different strategies require different structures, systems, styles, staffing, resources, and shared values. As the business environment becomes increasingly complex, senior executives must integrate changes in executing the new or revised strategy (Eirich, 2020). The eight S 's of strategy execution is a heuristic that enables senior management to more readily enact, monitor and assess the cross-functional execution of strategies, new or revised (Eirich,2020). Much of successful strategy execution revolves around aligning key organisational factors with strategy. A significant problem for most organisations today is that the eight S's are not sufficiently aligned. For example, the misalignment of culture or leadership style is enough to lead to difficulties in successfully executing strategy in an organisation. It is salient to emphasise that not all alignment changes must be significant; they must simply be sufficient to align each S with the new strategy (Eirich, 2020). Notably, some instances may require tweaking of the existing condition to achieve alignment, while sometimes wholesale change is inevitably brought to achieve alignment. Figure 2.4 depicts the eight S's in alignment. Each of the eight elements is discussed in turn.

Strategy and Purpose

Higgins (2005: 5) argues that strategies are formulated to achieve organisational purposes. In this way, a change in purpose triggers changes in strategy. Four types of strategy, namely corporate, business, functional, and process, are designed to achieve organisational purposes (Lingga et al; 2023). First, corporate strategy defines what business or businesses the firm is or should be in and how the firm will conduct that business (or those businesses) fundamentally. Second, business-level strategy relates to how a firm will compete in a particular business to gain a sustainable advantage over (e.g., differentiation, low cost) the competition (Lingga et al; 2023). Third, functional strategies support the business strategy (e.g., marketing, finance, operations, human resources management, R&D, information, and logistics) and should be aligned with the business strategy (Lingga et al; 2023). Last, process strategies typically cut across functions and are aimed at integrating organisational processes across the organisation in order to make them more effective and efficient. According to Higgins (2005), strategic purpose includes strategic intent, vision, focus, mission, goals and objectives. Leaders in the upper echelon of SOEs develop and ensure alignment and execution of the strategic purpose.

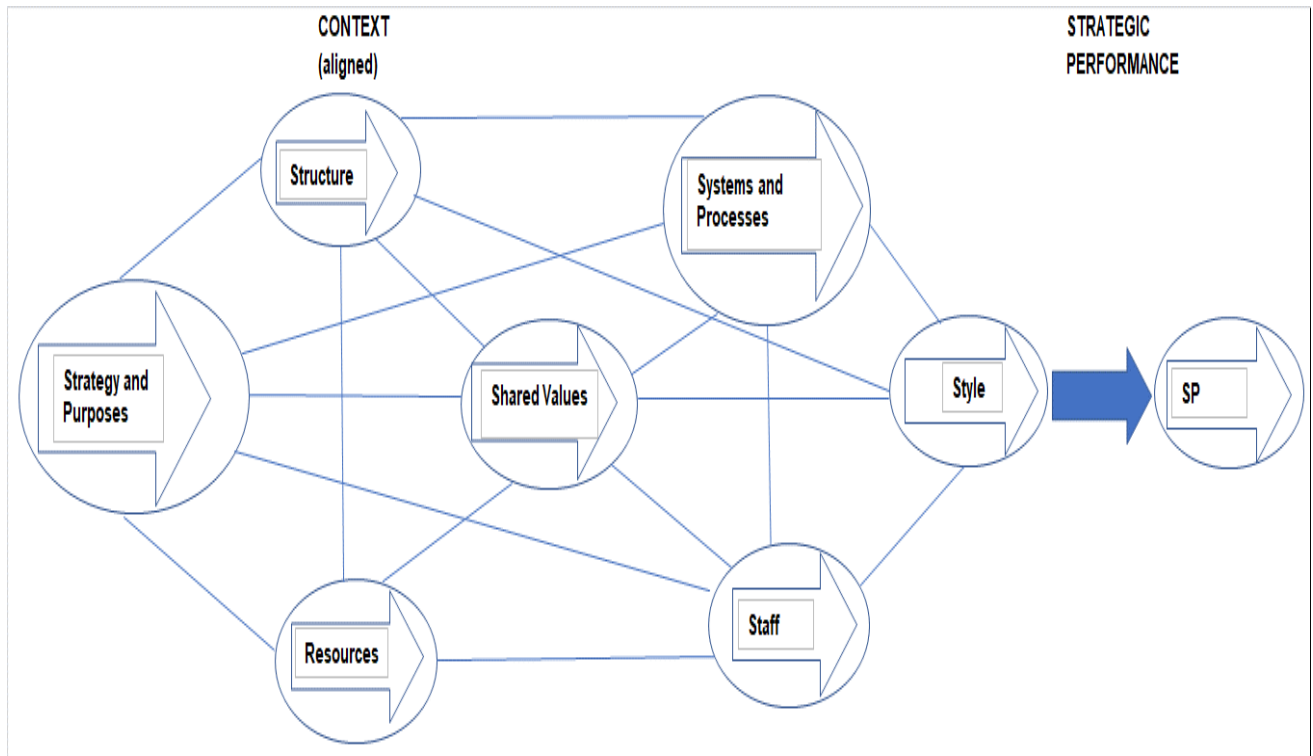


Figure 2.4: International Interdependencies in an Organisational Architecture

Source: (Higgins ,2005:5)

Style

Leadership style is the to the sustained behaviour exhibited by leaders/managers when motivating subordinates and other employees (Lingga et al; 2023).

Shared values

Share values are the belief systems and culture shared by the organisation members that keep members aligned to achieve organisation goals (Rass et al; 2023)

Structure

Structure is the organisation and mapping of individuals to their job profiles that is linked to the organisation strategy (Singh et al;2023). The aspects are interdependent and very important, so should those responsible fail to pay proper attention to one of them, it can bring the others into misalignment. It is essential to realise that structure provides lines of authority concerning communication information flows from one level to another within an organisation. The rights, roles and responsibilities of work are also demonstrated within

the structure. In the case of a centralised organisation, the management has the most decision-making power, allowing for a top-down approach (Singh et al; 2023).

Systems and Processes

Systems and processes are well defined procedures in an organisation which enables day to day execution of activities simple and transparent (e.g. information systems, quality control systems, manufacturing processes, budgeting processes, recruitment and selection systems, rewards and performance systems, financial and procurement procedures) (Beese et al; 2023 & Demir et al; 2023)

Staff

The Staff aspect of Higgins' (2005) 8S are: staff headcount, types of employees, different individual competencies and group competencies the organisation needs to achieve its strategic objectives. Management should decide the staff headcount, required backgrounds and essential skills required to deliver strategy. Equally important is staff development, competency and career progression (He & Ismail 2023)

Re-Sources

Resources are all assets available to the organisation for deployment during operations and execution of activities in pursuit of organisation strategy. The resources can be: human, financial, technology and raw materials. According Augustian et al; (2023) resources must be adequate to successfully implement strategy.

Strategic performance

Strategic performance reflects a holistic and balanced view of the organisation and entails knowing the total effectiveness and efficiency. The process involves taking a comprehensive view of the business and setting objectives and goals. Actual performance measurement against plan undertaken routinely to make suitable adjustments to improve business performance (Sinnaiah et al; 2023)

From a cross-functional perspective of an organisation, every organisation activity is defined within the 8S and as such, this model is a superb tool for strategy and serves as a roadmap for implementation during strategy execution. While the organisational

architecture is inward-focused, it is necessary to underscore that strategy alignment is broad because it embraces all internal and external stakeholders and is dedicated to accomplish the organisation's vision (Sinnaiah et al; 2023).

The drawback of this model is over emphasis on internal solutions while overlooking external factors like the market dynamics and regulations from government or political interference. Another short coming of the Higgins 8S model is its complexity which poses challenges to its implementation (Sinniah et al;2023).

2.6.3 Understanding Lee's organisational architecture

While the McKinsey 7S and Higgins 8S models are seminal works on organisational architecture, it is important to discuss recent organisational architectures such as the one proposed by Lee et al; (1990). In the early 1990s, Robert Lee (1990) came up with a study that looked to improve the effectiveness of organisations. He argued that organisations' needs are generally not considered when they are being designed (Denicol, Davies & Pryke, 2021). Therefore, organisations must treat the structure as a building with different layers supporting each other, each having a specific role. In other words, Lee's organisational architecture is designed to assist organisations in building a structure. He proposed that the first layer is always the foundation of the organisation. Just like the foundation of the building, this layer is the organisation's base (Foong et al;2023). Once the foundation is clear, the second layer must be created and focus on the organisation's strategy. Strategies refer to how the organisation create and implements its goals and objectives. The last layer will then focus on the organisation's structure (Al-kfairy, Khaddaj & Mellor, 2019), referring to how it is organised in line with its objectives.

Lee et al; 2004 organisational architecture is shown in Figure 2.5 and presents recent attempts to integrate the various architecture into a cohesive framework. The diagram demonstrates the various interrelationships between the key pillars.

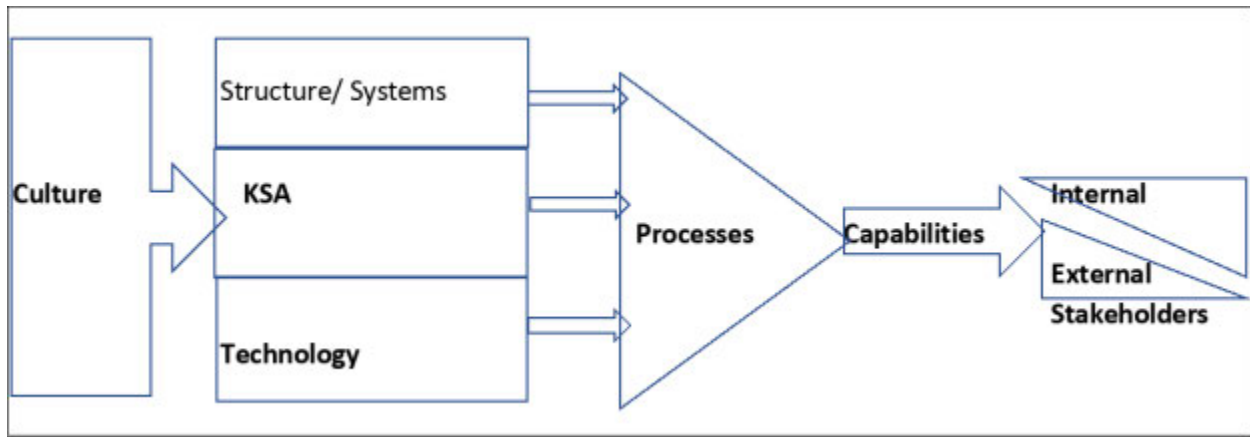


Figure 2.5: Model of Organisational Architecture

Lee, Venter & Bates (2004: 16)

The figure shows how different layers can guide organisations in improving their operations. For example, an organisation can have a strong culture as part of its foundation, guiding its strategy in dealing with third parties (Tamm, Seddon & Shanks, 2022). Once there is a strategy, it is easy for the organisation to create a structure based on technology, for example, thus ensuring its effectiveness and capability to deal with internal and external stakeholders. Regarding the architecture, which is best read in reverse from right to left, organisational capabilities are distributed to various stakeholders through different organisational processes (Beese et al; 2023). The structure, systems, knowledge, skills, abilities and technology specific to reach organisation shape these processes, which are all underscored by organisational culture (Beese et al; 2023).

Internal/external stakeholders

The stakeholders of an organisation are described as any group or individual who can affect or is affected by the organisation's objectives. The stakeholders can be categorised as internal or external; moreover, they can be classified as primary and secondary, depending on the overall strategy thrust and are thus allocated resources accordingly. Stakeholders can be shareholders (primary), employees (primary), customers (primary) and suppliers (secondary) (Tampio, Haapasalo & Lehtinen, 2023)

Capabilities

Capabilities are those deliverables that the organisation provides to the stakeholders. Again, these deliverables are variable and depend on the strategy's nature.

Processes

Processes are central to the organisational architecture and are instrumental in delivering the capabilities. Processes can be further categorised into management, operational, and support processes (Beese et al; 2023). Management processes are simple, basic management tasks, such as work methods, roles, work agendas and knowledge, skills, and the level of performance required by a job (Beese et al; 2023). Operational processes produce an organisation's goods and services by converting inputs into outputs. Support processes are those functions that provide backing for an organisation's core business. They include human resources, marketing and information systems (Beese et al; 2023).

Structure

Structure is a choice that supports strategic intent, such as departmentalisation, division of labour and delegation of authority. The structure determines how the strategy is implemented and is the foundation support of strategy alignment and implementation (Lazakis & Van Der Meer, 2023).

Culture

While organisations have unique cultures, management might use the following guidelines to indicate how they might position themselves for effective strategic alignment and implementation (Othman & Elkady, 2023).

- Individuals should identify and align with the organisation's goals and aspirations—this helps regulate behaviour through sharing common belief systems.
- Emphasis should be on the cross-cutting, process-driven, multidisciplinary teams that focus on strategic outcomes by drawing on collective expertise.
- The leadership style should favour transformational leadership, focusing more on the people.
- Different departments in the organisation should be interdependent rather than independent to achieve desired results.
- A degree of self-centred, autonomous work should be allowed.

- A strategic culture should focus on outcomes and outputs and how things are done to maintain alignment.

The organisational alignment model is one of many helpful alignment models organisations can adopt to effect strategy alignment (Othman & Elkady, 2023).

This model is essential for this study because it can be used to improve the way state-owned enterprises operate. Since the model emphasises foundation, strategy and structure, it is self-explanatory that its success is based on strategy alignment, where organisations aim to align their strategies with their goals and objectives (Othman & Elkay, 2023). Unlike the other models, the key is that an organisation must have a strong base or foundation in order for it to be able to come up with a defined structure that can implement the organisation's strategies (Greve & Zhang, 2022). State-owned enterprises can benefit from Lee's model. If there is a change in external factors such as markets and political pressure, state-owned enterprises must be in a position to be able to revise their strategies and goals to make sure that they remain competitive (Al-kfairy, Khaddaj & Mellor, 2019). However, the model also has its weaknesses and has been criticised by scholars for being difficult to implement because it requires a great deal of preparation in practice. Moreover, creating layers as guidelines may make it difficult for the organisation to adapt to meet external circumstances, thereby affecting the strategy alignment of such organisations (Greve & Zhang, 2022).

Lee, Venter and Bates (2004) proposed a multidimensional view of organisational architecture in their study on enterprise-based HIV/AIDS strategies. During the initial stages of this approach, Lee et al. (2004) proposed strategies that incorporate health and societal factors into organisational structures. This perspective expands upon the conventional aspects of organisational architecture and aims to incorporate health-related issues as a fundamental aspect of operational efficiency (Greve & Zhang, 2022). While the focus of this situation is narrow, it highlights a broader idea: strategic alignment in SOEs should not only consider operational and financial objectives but also encompass wider societal and ethical obligations. SOEs are often mandated to prioritise public service, necessitating the alignment of their strategies with socio-economic development and public welfare, alongside financial goals (Greve & Zhang, 2022).

(Christensen & Greve, 2022) discuss aligning operational processes with strategic goals in business process management. This alignment ensures that daily activities contribute to the achievement of overarching goals. State-owned enterprises must carefully design and integrate internal processes to ensure the smooth execution of strategic initiatives. Efficient coordination among diverse functions is particularly crucial for state-owned enterprises due to their multifaceted nature, encompassing various activities ranging from administration to service delivery (Greve & Zhang, 2022).

McLain and Lee (1996) propose the concept of adaptive management, which highlights the importance of organisational flexibility and learning. While commonly used in environmental management, the adaptability of this concept aligns well with the ever-changing operating environments of organisations. Strategic alignment in state-owned enterprises necessitates adapting strategies in light of changing economic, political and social circumstances (Greve & Zhang, 2022). The adaptive management approach proposes that state-owned enterprises foster an environment that promotes ongoing learning, data-based decision-making, and timely adjustments to maintain alignment and improve performance (Greve & Zhang, 2022)

2.6.4 Strategy alignment in the private sector organisation

Private sectors are driven mainly by profit; they constantly revise their strategies to align with changing external factors (Klapper, Berg & Upham, 2020). In the private sector, organisations constantly evaluate themselves through SWOT analyses to ensure they know their strengths and weaknesses and how to improve them to challenge their competitors (Klapper, Berg & Upham, 2020). SOEs can apply the same techniques private sectors use to remain profitable and competitive.

The strategy framework advocated by these authors gave rise to what later became known as the Harvard Business School Business Policy Model (BPM) shown in Figure 2.6, extensively explained by Christensen (2004). BPM is based on the traditional private sector setting, which focuses on three main factors: (1) value to be created, (2) the market environment, and (3) organisational capabilities.

Based on Figure 2.6, there is an alignment between the organisation's capabilities and the market. The strategy in the private sector is developed to capture an opportunity in the market ahead of other role players. Different strategies, such as competitive strategies, capture value in the private sector ahead of competitors (Sharma & Behl, 2023). The strategy alignment in the private sector must be flexible to match changes in the market landscape. Strategy alignment in the private is sufficiently agile and robust to re-align organisation capabilities to the new strategy (Sharma & Behl, 2023).

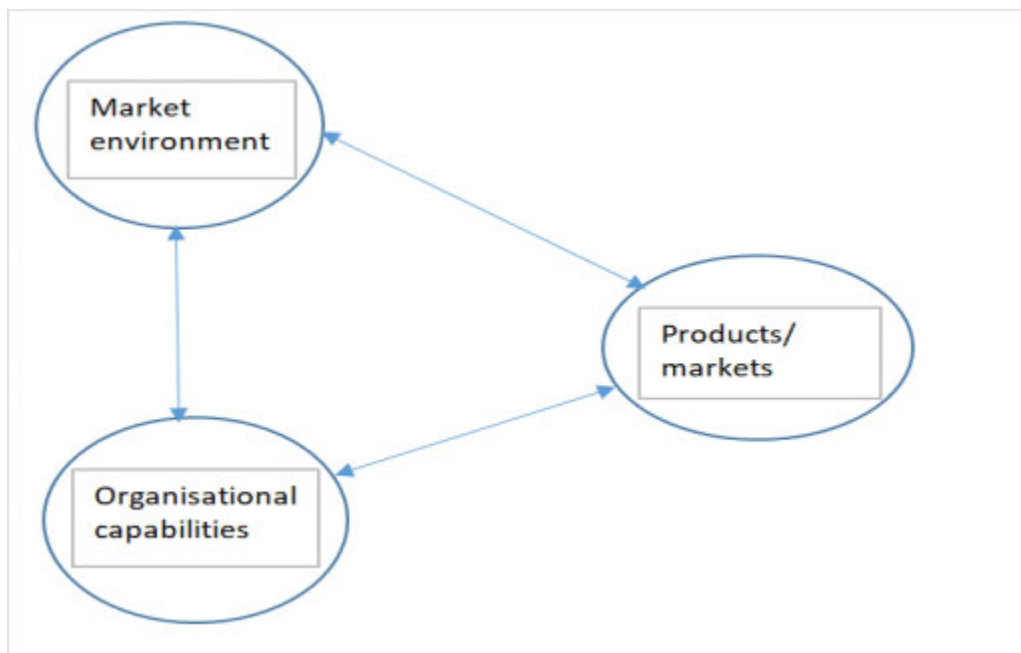


Figure 2.6: The BPM Strategic Factors in the Private Sector

Adapted from Alford and Greve (2017: 4).

In their recent research, Kanyangale and Sibanda (2021) highlight the adverse effects of organisational misalignment in the context of TVET campuses. They stress the importance of ensuring that critical components such as structure, culture and processes are aligned with an institution's goals to avoid poor performance (Kanyangale & Sibanda, 2021). This issue is equally relevant to the private sector, where misalignment can lead to inefficiencies, suboptimal decision-making, and reduced competitiveness. In addressing these challenges, private sector organisations have carefully aligned their architecture with strategic objectives, ensuring that internal systems effectively support

the organisation's goals. Failure to do so can result in fragmented efforts, inefficiencies, and suboptimal outcomes (Sharma & Behl, 2023)

According to research conducted by Zwane, Kanyangale and Ndoro (2019), the organisational architecture of small restaurants plays a critical role in their survival. The study emphasises that SMEs must align their resources, processes and strategies to achieve sustainable growth and overcome competition in the food and private sectors. The research underscores the importance of optimising resource allocation, enhancing operational efficiency, and ensuring consistent growth through organisational architecture. Ultimately, the study highlights the challenges SMEs face in the private sector and the crucial role that strategic alignment plays in their success and survival (Zwane et al, 2019).

A recent study by Ghonim et al. (2022) presents a comprehensive model that outlines the connection between strategic alignment and decision-making effectiveness. The study emphasises the crucial role of aligning an organisation's strategy and operations in enhancing the quality and impact of its decision-making processes. It is crucial for private sector firms because it enables them to adapt to changing market conditions swiftly, foster innovation and capitalise on emerging prospects (Ghonim et al;2022). Furthermore, the findings suggest that this model also holds relevance for public service organisations. When an organisation's operational functions and strategies are aligned, decision-makers can respond proactively to market shifts, capitalise on opportunities, and quickly navigate challenges (Ghonim et al;2022).

In a study conducted by Grainger-Brown and Malekpour (2019), the effectiveness of strategic tools and frameworks in aligning organisations with sustainable development goals and societal objectives was explored. This exploration is particularly important for businesses that recognise the importance of aligning their strategies with sustainability objectives and wish to improve their impact on society and their reputations. The study also delves into using strategic tools to implement sustainable development goals, which involves integrating business strategies with broader societal and environmental goals for private sector organisations. This alignment improves brand reputation and ensures that organisations contribute positively to the communities in which they operate. Aligning

brand reputation with community contributions can help organisations improve their overall image.

According to a recent study by AlNuaimi et al; (2022), the relationship between digital transformation, leadership, agility and digital strategy is crucial for businesses. The research highlights the importance of aligning digital initiatives with leadership visions and organisational strategies. For private sector organisations, seamless technology integration ensures that digital strategies support overall business objectives. The study also found that public service organisations benefit greatly from integrating digital strategies with their organisational vision. Achieving strategic alignment in the digital realm requires leaders to recognise digital transformation as a vital component of their business strategy and ensure that technological initiatives harmonise with the organisation's broader goals (AlNuaimi et al;2022).

Ul Musawir et al. (2020) conducted a study to explore how project governance can facilitate the implementation of organisational strategies. The results underlined the significance of aligning project management practices with strategic objectives to achieve desired outcomes. In the private sector, effective project governance ensures that initiatives align with the overall strategy, optimises resource allocation, and enhances the likelihood of successful implementation, which is crucial for reducing resource inefficiencies and ensuring successful implementation in private-sector organisations.

Achieving strategic alignment in private sector organisations is a multifaceted and intricate undertaking requiring coordinated efforts. The private sector organisations often harmonise internal processes, leadership vision, decision-making structures, sustainability endeavours and digital initiatives with their overarching goals to achieve a cohesive and effective strategy, which is uncommon in most public sector organisations (Sharma & Behl, 2023). This comprehensive approach empowers private sector organisations to navigate uncertainties and thrive in changing business environments and is an approach that public sector organisations, such as state-owned enterprises, can engage and improve in their engagements. Private sector organisations have long incorporated these elements into their organisational fabric to effectively address challenges, capitalise on opportunities, and fulfil their pivotal role as drivers of economic

growth and societal progress (Sharma & Behl, 2023). These need to be adopted in the public sector as well.

2.6.5 Strategy alignment in the public sector

In the public sector, strategy alignment is much more complicated than in the private sector due to the issues of accountability and transparency that force organisations to remain accountable to the public and multiple stakeholders (Kregel, Distel & Coners, 2022). Thus, instead of only focusing on profit, public organisations must align their goals with the community's needs and expectations (Alghazi et al;2020). State-owned enterprises must learn from the private sector about frameworks such as SWOT to evaluate their strengths and weaknesses and remain profitable (Gabryelczyk, 2020). On the other hand, state-owned enterprises are public enterprises required to meet the needs of the people instead of solely focusing on profit. The complexity is that the needs of people are constantly changing, forcing state-owned enterprises to re-evaluate their strategies and realign them with the community's needs (Gabryelczyk, 2020). Scholars like Benkova et al; (2020) recommend using tools such as the Balanced Scorecard and public value management for public organisations such as state-owned enterprises. These tools help public organisations realign their goals based on the key performance indicators (KPIs). On the other hand, Meyrick and Barnett (2021) point out how public value management can ensure that public organisations also commit to their activities' social, environmental and economic impact.

The public sector version of the BPM is called the New Public Management (NPM), which was made popular by Hood (1991). The NPM is generally applied to the strategic management concepts focusing on the public sector or government organisational setting. According to Greve& Zhang (2022), implementing the NPM in the public sector results in improved efficiencies, although inherent differences exist between the private and public sectors. Critics of the NPM generally focused on the differences between private and public sector managers. Table 2.4 summarises the differences between the public and private sectors. In the context of state-owned enterprises, the BPM and the NPM ensure that public organisations are judged through the value they create for the public (Greve& Zhang, 2022). Unlike private sectors based on profit, state-owned

enterprises and other public organisations' achievements are not only based on their financial impact but also their social, cultural and environmental impacts (Greve & Zhang, 2022)

Table 0.4: The NPM Comparison with the Public Sector

<u>NPM Doctrinal Component</u>	<u>(Lack of) Fit with the Public Sector</u>
Hands-on professional management.	Yes, if managers are trained in public sector management practices like their private sector counterparts.
Explicit standards and measures of performance. Greater emphasis on output controls.	Difficult (if not impossible) in many parts of the public sector due to uncertainty, information asymmetry, interdependence, and asset specificity.
Shift to disaggregation of units in the public sector	Interdependence of public functions can make disaggregation and aggregation complex.
Stress on private-sector style of management practice.	Managers' attitudes/culture may be out of sync with public purposes.
Stress on greater discipline and parsimony in resource use.	Finances are determined more at the whole-of-government level and imposed on divisions.

Source: Adapted from Alford & Greve (2017: 7)

The strategy in the private sector is developed to capture an opportunity in the market ahead of other role players. Different strategies, such as Porter's competitive strategies, capture value in the private sector ahead of competitors. The strategy alignment in the private sector must be flexible enough to match changes in the market landscape. Strategy alignment in the private is sufficiently agile and robust to re-align organisation capabilities to the new strategy (Greve & Zhang, 2022).

As per Table 2.4, public sector managers are bureaucrats and civil servants in a highly political and legislated environment. Another contention is that the public sector is a governance network between multi-stakeholders or network governance.

The inherent differences between private and public sectors led to the development of the public value (PV) strategy management framework. The public value framework was developed, conceived, and refined later by Moore (1995) with notable endorsements by theorists and practitioners (O'Flynn, 2007; Alford & O'Flynn, 2009; Bennington & Moore,

2011; Bryson et al., 2014; Alford et al., 2017; Weinberg & Leeman, 2013). The new public value framework resonates with practising public sector managers. The Moore (1995) later adopted by Alford & Greve (2017) strategy triangle is shown in Figure 2.7. The framework recognises that the public manager is also responsible for producing private and public value.

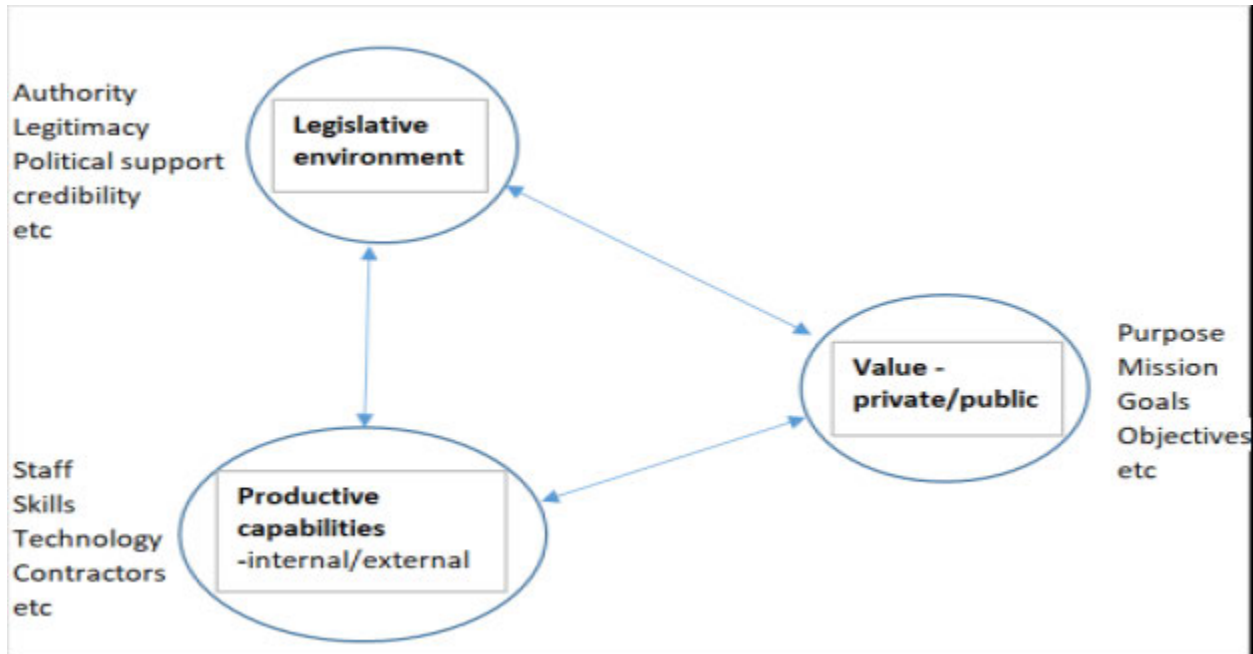


Figure 2.7: The PV Strategic Factors in the Public Sector

Source: Alford & Greve (2017: 6).

Applying the NMP model in the public sector leads to public-sector strategy articulation, alignment and systematic implementation based on results, performance and financial management (Greve & Zhang, 2022).

The public value strategy framework recognises that the public sector operates in a legislative and market environment. The legislative environment comprises stakeholders authorising permission, resources, and capabilities to conduct its work (Greve & Zhang, 2022). The public sector organisations generate value from collaborative efforts, unlike the private sector, which uses a competitive approach. Therefore, private and public sector organisations' strategic management concepts employ the same tools and tactics.

However, differences in marketing and legislative environments require a strong strategy alignment between different actors to make strategy implementation successful (Greve& Zhang, 2022). The strategy management process in the private sector setting is based on growth, profit and competitive advantage, which is not emphasised in the public sector setting (Greve& Zhang, 2022).

What makes this model relevant to this study is that it provides an analysis of how public organisations should be judged. Because this study looks at strategic alignment for state-owned enterprises, the NPM model can be used to look at public organisations not as businesses driven by profit but also by efficiency, transparency and accountability (Shukla et al ;2023). Thus, the NPM model is helpful for state-owned enterprises looking to assess their performance, strategy alignment, and decentralisation while meeting customer needs and remaining competitive in the market (Shukla et al;2023). Figure 2.8 explains how this model guides strategy in the private and public sectors.

Based on Figure 2.8, different settings of the strategy alignment process between the public and private sectors are categorised into contextual factors, constraints, and behavioural factors (Shukla et al;2023). The challenge with this model is that it tries to explain how private and public organisations can benefit from the model without considering the different challenges that private organisations encounter compared to public organisations. Unlike private organisations, public organisations have to align their goals in line with internal and external pressure (Shukla et al;2023).

CONTEXT FACTORS	CONSTRAINTS		BEHAVIORAL FACTORS
	structural	procedural	
Legislation	separation of levels of government	policy ambiguity	incremental decision making
Political reform	separation of powers of government	diverse interest groups	maintaining flexibility
openness to external environment		artificial time constraints	bridging competing worlds
public expectation	centralised merit based personnel	delinking of career and political ambitions	wielding influence not authority
			minimising discontinuity

Figure 2.8: Strategic Alignment in the Public and Private Sector

Source: Ring and Perry (1985: 278)

2.7 TYPES OF STRATEGY ALIGNMENT MODELS

There are different types of strategy alignment models found in the literature. In this section, thirteen models, as listed in Table 2.5, are discussed. The table summarises the models to remind the reader of various strategic alignment models. Some are useful to private sectors, while others are useful to public organisations such as state-owned enterprises. The strategy alignment models surveyed are listed in Table 2.6 and briefly discussed afterwards.

As per Table 2.5, strategy alignment models fall into three categories. Strategy alignment models are spread mainly over business strategy and IT strategy alignment, alignment models of business processes, and alignment models of business processes with structure and systems.

Table 0.5: List of Strategy Alignment Theories/models Surveyed

<u>Theory /model</u>	<u>Source</u>
Business and IT strategic alignment	Kekwaletswe (2014)

Aligning business and IT	Reynolds (2015)
The Strategic Alignment Model	Henderson and Venkatraman (1999)
Formal alignment theory of strategy	Van den Steen (2013)
Business- IT Strategy alignment concept in Theory and Practice	Shamekh (2008)
The “Alignment” Theory: Creating Strategic Fit	Chorn (1991)
A Theoretical Framework for Sustained Strategic Alignment	Baker and Jones (2008)
Prescriptive Theory of Dynamic Capabilities	Pisano (2016)
Business alignment model	Sabherwal et al; (2001), Andrews (1971 and Chandler (1962)
Contextual and structural alignment model	Sabherwal et al; (2001)
Sustained Strategic alignment model	Baets (1992)
Business strategy -Project management framework	Alsudiri et al; (2013)
Organisational alignment of mining organisations in SA	Du Preez (2017)

Source: Author’s consolidation based on the literature.

2.7.1 Business and IT strategy alignment models

Most strategy alignment models found in the literature are presented in Table 2.5, and a common feature is an alignment between IT and business strategy. Research by Henderson and Venkatraman (1999) led to developing the Strategy Alignment Model (SAM). The SAM defines alignment along two business domains, namely external and internal (Figure 2.9). The external domain concerns the business’s external environment, notably the changing market landscape, legislation, politics, and technology (Henderson & Venkatraman, 1999). The internal domain deals with the internal organisation’s administrative and competency elements, which are within the internal locus of control of the business. Both the external and internal domains affect the performance of the business differently. However, when there is a strong strategy alignment that is agile, any changes in either domain must be adjusted throughout the business.

2.7.1.1 Strategy Alignment Model

The Henderson model was developed in the early 1970s when evidence showed that organisations require flexibility to succeed in an increasingly competitive environment.

The main argument of this model is that organisations must prioritise internal and external alignments to succeed. The model recommends that organisations focus on four main areas of alignment: the mission, strategy, environment and how to implement them (Henderson & Venkatraman, 1999). Figure 2.9 sums up Henderson’s model.

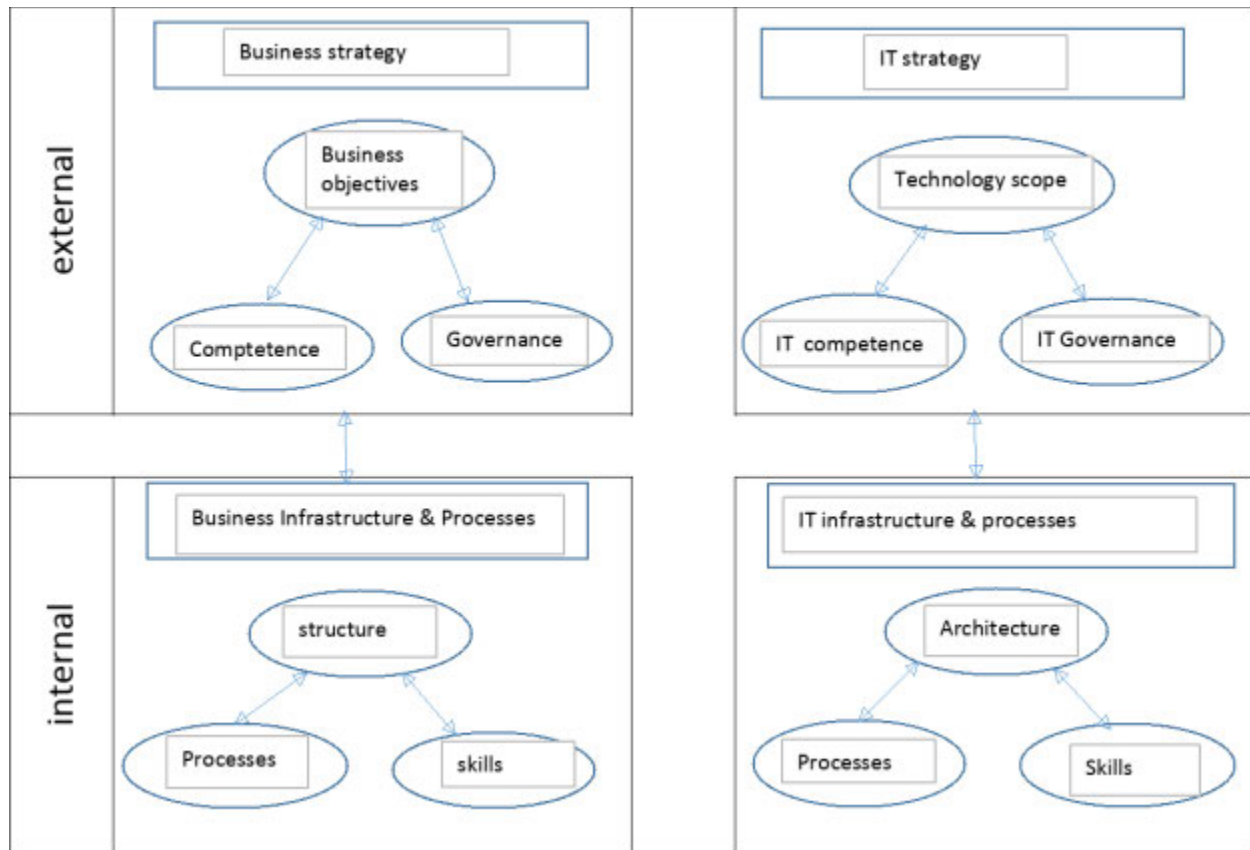


Figure 2.9: Strategy Alignment Model

Source: Hendesson & Venkatraman (1999: 5)

The model is criticised by scholars like Klapper, Berg & Upham (2020) for being too simple and failing to consider the complexity of strategy alignment, especially when aligning their goals with environmental concerns and social impact. Moreover, the influence of individual and group dynamics within the organisation is often overlooked. Therefore, the model is not the best to explain strategy alignment for state-owned enterprises due to the complexity of ownership and strategy alignment.

The perfect implementation of the SAM is when all four domains, i.e., scope, unique competencies, governance, infrastructure, processes and skills, are in harmony. The vertical integration link is identified through the strategic fit between business strategy and IT. The link connects the internal and external domains such that changes in the internal domain affect the business's response to the external environment (Hendeson & Venkatraman, 1999).

According to Diab (2021) the biggest drawback of the BITA model is the assumption that the business strategy is perfect and IT alignment will work. The IT alignment to business strategy is sub-optimal when stakeholders are not aligned optimally before seeking alignment with IT. Therefore, it is recommended that IT executives become involved during the formulation of business strategy to enhance understanding of the business objectives before seeking horizontal alignment with IT.

2.7.2 Business strategy alignment models

Business strategy alignment models align internal processes, structures, and resources with overall business objectives (Kamariotou, 2021). IT strategy alignment models aim to ensure that technology initiatives effectively align with and contribute to achieving business objectives (Kamariotou, 2021). Strategy alignment models involve a comprehensive approach that considers the alignment of different strategies, such as business, IT and marketing, to achieve organisational synergy (Kitsios & Kamariotou, 2021). Business and IT strategy alignment models focus on specific domains, while strategy alignment models consider the interconnections between strategies to achieve overall success. In essence, business strategy alignment models primarily address the internal consistency of business goals and processes. IT strategy alignment models, on the other hand, prioritise integrating technology with business objectives. In a broader sense, strategy alignment models encompass the harmonious coordination of various strategies to achieve overall organisational alignment (Kamariotou, 2021)

The alignment of business strategy and IT strategy highlighted in the previous section assumes that the business strategy is adequately defined and aligned amongst stakeholders before aligning with IT. Many scholars, such as Wang et al;(2023), defined

alignment as a business enabler and a requirement for successful strategy execution. Van Tonder & Schachtebeck (2020) shares a similar view on the need to align the strategic resources of the business to deliver organisational goals.

Strategy alignment has been shown to provide businesses with a competitive advantage and results in agility and longevity for businesses (Wang et al;2023). Although alignment is acknowledged as the tool for strategy implementation, the question remains of how to integrate organisational resources to achieve alignment. The strategy alignment model proposed by Alsudiri et al. (2013) cited in Alghazi et al; (2021) in Figure 2.10 discusses the alignment between project management and business strategy. The model assumes proper alignment between Project Management and business strategy can result in successful project completion, while misalignment leads to project failures (Alghazi et al; (2021).

The diagram explains how the business and project strategies align strategically to meet the organisation's objectives. The diagram shows that the success of these organisations is based on internal and external factors. Internal factors include good organisational communication, executive support and the importance of leaders who support the department's goals (Alghazi et al; 2021). On the other hand, organisations must consider the needs of their external stakeholders. These can include government agencies, market conditions and other independent contractors. Aligning internal and external stakeholders' needs leads to reduced costs, efficiency and a positive impact on the business (Alghazi et al; 2021).

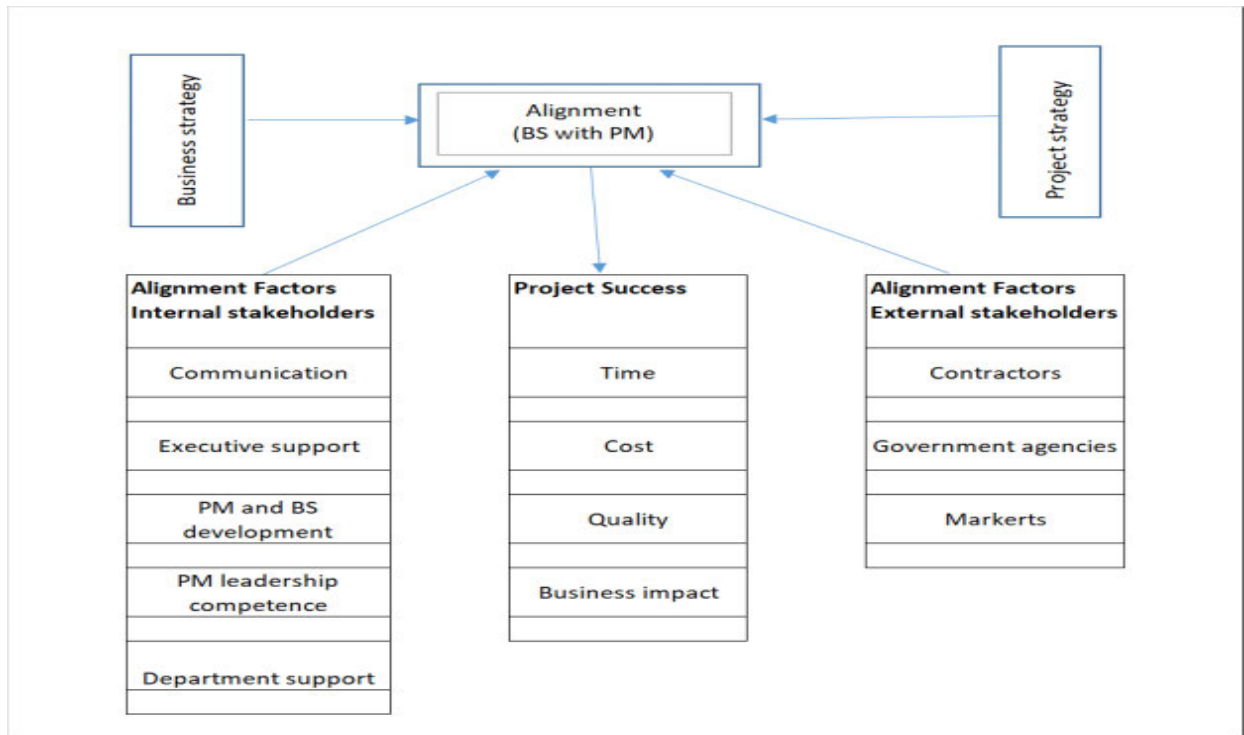


Figure 2.10: The Project Management and Business Strategy Alignment Model

Source: Alsudiri et al. (2013: 11).

Moreover, the PM and BS alignment models presented in Figure 2.10 are premised on the need for internal and external factors to align and be fit for purpose. Like the BITA model discussed earlier, the internal alignment factors deal with organisational competencies and, notably, those within the organisation's control (Alghazi et al; 2021). Although external factors are outside and beyond the organisation's control, they must be adequately defined and understood (Alghazi et al; 2021). On the other hand, the internal factors must adjust to the changes that are taking place in the external domain. In modelling terms, the internal and external factors are known as variables, distinguishable into hard variables (likely external factors) and soft variables (internal factors). The units of analysis are the critical success factors by which alignment, the success of a project or delivery of business objectives to measure if the delivery of the project is on schedule or within costs and expected quality (Alghazi et al; 2021).

The internal variables of the model emphasise leadership competence, communication and ability to develop business strategy and project management strategy, as well as identify key success outcomes of the business and project goals (Pisano et al; 2022). Leadership refers to full-time executive management with authority and control over the internal/soft variables. On the other hand, the external variables are driven mainly by contractors (persons not fully employed within organisations) who make technical and governance expertise available to the organisation (Pisano et al, 2022).

Pisano et al, (2022) notes that the model consists of three fundamental constructs: the organisational strategy, the project management strategy, and the alignment. The correlation between all constructs is determined by establishing the role of alignment factors on strategic alignment, which allows the model to be implemented usefully by practitioners. Therefore, the alignment between business strategy and project management strategy is enhanced when business executives develop the project management strategy (Pisano et al;2022). Project managers must also be conversant with the business strategy to establish compatibility between the constructs. The convergence of internal and external factors in the alignment box results in a project's success as measured by its units of analysis (Pisano et al;2022).

2.7.3 Organisational alignment models

Organisations are simply described as systems in the dynamic business environment to convert inputs into outputs (Blokland & Rentiers ,2021). Organisations must balance an internal and external environment to adapt to the ever-changing business and market landscape to stay relevant. Organisations that do not operate holistically or without congruence between the external and internal environments experience declining performance, lose market share, and cease to be a going concern (Blokland & Reniers ,2021).

Organisations are managed by managers (agents) acting on behalf of the shareholders (principals). The principals and agents have different time-based objectives, with agents' deliverables required in the short to medium term, while the principals have a long-term interest in the organisations (Musa & Ibrahim, 2022). The Agency theory describes a

business as a phenomenon where agents do not always act in the principal's best interests, and some form of alignment is necessary to keep the agents in check. The interests of the agents and principals must be aligned to promote organisational performance and efficiency (Cole & Schneider, 2020). Braun (2021) advocate the need to identify stakeholders of the organisation and align them to manage the tension between a principal and the agent. As articulated by Braun (2021), the legitimate stakeholders of the organisation have the following attributes:

- Have stakeholder power to influence the organisation.
- Have a legitimate relationship with the organisation.
- Have a legitimate claim to the organisation.

Successful organisational performance's premise lies in aligning different stakeholders and internal and external environments to the organisation's strategic needs. The sections below discuss the different organisation alignment models in South Africa.

2.7.3.1 Burger organisational alignment model

The organisational alignment model was invented in the early 1990s by Robert S Kaplan and David P Norton. It is based on three pillars: alignment, implementation or execution, and evaluation or assessment of the organisation's strategy. The model's key argument is that the success of organisations is tied to how their strategic goals are aligned with internal structures and the organisation's culture (Burger, 2019). However, the process is incomplete unless the organisation puts into place various ways to implement and monitor or evaluate how the implemented strategies function (Musa & Ibrahim, 2022).

Burger (2019) provided a comprehensive review of the different organisational alignment models that resulted in the model for organisational alignment in the South African mining industry, as shown in Figure 2.11.

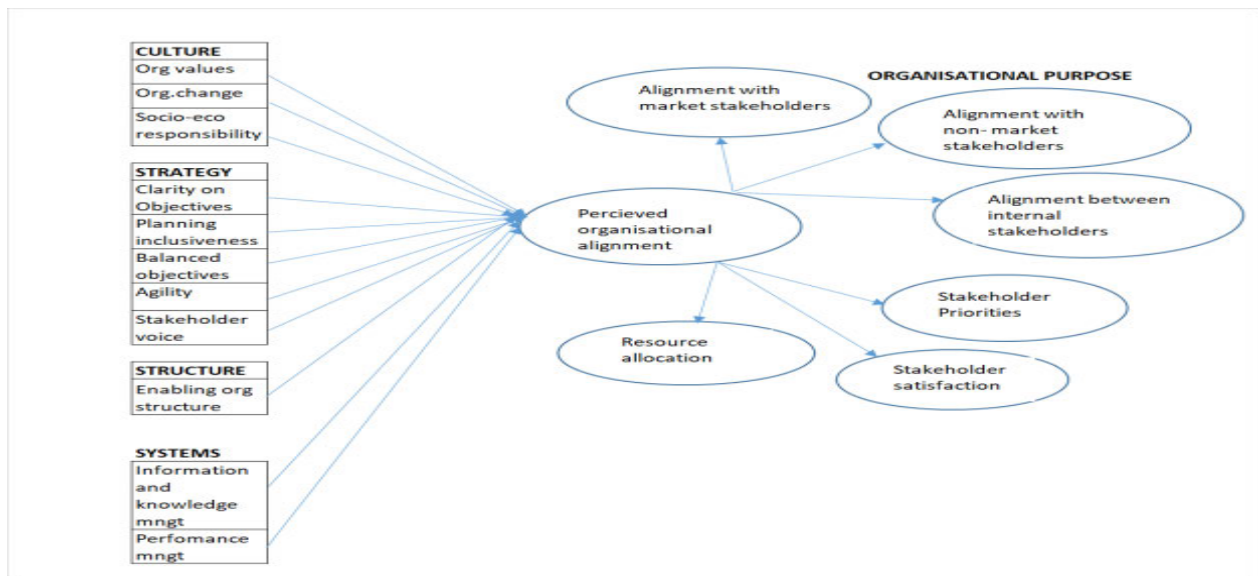


Figure 2.11: Organisational Alignment Model

Source: Burger (2019: 6)

The above diagram explains the organisational alignment model in detail. It gives examples of the types of stakeholders, structures and systems that organisations can use to implement and evaluate their strategies to remain aligned with the strategic goals of the organisations (Burger, 2019). For example, the diagram shows that the organisation's culture is important, including values and socio-economic responsibilities. On the other hand, the systems can include information management and the importance of the organisation's bureaucratic structures (Musa & Ibrahim, 2022). Thus, success is tied to these three pillars. The diagram measures the organisation's success by evaluating resource allocation, stakeholder priorities, satisfaction, and alignment with market stakeholders (Musa & Ibrahim, 2022).

The model is criticised by scholars like Klapper et al; (2020) for failing to recognise organisations' complex and dynamic nature. For example, state-owned enterprises are complex, dynamic and flexible organisations that cannot be explained through one strategic model. According to Klapper et al. (2020), state-owned enterprises require different strategy alignment models depending on the nature and environment in which they operate, the types of challenges they face, and the type of ownership on which they

are based. The above model is deemed too rigid to account for these different organisational aspects of state-owned enterprises (Klapper et al; 2020).

The organisational alignment model has four enabling factors: culture, strategy, structure, and systems. Organisational values, changes, and social responsibility further define the culture strategy enabler (Klapper et al; 2020). The strategy organisational alignment factor re-emphasises the articulated strategy, which is evident in objectives, with well-defined timelines, balanced objectives and built-in agility and recognising the role of stakeholders in strategy alignment (Klapper et al; 2020).

A well-crafted and articulated strategy is also crucial for alignment. However, the structure to support the strategy is equally important as it outlines the organisational design to support the successful execution of the strategy. Performance management and IT systems are also enablers of strategy alignment (Burger, 2019). Performance management evaluates the success of alignment and strategy execution, whilst IT alignment has been extensively defined in terms of its role in aligning the organisation.

2.7.3.2 Framework for perceived organisational alignment model

In 1995, Michael Tushman and David Nadler came up with the perceived organisational alignment model to provide insights into how strategic alignment can be helpful to ensure the success of organisations (Klapper et al; 2020). The framework focuses on strategic alignment's assumptions or perceived meaning rather than the actual alignment facing the organisation. It looks at what ought to be the ideal strategy alignment for organisations as the starting point (Klapper et al; 2020). This model is based on four key elements: consistency, environmental coherence, congruence and strategic resonance. For example, when a state-owned enterprise like ESKOM focuses on innovation in electricity, its objective ought to be aligned by operating in an environment that supports its innovative goals (Klapper et al; 2020). This also applies to its culture and systems. In other words, the model argues that if organisations neglect the environmental concerns in which they operate, they will most likely be unsuccessful (Burger, 2019).

Although the model is relevant for state-owned enterprises to use, its main weakness is that it is based on the assumption that organisations operate in fixed environments that

support their strategic goals, yet in reality, the environment in which state-owned enterprises or organisations operate is constantly changing (Klapper et al; 2020). Organisations are thus forced to adapt to change constantly and change their strategies. Grainger-Brown and Malekpour (2019) also explain how the model fails to consider individual conflicts, differences, and diversity that can affect their perceptions of the organisation's strategy. Scholars such as Burger and Pelser (2018: 5) acknowledge that four enablers include culture, structure, strategy, strategy and system which yields three interrelated elements of perceived organisational alignment evident in terms organisational purpose, execution focus and stakeholder priorities as shown in figure 2.12 below.

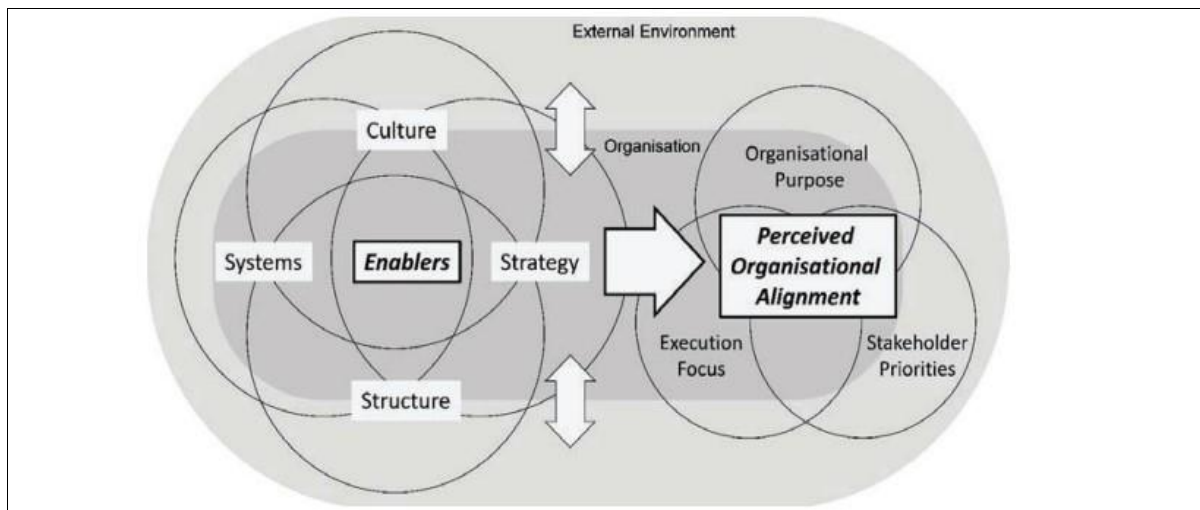


Figure 2.12: Context of Organisational Alignment Enablers

Source: Burger & Pelser (2018: 5)

2.7.3.3 Strategic Alignment Model

The recent conceptual work by Meyer (2022) offers a unique starting point to examine the strategic alignment model and its constituent elements. Strategies can be developed for different levels of aggregation – for individuals, teams, units, etc., all the way up to entire countries and the world. Business-level strategies are made for organisations or units engaged in one specific type of business in one market. An organisation must formulate a corporate-level strategy if involved in two or more businesses.

Meyer (2022) proposes that the strategic alignment model consists of three main systems, each needing internal alignment. This entire business-level system is inherently dynamic, sometimes driven by strategists' choices but often by autonomous developments.

First, the market system is part of the strategic alignment model. A broader market system encompasses all actors and influencing factors impacting seller-buyer interaction. The strategic choice that needs to be made is which segment of buyers to focus on, as each will come with its array of rivals, suppliers, complements, etc (Meyer, 2022)

Second is the business system, which constitutes a strategic alignment model. The business system is about how resource inputs are effectively and efficiently transformed into attractive outputs to create added value. The business system refers to the input-output process, consisting of three 'layers': value proposition, activity system and resource base (Meyer, 2022). Value proposition relates to the output of a business system, a product and/or service offered to prospective buyers. The activity system is about various value-adding activities that create a value proposition (Meyer, 2022).

Resource base in the business system takes cognisance that the activity system requires extensive inputs. Tangible resources such as machines, buildings, money, and materials are crucial to access intangibles such as relational resources (e.g., reputation and contacts) and competencies (e.g. Knowledge and skills) (Meyer, 2022). In an organisation, leaders and managers make strategic choices about how to configure the entire business system into a coherent whole so that the value proposition has a competitive advantage (Meyer, 2022).

Last is the organisational system, which relates to a group working together towards a common goal. These organisational members usually have formally assigned tasks and positions vis-à-vis one another, but informal linkages with a shared culture tend to grow over time. The strategic choice is key in continuously aligning the organisational system into a coherent whole to innovate the business (Meyer, 2022). Every strategist needs to analyse the current state and the main developments in three key systems: market,

business and organisational. Figure 2.13 depicts the three interrelated systems constituting a strategic alignment model.



Figure 2.13: Strategic Alignment Model

Source: Meyer (2022:2)

Effective strategising demands that each system is internally aligned, while at the same time, the three systems are also aligned with one another. Constant changes, intended or autonomous, require ongoing realignment by changing the business and organisation. Core competencies can also be used to re-align new businesses and markets. Strategising is similar in the public sector (Meyer, 2022). The terms market and business might not directly resonate with public sector strategists, but the logic is the same, only the market is called the task environment and the business is called the operating system (Meyer, 2022). This model is attractive because it shifts strategic alignment from the business-IT fit to a broader understanding focusing on systems that embrace both the internal and external aspects (Meyer, 2022).

Unlike the perceived organisational alignment model, the strategic action system developed by John W Meyer in 2022 considers many sociological perspectives when explaining strategic alignment for organisations. However, there are weaknesses related to the model. According to Meyer (2022), complexity is one of the model's main weaknesses. Hence, it is difficult to measure or evaluate issues such as institutional logistics, resources and interests of the organisations. Moreover, this model often neglects the role of human judgement and possible conflicting perceptions of the organisation's strategic alignment. However, the model is valuable and important in

providing a way of understanding organisational alignment. In other words, the model adds value to the understanding of strategy alignment and it is important for organisations such as SOEs, which are complex and almost destined to fail if there is no strategy alignment, implementation and evaluation of such strategies.

2.8 ENABLERS OF STRATEGY ALIGNMENT

Effective strategy execution requires an organisation that is fully aligned. The enablers of strategy alignment are strategic leadership, a capable board, corporate governance and performance management system.

2.8.1 *Strategic leadership as enabler of strategy alignment*

Strategy alignment does not occur independently; therefore, it is imperative to understand the role and nature of strategic leadership in an organisation. Strategic leadership is associated with the top leadership of the organisation at the executive and board of directors' level to give purpose, meaning and guidance to organisations for their future existence (Wang et al; 2021). Strategic leaders are individuals at the top of the organisation and are responsible for making strategic decisions; these individuals (chief executive officers, top management teams and board of directors) create the organisation's overall purpose and guide the organisation towards strategy development, implementation, monitoring and evaluation (Samimi et al;2022). The private and public sector organisations rely on strategic leadership to guide their future and sustainability.

Because this study is about strategic alignment within state-owned enterprises, it is important to clearly understand the concept of strategic leadership from the viewpoint of different scholars. According to Samimi et al; (2022), strategic leadership is the person's ability to predict, envision, support flexibility, think strategically and work with others to initiate changes that will create a viable future for the organisation. Wu et al; (2021) summarises strategic leadership as voluntarily influencing others to make day-to-day decisions that enhance long-term sustainability. Wu et al; (2021) defines strategic leadership as activities that take the organisation into the future. Wu et al; (2021) further characterised strategic leadership as a bridge linking the past, present, and future by reaffirming core values and identity to ensure continuity and integrity.

Strategic leadership is associated with leading at the organisation's top to drive it to deliver its mandate. According to Samimi et al;(2020), strategic leadership is a term that refers to a specific leadership style at the top level of the firm.. Samimi et al. (2020) define strategic leadership as the duties undertaken by individuals at the top level of an organisation (chief executives, top management teams, directors, and general managers) that are intended to have positive strategic consequences for the firm.

The concept of leadership has been the focus of researchers since the late 1940s after dissatisfaction with trait theories; the field of strategic leadership has also grown and undergone metamorphosis (Samimi et al; 2022). The most favoured proposition is that strategic leadership involves the ability to learn and change in addition to managerial wisdom. Strategic research progresses through emerging leadership theories, namely the Upper Echelons, transformational and visionary, and emergent leadership theories (Samimi et al; 2022).

The main aspects of strategic leadership are shared values and a clear vision, both of which enable and allow employees to make decisions with minimal formal monitoring or control mechanisms (Ojogiwa,2021). In addition, strategic leadership will incorporate visionary and managerial leadership by simultaneously allowing for risk-taking and rationality (Ojogiwa, 2021). A strategic leader is an individual in an organisation who can influence the attitudes of others; by contrast, a manager can merely influence their actions and decisions (Samimi et al; 2022). Strategic leaders are consistent, analytical, and developmental in their approach to an organisation's strategy, structure, and systems. Providing strategic leadership is critical for the chief executive and senior executives. Strategic leadership sets the direction to be followed by the organisation (Samimi et al; 2022). The most accurate indicator of future success in today's major companies is the sum of competencies of the entire executive team, as opposed to those of the chief executive only (Samimi et al;2022). Samimi et al; (2022) describe leadership in terms of leaders marshalling their followers to achieve a shared goal and the definition of leadership concept is based on three dimensions: leaders, followers, and shared goals.

Sammi et al; (2022) positioned leadership as having three outcomes, namely: (1) direction and agreement on overall goals, aims and mission, (2) alignment or the organisation and coordination of knowledge and work in a collective, and (3) commitment or the willingness of members of a collective to subsume their interests and benefit for the collective interest and benefit. Todnem (2020) suggests that direction, alignment, and commitment (DAC) are the essentials of leadership. Whilst the tripod contribution to the leadership theory is identifying leaders and how they interact with their followers to achieve shared goals, the ontology contribution goes further. It seeks to elaborate on how people who share work in collectives produce direction, alignment and commitment. Todnem (2020) described leadership as a collective pursuit of delivering on purpose. He further argued that a purpose is the pursuit of worthy ideas and activity that inform organisational core values to attain mission, visions and targets, enabling the organisation to achieve broad alignment and commitment.

The direction, alignment and commitment equation are simple: a shared direction and an agreement about aims, mission and vision for the collective shared work. Direction lays down the development and agreement on the firm's strategic direction (Todnem, 2020).

Alignment refers to organising and coordinating knowledge and activities to support the stated direction. In large, successful organisations, alignment is usually supported by structure, planning, budgeting, control, and performance management (Todnem, 2020).

Commitment is a mutual commitment, as advocated by stewardship theory, where individual members of the organisations, from the board to the shop floor worker, are committed to the entity for collective benefits. The next section will delve into definitions of strategic leadership as found in the literature (Todnem, 2020).

Samimi et al; (2022) identified characteristics of individuals who successfully fulfil a strategic leadership role. They identified successful activities or strategic behaviours with which strategic leaders engage themselves. These authors identify factors associated with strategic leadership at the organisational and individual levels. Strategic leaders

translate strategy into action, align people and organisations, determine effective strategic intervention points, and develop strategy competencies (Samimi et al;2022).

Strategic leadership enables an experienced, knowledgeable, visionary leader to create and execute organisational plans while navigating the volatile, uncertain, complex, and ambiguous twenty-first-century work environment (Jaleha & Machuki, 2018). Strategic leadership is characterised by a systemic concern for the whole organisation, not only an individual or top individuals (Hagris, 2019).

Hagen et al;(1998) and Hitt et al;(1998) noted six critical functions of strategic leadership: setting strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining an effective corporate culture, promoting ethical practices, and setting up strategic controls. Samimi et al;(2021) mention eight strategic functions of strategic leaders. To depict the variety of definitions for strategic leadership, Table 2.6 provides details of the authors and their respective definitions.

Table 0.6: Definitions of Strategic Leadership

<u>Author</u>	<u>Strategic leadership definition</u>
Boal and Hooijberg (2001)	The essence of strategic leadership involves the capacity to learn, the capacity to change, and managerial wisdom (p.515). Strategic leadership focuses on the creation of meaning and purpose for the organisation. Strategic theories of leadership are concerned with leadership organisations. Strategic leadership focuses on the people responsible for the organisation (p. 516).
Boal and Schultz (2007)	Supervisory theories of leadership (e.g., path-goal theory, contingency theory) focus on task and person-oriented behaviours of leaders as they attempt to provide guidance, support and feedback to subordinates. In contrast, strategic leadership focuses on creating meaning and purpose for the organisation (p.412).
Boal (2004)	Strategic leadership is a series of decisions and activities, both process-orientated and substantive, through which, over time, the past, the present and the future, reaffirm core values and identity to ensure continuity and integrity as the organisation struggles with

known and unknown realities and possibilities. Strategic leadership develops, focuses, and enables an organisation's structural, human and social capital and capabilities to meet real-time opportunities and threats. Finally, strategic leadership make sense, gives meaning to environmental turbulence and ambiguity, and provides a vision and road map that follows an organisation to evolve and innovate (p.1504).

DeCruch, Hiller, Murase, Doty and Sals (2010)	Leadership at the top levels of the firm involves establishing a vision and setting broad objectives for the organisation.
Denis, Lamothe, and Langley (2001)	Strategic leadership is a dynamic and collective phenomenon whose influence extends beyond focal organisational boundaries.
Elenkov, Judge, and Wright (2005)	Strategic leadership is defined as forming a vision for the future, communicating it to subordinates, stimulating and motivating followers, and engaging in strategy-supportive exchanges with peers and subordinates. (p. 666).
Finkelstein, Hambrick and Cannella (1996)	The study of executive leadership from a strategic choice perspective, or strategic leadership, focuses on the executives responsible for an organisation's characteristics, what they do, how they do it, and, in particular, how it affects organisational outcomes. The executives who are the subjects of strategic leadership research can be individuals (e.g., CEO or general managers), groups (top management teams) or other governance bodies (e.g., board of directors) (p.334).
Hambrick (2007)	Leadership of complex organisations is a shared activity and collective cognitions, capabilities, and interactions of the top management team to enter into strategic behaviours.
Hernandez, Eberly, Avolio, and Johnson (2011)	Individuals at the top of an organisation are responsible for making strategic decisions. They also create overall purpose and direction for the organisation, which guides strategy implementation and formulation.
House and Aditya (1997)	Strategic leadership is directed towards a given purpose, meaning and guidance to organisations, whereas supervisory leadership is

intended to provide guidance, support, and corrective feedback for the day-to-day activities of work unit members.

Ireland and Hitt (1999)	Strategic leadership is a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes to create a viable future for the organisation (p. 43).
Vera and Crossan (2004)	Strategic leadership research focuses on the people at the top of the organisation. It considers executive work not only as relational but also as a strategic and symbolic activity.
Cater and Greers (2013)	Strategic leadership is premised on the thinking and visionary capabilities of strategic top managers who aim to create a transformative organisation.
Shoenaker and Krup (2015)	Strategic leadership is concerned about the unique abilities that allow for the absorption and learning of new information and ideas, but having an adaptive capacity to appropriately respond to the dynamism and complexity of the external environment.
Jaleha and Machuki (2018)	Strategic leadership articulates a clear vision of the future organisation to successfully implement organisational change and long-term performance.
Anwar (2017)	Strategic leadership is the ability to guide, empower, and motivate others to contribute to the productivity and advancement of the organisation to which they belong.
Altman and Tushman (2017)	Strategic leadership is the followers' motivation to ensure they have the clarity needed to achieve entity goals.
Ali (2020)	Strategic leadership has been defined by traits, behaviours, authority, communication habits, and work relationships that lead to the realisation of the organisation's long-term goals.
Hartley (2018)	Mobilising individuals, organisations and networks to formulate or enact purposes, values and actions to create value outcomes for the public sphere. Public leadership is about actions and decisions about the public sphere or public realm, and formal or informal politics will always be part of public leadership.

Source: Author's consolidation from literature.

The definitions of strategic leadership, as presented in Table 2.6, point to the ability to have a vision and motivate and guide followers to achieve organisation goals. Most importantly, the definitions highlight certain aspects of strategic leaders, including excellent communication skills.

Scholars have acknowledged the importance of strategic leadership in various organisations, including state-owned enterprises, pointing out the direct correlation between strategic leadership and efficient organisations (Samimi et al;2022). The advent of strategic leadership promotes transparency and accountability in state-owned enterprises.

Most enterprise's achievements result from direct interaction between effective leadership and the personnel. As Todnem (2020)noted, in most developing countries, state-owned enterprises fail due to a lack of quality leadership and skills of those in power or elected/selected board members. Both academic and professional literature agree that if strategic leadership were incorporated into state-owned enterprise management, the inefficiencies, lack of competitiveness and corruption would be curtailed (Yu et al; 2023). Strategic leadership is of fundamental importance in the performance and success of state-owned enterprises, as strategic leaders function as motivators, enablers, facilitators, and mentors to those employed in their organisations (Yu et al; 2023). It is common knowledge that every organisation at the start-up stage requires a leader or director responsible for the product and service supply (Yu et al; 2023). The leader should also manage expansion, including administration, sales, and marketing. Thus, strategic leaders with the capability and power to manage the state-owned enterprises' critical resources allow them to grow, be sustainable and boost performance (Ngulube, 2021).

State-owned enterprises have been noted to be the most outstanding employers, meeting the social and political needs of the government and operating in the strategic sectors of the economy that are vital for the developmental state (Hlobo et al; 2022). The pace of change has added complexity to the organisational landscape, calling for flexible, adaptive leaders who can channel this change (Yu et al., 2023). The leaders should be strategy-orientated and agile to guide the business in the changing business landscape

and adopt an initiative-taking approach to keep up to date with increased stakeholder pressures on the enterprises (Yu et al; 2023).

State-owned enterprises' shortcomings and failures are well documented, with some studies showing that despite state-owned enterprises being the largest employers and generators of profits for their countries, at times, they lack direction and proper leadership (Lardy, 2019; Yu, 2023). Structural changes in enterprises are shifting towards an economic model driven by innovation and productivity growth (Yu et al; 2023). State-owned enterprises often lag in the return on investments, as evidenced in China (Sue et al; 2022). State-owned enterprises' recruitment decisions have been subject to political interference, and the pace of growth is much slower than private entities. Strategic leadership also brings innovation and creativity, which fosters quicker growth and improved performance (Su et al; 2022). Given the above, the definition of strategic leadership adopted for this study is the ability to guide and align the state-owned enterprise to deliver its mandate. This definition is useful and relevant for this study since it focuses on chief executive officers and the board of directors of state-owned enterprises as enablers of strategy alignment (Su et al; 2022)

Strategic leadership's nature, level, scope and relevance to the current study have been discussed. Attention now turns to the functions of strategic leaders in an organisation. In this study, the clarity of functions of strategic leaders is necessary because pursuing these functions is a key enabler to strategic alignment in state-owned enterprises (Su et al; 2022)

Strategic leaders are duty-bound to perform specific roles diligently and responsibly (Mintzberg, 1973, 1997). The study by Samimi et al; (2020) identified eight strategic functions performed by top managers, and Hitt et al. (1998) identified six strategic functions that strategic leaders perform. A consolidated view of the functions of strategic leaders by different authors is reported in **Table 2.7** and explained in detail in the subsequent sections.

Table 0.7: Consolidated View of Functions of Strategic Leaders

<u>Author</u>	<u>Functions</u>	<u>Definition</u>	<u>Proximal Outcomes</u>	<u>Distant outcomes</u>
Samimi et al. (2020), Hitt et al., (2001), Hagen et al. (1998)	Making strategic decisions	Making decisions on strategic changes and the overall direction of the firm, approving and guiding strategy implementation as per Agency theory and Stewardship theory. Anticipate threats and opportunities on the periphery of the business. Strategic thinkers challenge their own assumptions and encourage divergent points of view.	Attributes of strategic decisions. Overhaul of board committees. The chair of the board increases interaction with the CEO on strategy implementation.	Competitive advantage, Firm growth, relative performance, and performance volatility. Delivery of the mandate by SOE. Robust and aligned strategy, which has been challenged from all angles.
Samimi et al. (2020)	Engaging with external stakeholders	Representing and managing relationships between the firm and public and private entities. According to stakeholder theory, SOE leaders manage multiple stakeholders, like government, regulators, the public and society. Strategic leaders must find common ground and achieve buy-in among stakeholders with disparate views and agendas.	Firm-stakeholder relationships, competitive relationships. Defining and ranking different stakeholders for timeous engagement.	Stock market performance, firm reputation.
Samimi et al. (2020), Hitt et al.	Performing human resources	Making decisions regarding personnel selection and dismissal.	Changes in organisation structure for efficiency and cost	Profitability and liquidity, and

(2001), Hagen et al. (1998)	management activities.	Personnel evaluation and development. Implementing learning and development initiatives. Strategic leaders are focal points for organisational learning and promote culture as they search for lessons in both successful and unsuccessful outcomes.	reductions. Introduction and development of incentives and rewards, types of control and monitoring processes and organograms aligned to strategy to enhance strategy alignment.	performance volatility and efficiency.
Samimi et al. (2020)	Motivating and influencing	Motivating organisational members, establishing follower trust and a united workforce, serving as a role model, shaping the firm's culture and communicating a vision.	Organisation culture, employee motivation. Addition of employee wellness and mental health as part of motivation.	Firm growth, firm productivity
Samimi et al. (2020)	Managing information	Processing strategic information and distributing it to the organisation's different areas and hierarchical levels. Leaders who challenge in the right way can invariably interpret complex and conflicting information.	Information withholding and manipulation patterns, attending to biases. Use of information systems to manage better and real-time monitoring.	Organisational coordination, absorptive capacity and firm productivity.
Samimi et al., (2020), Hitt et al (2001), Hagen et al. (1998)	Overseeing operations and administration	Managing the development and implementation of structure and monitoring procedures, monitoring different areas and delegating. SOE strategy leaders must refine the shareholder compact to ensure	Employee turnover and employee satisfaction. SOE leaders delegate authority to prevent board members from overstepping into firm operational roles.	Firm productivity

		that the roles of the executives and board members are clearly defined.		
Samimi et al. (2020), Hitt et al. (2001), Hagen et al. (1998)	Managing social and ethical issues.	Steering the firm moral behaviour and controlling behaviour of the firm. Corporate governance has become paramount recently for the sustainability of the entities.	Corporate social responsibility engagement, engaging in controversial behaviours, and adopting illegal behaviours. Cascading of ethics committee resolution from the board to the organisational level by establishing ethics officers per department and ethics hotlines.	Triple bottom line, long-term performance/survival. Firm reputation
Samimi et al. (2020), Hitt et al. (2001), Hagen et al. (1998)	Managing conflicting demands	Attending to conflicting needs of different internal and external stakeholders and resolving conflicting strategic issues. Conflicting demands of society, politicians and government for strategy leaders in the public sector	Resource allocation patterns. Organisational alignment.	Long-term performance and survival

***Source: Adapted from Samimi et al. (2020:5)**

Table 2.7 presents the different functions of strategic leaders, including the level at which they undertake some functions because some functions are at the board level while others are at an organisational level within an entity. The functions of strategic leaders as enablers of strategy alignment are further discussed in the following sections.

2.8.1.1 Making strategic decisions

Strategic leaders are individuals who occupy the top echelons of an organisation and are expected to make complex decisions within their organisations. The decisions made by strategic leaders have a significant impact on the strategic direction of organisations compared to decisions made by lower- or middle-level managers (Ojogiwa, 2021). The

decisions made by strategic leaders have an impact on competitive advantage, financial performance, environmental impact, profitability, and sustainability (Onu et al., 2022,).

Strategic leaders, when making decisions, must take into consideration the changing landscape of the external environments (markets, legislation, competition, opportunities, technology, etc.) and internal environments to identify capabilities, recognition of threats and future changes that might be required to enhance dynamic capabilities of the firm (Naja & Ahmad, 2021). Further, strategic leaders are involved in strategy development, implementation and monitoring (Naja & Ahmad 2021).

Samimi et al; (2020) asserted that the impact of decisions made by strategic leaders in organisations is enormous compared to decisions taken at lower levels. In executing their strategic duties, strategic leaders must allocate resources to match the strategy and responsibilities to other top management team members (Samimi et al; 2020). The strategic decisions made by top leaders involve major allocations of resources and commitments that affect the firm. Typical strategic decisions leaders make at the top echelon include innovation, mergers and acquisitions, strategic review changes, diversification, investment and divestment (Samini et al; 2020).

Deciding on the strategic direction of the organisation involves developing a long-term vision. An organisation's long-term vision looks at least five to ten years into the future. Strategic intent means using the organisation's internal resource capabilities and core competencies to conduct what initially may appear unattainable goals in the competitive environment. Strategic intent establishes the organisation's requirements to achieve its goals (Naja & Ahmad 2021).

In a study by Fernandez and Shaw (2020) focusing on strategic decisions taken by strategic leaders in the United States during the COVID-19 pandemic and uncertainty, strategic leaders at different universities throughout the United States and the world made a strategic decision for universities to switch from traditional face-to-face teaching to remote learning to implement universities mandate of teaching and learning.

2.8.1.2 Engaging with external stakeholders

Strategic leaders build and manage relationships outside the firm and represent the firm's image to external parties. The external leadership function encompasses leaders' interactions with external parties (allies, investors, customers, suppliers, regulators, legislators) that have the potential to influence the firm's strategic intent positively. (Samimi et al;2020). External leadership behaviours can deliver strategic advantages, such as providing access to important resources and networks to enhance the organisation's reputation (Naja & Ahmad 2021).

External relationships are helpful for the firm as they can assist strategic leaders in navigating crises. The board also provides the service function to stakeholders and shareholders by facilitating business links, networks and political links to authorities and expert groups to provide specialised knowledge (Naja & Ahmad 2021).

Strategic leaders have to build and keep relations with stakeholders outside the firm and are brand ambassadors of the firm to external parties. Strategic leaders' abilities to manage such stakeholder relations can be explained through stakeholder theory. Stakeholder relations usually have strategic benefits to the firm, such as providing or extending markets, accessing critical resources (Naja & Ahmad 2021), and enhancing the firm's reputation (Naja & Ahmad 2021). The desired strategic intent drives the engagement with external parties. the CEO represents a firm to engage with investors, while a board chairperson represents a firm to engage with regulators and other ceremonial activities (Naja & Ahmad 2021 .

A study by Tsai and Men (2017) regarding digital technology transformation and strategic leaders concluded that digital platforms made engaging with external stakeholders easier for chief executives. Another study by Chams and Garcia-Blandon (2019) on the role of the board of directors found that the traditional duty of the board of directors to the firm's owners has shifted, reflecting expanding director responsibilities. Key amongst them involves going into the real world to tackle emerging concerns regarding an organisation's social and ecological practices and addressing stakeholder needs. In the study by Ontita and Kinyua (2020) on the performance of commercial banks in Kenya, it

was found that stakeholder management affected the performance of commercial banks in Kenya, and the study recommended that the top management team involve bank stakeholders in strategy implementation through stakeholder meetings so that stakeholders could give inputs on the strategies of the banks. A study by Luca (2018) in Nigeria reported how Shell Petroleum Development Company of Nigeria Limited's company leaders initiated cross-sector initiatives between communities, government and healthcare specialists, which resulted in the setup of the Obio Community Health Insurance Scheme. The new CEO-stakeholder engagement contributed to local development, building social capital and trust as a corporate citizen while strengthening the company's contribution.

2.8.1.3 Performing human resources management activities

Strategic leaders make decisions about selecting, evaluating, compensating, and developing the organisation's human capital. For example, the board of directors appoints, evaluates, and dismisses CEOs (Gasela,2022). The board of directors sets the reward structure for top executives and influences executive behaviour and firm-level outcomes. The board of directors also manages the principal-agent problem to ensure the CEO is committed to the firm (Gasela, 2022).

Organisations today must mobilise and align their resources with their strategy to remain successful. Value can be created through an internal capacity development process that links everyone to strategy. Effective human resource recruitment benefits from competency modelling to ensure the right person is hired for the right job (Grigoryev, 2020). Achieving and sustaining a competitive edge depends on achieving the right fit. Strategic human resources management provides a framework for understanding and identifying the characteristics of the next generation of leaders (Samimi et al;2020). In pursuing the development and attainment of human capital, strategic leaders:

- Articulate leadership development as a top-level strategic priority.
- Build outstanding HR functions that create robust infrastructures for leadership development.
- Reward and support next-generation leaders in multiple ways.
- Create an organisational culture that facilitates the development of leaders.

Human capital is a critical criterion for effective strategic leadership because, without appropriate human capital, the organisation's core competencies cannot be effectively developed or exploited. The ability to develop an organisation's human capital is influenced by its corporate culture (Collins, 2021). Core competencies are the resources and capabilities that serve as an organisation's source of competitive advantage (Collins, 2021). The core competencies relate to an organisation's functional skills. Strategic leaders make the decisions needed to help the organisation develop, maintain, strengthen, leverage, and exploit these competencies. Exploiting core competencies involves sharing resources across units, with the most effective core competencies being the knowledge and skills of the employees (Collins, 2021)

There is a need to distinguish between different competencies, starting with competency, core competency, and distinctive competency. A core competency is a competitively important activity that a company performs better than any other internal activity, and it is central to a company's strategy and competitiveness (Collins, 2021). A core competency is a more valuable resource than competency because of the well-performed activity role in the company strategy and its contribution to the company's success in the marketplace, leading to competitive advantage. A strategic leader decides how to deploy these core competency resources to attain the organisation's advantage (Collins, 2021).

A study by Roziq et al; (2021) proved that the investment in human capital by strategic leaders positively contributes to the value creation and competitive advantage of a firm. In a study by Ciobanu and Androniceanu (2018) on Romanian public institutions, the investment by strategic leaders in human capital had a positive effect generated from within institutions due to the effective coordination of elements related to recruitment, skills development, career development, performance appraisal and reward and motivation. A study by Hamadamin and Atan (2019) regarding investments in human capital in public organisations in Iraq revealed a positive influence on human capital development and promoted employee commitment, resulting in a competitive advantage. The study by Naidoo (2019) on developing school management teams for leadership roles in South Africa revealed that principals' investment in leadership development was

crucial for school improvement in teaching and learning. Leadership capacity requires the principals to participate skillfully with relevant stakeholders and improve developed capacity developed into sustained leadership.

2.8.1.4 Motivation and influencing

Motivation is the desire to act in service of a goal. It is a crucial element in setting and attaining objectives. Motivation includes the biological, emotional, social and cognitive forces that activate human behaviour. Motivation can be divided into extrinsic and intrinsic motivation (Cortes & Hermann, 2021). Extrinsic motivation arises from outside the individual and often involves external rewards such as trophies, money, social recognition and praise. Intrinsic motivation is internal and arises from within the individual, such as doing a complicated crossword puzzle purely for the gratification of solving a problem (Cortes & Hermann, 2021). Components of motivation include activation (a decision to initiate behaviour), persistence (continual effort toward a goal even though obstacles exist) and intensity (concentration and vigour that goes into pursuing a goal).

According to the American Psychology Association's dictionary, influence is an interpersonal process that challenges the correctness of an individual's beliefs or the appropriateness of behaviour and promotes change (Cortes & Hermann, 2021). The source of influence can be direct due to communication and persuasion or through exposure to information and comparisons of oneself with others as per comparison theory. By its nature, strategic leadership is the ability to influence others to voluntarily make decisions to enhance the prospects for the organisation's long-term success whilst maintaining short-term financial stability (Ojogiwa, 2021)

Strategic leaders inspire, motivate and unite their followers to embrace and own strategy implementation. Ojogiwa (2021) argues that strategic leaders must be creative and devise ways to motivate followers to remain committed to the organisational goals. The innovative methods invented by strategic leaders to motivate and influence followers include subtle persuasion, such as rewards and recognition for achieving and exceeding targets, to the application of authority (Matzembacher et al; 2020). Subtle persuasion can include allocating funds for enhanced communication campaigns and adverts and altering communication patterns, such as weekly blogs by the CEO to motivate and influence

employees on a strategy journey. Matzembacher et al; (2020) states that good strategic leaders must influence and motivate their followers to voluntarily commit to achieving organisational goals and inspire them to be resilient against obstacles.

Through the cascading effect and good communication skills, strategic leaders integrate the strategy into the organisation's lower levels, which ordinarily would not have come into contact with top management teams (Ojogiwa, 2021). Different communication plans and forums nowadays are used for this function, such as weekly blogs and town hall meetings for employees with no access to digital platforms as part of their employment duties but allowing personal interaction through questions and responses (Ojogiwa, 2021).

Through their behaviour and conduct, strategic leaders inspire and influence their followers as role models and ambassadors of excellent performance. In all types of enterprises, whether private or state-owned, motivation plays a key role in driving employees towards achieving their individual goals, organisational goals and, to a certain extent, the dreams of their nations (Ojogiwa, 2021). According to Anderman (2020) motivation is explained according to different theories, including Maslow's hierarchy of needs, Herzberg's motivator (two-factor) theory, Alderfer's existence theory and McClelland's needs theory. The theories of motivation can be categorised according to their definition and purpose, but critical analysis reveals that they are linked, serving the satisfaction of employees (Anderman, 2020).

The use of both content and process theories must be put into practice to motivate employees effectively. In intrinsic motivation, the factors (hygiene) that satisfy lower-level needs differ from those motivators that satisfy higher-level needs (Andermann, 2020). If hygiene factors (outside the job itself, such as working conditions, salary and incentive pay) are inadequate, employees become demotivated. Instead of relying on hygiene, the manager interested in creating a self-motivated workforce would emphasise job content as a motivation factor. Managers do this by enriching workers' jobs to be more challenging and providing feedback and recognition (Andermann, 2020)

Strategic leaders influence and motivate their followers with a unique leadership style to mobilise them towards delivering the strategic intent. Through their behaviours, strategic

leadership can unify, motivate, influence and encourage followers to pursue a strategic vision to shape the organisational culture (Pang et al;2021). Through cascading, strategic leaders can influence their followers at the lower levels of management (Pang et al; 2021).

Motivation is important because it is concerned with goal-oriented behaviours, and the strategic leader, as is their duty, must encourage and perform motivation of the firm's employees as one of their core duties because motivation increases efficiency, is the internal drive for sustained performance and, most importantly, improves overall well-being, which is needed for mental health in today's demanding world of work. Motivated employees will work harder and more efficiently to realise goals (Pang et al;2021).

Extrinsic motivation arises from outside the individual and often involves external rewards such as trophies, money, social recognition, and praise. Using Maslow's hierarchy of needs theory, most employees are working to meet their needs, which are physiological, safety, belonging and esteem (Akdemir, 2020).

A study conducted by Shao (2019) on the impact of top leadership behaviour on IS-Business strategic alignment in an organisation suggested that influence and motivational behaviours of strategic leadership had a positive effect in driving the IS-strategy alignment. A study by Andriani, Kesumawati & Kristiawan (2018) on transformational leadership and work motivation of teachers in India found that the motivation of teachers by the headmaster significantly influenced the teachers' performances. A study by Pancasila et al;(2020) on work satisfaction and employee performance in Indonesia concluded that strategic leadership positively and significantly influences employee job satisfaction. In another study by Paais and Pattiruhu (2020) on the effect of motivation and leadership in Indonesia, they concluded that strategic leadership influences and motivates job satisfaction.

Strategic leaders play a critical role in influencing different stakeholders around firm goals. The stakeholder management theory framework categorises stakeholders, their needs, and the type of information they need (Akdemir, 2020) .

2.8.1.5 Managing information

In both internal and external contexts, strategic leaders acquire and process large amounts of data and information to make strategic decisions. Akdemir (2020) promotes the escalation of the Upper Echelons Theory into digital leadership, where strategic leaders must promote digital culture and competence. Hamidiffar et al;(2023)emphasise the importance of strategic leadership in driving the Fourth Industrial Revolution, i.e., an information and digitalisation drive of all business aspects. Hamidiffar et al;(2023) further highlight the importance of strategic leaders in driving digital leadership to entrench digital competence and culture in organisations to take advantage of digital technology, thus enabling the capability for strategy alignment. Strategic leaders must be able to process information quickly landscape and to lead in the dynamic, volatile, uncertain, complex, and ambiguous business (Hamiddifar et al;2023).

The business environment is changing rapidly and becoming less and less predictable, leading to the situation where the information is quickly outdated, and is sometimes not very reliable by the time of acquisition by strategic leaders (Hamiddifar et al;2023). Moreover, the amount of information that managers acquire is increasing yearly, which means that the saturation level changes the decision-making model from decision-making under incomplete information to information overload conditions (Ojogiwa, 2021).

Dubey (2023) argues that a particular attribute of strategic leaders is synthesising and digesting information from multiple sources before developing a viewpoint. Strategic leaders seek to understand patterns from multiple data points, engage with others to develop insights and test for decision biases (Dubey, 2023).

Strategic leaders collect, analyse, and use the information available in both internal and external environments to make decisions that impact the firm. Strategic leaders can access different forms of privileged information and may distribute or withhold the information based on various interests (Dubey, 2023). Strategic leaders set the tone and decide how privileged information is managed throughout the firm regarding content, timing and communication plans (Dubey, 2023).

2.8.1.6 Overseeing operations and administration

Strategic leaders, especial chief executive officers as part of their duties oversee various operational and administration duties as implementers of strategy. These leaders although concerned with long-term decisions about the future of the organisation, must implement operational decisions to achieve strategy (Malaza, 2020). One trait of strategic leadership that enhances strategy alignment is the readiness to delegate and authorise. Strategic leaders delegate authority to focus on future planning and avoid responsibility overload (Malaya, 2020)

The board of directors, as the highest administrative body of the organisation, has duties (Bainbridge 2015; Castellanos & George 2020) that can be classified into three categories: management, oversight and service. The board performs management functions by delegating ordinary operations to the top management team and performing oversight and monitoring functions as per agency theory, where it represents the principal (government) and monitors the agent's actions (Castellanos & George 2020). Operations and administration decisions taken by strategic leaders are reported in **Table 2.8**.

Table 0.8: Differentiation of Strategic and Administrative Decisions Taken by Leaders

<u>Strategic Decisions</u>	<u>Administrative Decisions</u>	<u>Operational Decisions</u>
Strategic decisions are long-term decisions.	Administrative decisions are taken daily.	Operational decisions are not frequently taken.
Concerned with future planning	These are short-term decisions.	These are medium-term decisions.
Strategic decisions are taken per the organisation's mission and vision.	These are taken according to strategic and operational decisions.	These are taken per strategic and administrative decisions.
These are related to the overall counter-planning of all organisations.	These are related to the working of employees in an organisation.	These are related to production.

These deal with organisational growth.

These are in the welfare of employees working in an organisation.

These are related to production and factory growth.

***Source: Author; adapted from Stamesvska and Stamesvski (2020: 3)**

According to Table 2.8, strategic leaders delegate authority to lower managers to make administrative decisions routinely to support strategic or operational decisions. Employees also carry out operational decisions, which are technical decisions to implement strategic decisions.

Strategic leaders decide on the type of organisation structure and management systems that will support strategy. They set up the reporting lines, protocols for organisational governance on items such as quality management, a business meetings calendar to align with deliveries of strategy items, record keeping of minutes, quality management systems and all possible certifications and licenses required by the business to operate (Malaza, 2020).

2.8.1.7 Managing social and ethical issues

Ethics are the inner, guiding moral principles, values and beliefs people use to analyse or interpret a situation and decide on the appropriate behaviour (Lin et al; 2020)). Individual ethics are personal standards and values that determine how people view their responsibilities when their interests are at stake and are influenced by family upbringing and peers. Lin et al;(2020) defined organisational ethics as the guiding practices and beliefs through which a particular organisation and its leadership view their responsibility toward their stakeholders. According to Trevino et al. (2018), ethical leaders embrace novel ideals, are trustworthy and honest and adhere strictly to moral principles. Mitchelson (2003) and Shafique et al;(2018) go further to attest to nine attributes of strategic leaders, which are ethical sight, decisive ethical decision-making, prioritising long-term decision-making, treating employees with dignity and fairly, modelling ethical behaviour, emphasising the importance of ethics when communicating to employees and other stakeholders, having a thorough knowledge of self, empowering employees by offering ethical training and holding their peers accountable ethically.

Stakeholders are people or groups affected by how an organisation and its managers behave. Typical stakeholders of state-owned enterprises are top management teams, customers, community and society, suppliers and distributors, employees and regulators, and government agencies (Ojogiwa, 2021). Managers are listed as the stakeholder group because they are responsible for deciding which goals an organisation will pursue to benefit most stakeholders and how to use resources effectively to achieve those goals (Ojogiwa, 2021).

The individual ethics of the organisation's top management team is vital in shaping the organisation's code of ethics. Top managers play a crucial role in determining company ethics, and the board of directors must scrutinize top managers' reputations and ethical records before making an appointment (Cortes & Hermann, 2021). It is the board's responsibility to determine whether the prospective CEO has maturity, experience and integrity.

Strategic leadership is an organisation's custodian of ethical leadership, with the board and chief executive regarded as chief ethics officers (Ojogiwa, 2021). Ethical leaders guide their followers, are role models for good behaviour and conduct, and always do right even when no one is watching. Due to their elevated organisational status, strategic leaders are pivotal in modelling, guiding and enforcing ethical behaviour (Ojogiwa, 2021).

Research has linked strategic leadership to many social or ethical consequences, ranging from bribery or tax avoidance participation to corporate social responsibility. These behaviours and initiatives, in turn, have significant consequences for stakeholders, firm credibility and efficiency (Aftab et al; 2022). Strategic leaders, especially CEOs, have significant discretion concerning tax avoidance or resource allocation decisions for corporate social responsibility. In addition, strategic leaders are typically responsible for major ethical controversies even though they are unaware of them (Aftab et al; 2022)

The board and chief executive are regarded as chief ethics officers of the organisation. They must create a strong ethical message and cascade it throughout the entire organisation to influence ethical behaviour within the entity and advocate ethical

behaviour within organisations (Lin et al; 2020). They oversee day-to-day operations and long-term strategic responsibilities and formulate and implement strategies for immediate impact and preserving long-term goals to enhance organisation growth, survival, and viability. Strategic leaders use strategic controls and financial controls, emphasising the former and have strong positive expectations of the performance from their superiors, peers, subordinates, and themselves (Samimi et al; 2020). Finally, ethical leaders believe in strategic choice, namely, that their choices are effective in their organisations. It is important for organisations and their managers to behave ethically since ethical behaviour increases the efficiency and effectiveness of production and trade, enhances company performance, and increases the national standard of living and sustainability of the environment and society (Akhtar et al;2023).

The quantitative study by Shafique et al;(2018) examining the impact of ethical leadership on employees' job satisfaction in Pakistan using a sample of 114 of tourist companies, found that the demonstration and display of ethical leadership in the workplace by top management increases employee loyalty and is positively associated with job satisfaction. The practical implication of the study is that from a strategic perspective, organisations should employ ethics as a significant measure in the recruitment and promotional plans of employees(Akhtar et al; 2023)

The mixed method study by Mbandlwa (2021) examining the challenges of ethical leadership (mismanagement of public funds, corruption and poor administration) and the extent of service delivery in the Msunduzi municipality found that lack of leadership ethics affected public service delivery, resulting in the municipality being placed under administration and pointing to a failure of municipal strategic leaders to exercise their strategic function towards municipality stakeholders.

2.8.1.8 Managing conflicting demands

Top managers are constantly subjected to conflicting demands due to different resource allocations for top management teams (Singh et al;2023). Strategic leaders must respond to conflicting demands and appreciate the tensions of competing demands (Singh et al; 2023)). According to competing demands occur when leadership must decide to deploy limited resources when demand exceeds the available resources. Although competing

demands can bring innovation, resource allocation and prioritisation create tension (Singh et al;2023).

(Kundi et al;2023) reports on the confusion that conflicting demands place on top management, with managers torn between conflicting demands that require attention simultaneously. The literature distinguishes between different types of conflicting demands and their characteristics to guide strategic leaders in handling them. Scholars categorise competing demands as dilemma, trade-off, dialectic, duality, and paradox. The competing demands, their definitions and implications for organisations are reported in **Table 2.9** and the guidelines for their resolution are discussed further in the subsequent paragraphs (Kundi et al; 2023).

A dilemma always exists when demands compete for attention and can be attended to separately, which likely means one is attended to at the expense of the other. Kundi et al;(2023) explain that only one solution can exist, so the alternative must be preferred. Trade-off demands are compatible yet oppositional, and the guidance is that when they are compatible and active simultaneously, the two demands are not at full strength, and each can be attended to exclusively (Samimi, 2022). Dialectics exists when two demands are interrelated but antagonistic or contradictory (Bolden et al; 2023). Because one demand is more dominant, the guidance is too simple to resolve the dominant demand. The conflicting demand in the form of dualities consists of two competing demands that are interrelated, compatible and complementary and must be attended simultaneously (Bolden et al; 2023).

Paradoxical demands are contradictory, existing simultaneously, reinforcing one another with a push-pull condition. Guidelines for the paradox of competing demands can either be treated as a dilemma to be solved or an opportunity calling for creativity (Bolden et al;2023).

Strategic leaders must sometimes manage conflicting priorities, such as short-term or long-term time horizons. Their role in managing demands or conflicting priorities significantly impacts the firm's performance. Some conflicts can be quickly resolved

through institutional knowledge or collaboration between management teams (Bolden et al; 2023).

Table 0.9: Characteristics of Competing Demands

<u>Competing demand</u>	<u>Definition</u>	<u>Implications for Organisational Design</u>	<u>Author</u>
Dilemma	A situation where one alternative is preferred relative to another.	Designers need to know how to select and be aware of potential rigidity.	Achtenhagen and Melin (2003), Janssens and Steyaert (1999), Jarzabkowski et al. (2013), Wenstenholz (1993).
Trade-off	A gradual exchange between two demands where more of one is less of the other.	Managers must be aware that the relief that comes with a compromise is short-lived, and it might reduce or neutralise the energy of the tension. In short, while a compromise might mute the opposition, it might resurface later.	Achtenhagen and Melin (2003), Jarzabkowski et al. (2013).
Dialectic	A pattern always begins with a thesis, followed by an anti-thesis and resolved by their synthesis.	Managers need to be aware of the separation that dialectics imply, as it might delay learning of intersections and the opportunity to thrive in tension. This might also marginalise less powerful people.	Jarzabkowski et al., (2013), Putnam et al. (2016), Smith and Lewis (2011), Estenholz (1993).
Duality	The twofold nature of an object of study is without separation; they are seemingly opposite but are interdependent and complementary.	This implies that managers' focus is on complementarity and reducing power differences. This might also mean neutralising the opposition in the long term.	Farjoun (2010), Janssens and Steyaert (1999), Jarzabkowski et al. (2013), Smith and Lewis (2011).
Paradox	Contradictory yet interrelated elements exist simultaneously, and the tension persists over time.	This implies that managers aim to accommodate tensions. For the manager, that means critically examining assumptions about tensions and developing a complicated range of understanding tensions and new organisational practices to accommodate them.	Janssens and Steyaert, 199?, Jarzabkowski et al. (2013), Quinn and Cameron (1988), Smith and Lewis (2011).

***Source: Adapted from Gaim et al; (2018: 5).**

Strategic leaders at the upper echelons of the organisations must maintain a balancing act on the management of different competing demands to maintain strategy alignment.

2.8.1.9 Establishing strategic controls

Organisation control has long been considered a significant part of strategy implementation. Controls are necessary to help organisations achieve their desired outcomes of strategic competitiveness and above-average returns. Strategic control refers to a corporate leader's understanding of the strategies being implemented in the various business units (Krause, Withers & Waller, 2024). Controls are necessary to help ensure that organisations achieve their desired outcomes of strategic outcomes. Tavakoli and Perks (2001) cited in Felix et al; (2023) developed a five-factor model for a strategic control system for managing strategic change. The five factors in this model focus on competitive advantage, strategic capabilities, industry key success factors, strategic goals, and planning premises (Samimi, 2022). Strategic control systems protect the organisation during strategic change. Strategic control is critical for any organisation because it addresses the risk associated with the register. Every strategy execution plan must be accompanied by a risk matrix, highlighting the potential risks encountered during strategy implementation (Jonhson, 2023). The risk register becomes an input for the contingency planning (or scenario analysis) on how the organisation will respond to each risk, and the register must be detailed and include a sensitivity analysis on the likelihood of that risk materialising and the impact of the risk to prioritise contingency planning, which will be used to respond to risk escalation (Johnson, 2023). The key to appropriate risk responses is the organisation's capabilities, both in terms of its infrastructure and people capabilities. The organisation must have the ability to respond to these immediate changes (Ojogiwa, 2021). State-owned enterprises, due to their hierarchical nature as entities of government, lack this agility, and any response to the changing operation landscape needs the accounting authority (board) and executive authority (government) sign-off, therefore impacting their competitiveness (Jonhson, 2023).

The strategic control process usually involves six steps, which are:

- Identifying what to control: the KPIs are candidates for control as they impact entity strategy.
- Setting realistic targets on historically demonstrated performance becomes a baseline for measurement.
- Actual measurement, including monitoring and reviewing, to align with the reporting periods, usually quarterly.
- Gap analysis comparing actual performance against the target.
- Deviation analysis to determine the causes of deviations.
- Implementation of the corrective action to return to the strategy.

Strategic control is vital for strategic leaders because they measure implementation progress against a plan, provide valuable lessons for the future, and determine performance recognition incentives to keep staff motivated (Samimi et al;2020).

Given the above discussion of functions and earlier discussion on the level and scope of strategic leadership, the figure by Samimi et al; (2020) is an insightful and clear summary of understanding how strategic leaders lead, but also the context and outcomes that are key in a study of strategic leadership.

The functions of strategic leaders are depicted in **Figure 2.14**. According to Figure 2.14, strategic leaders are known by different names (chief executive officer, top management team, board of directors) depending on the level they occupy in the organisation (both private and public).

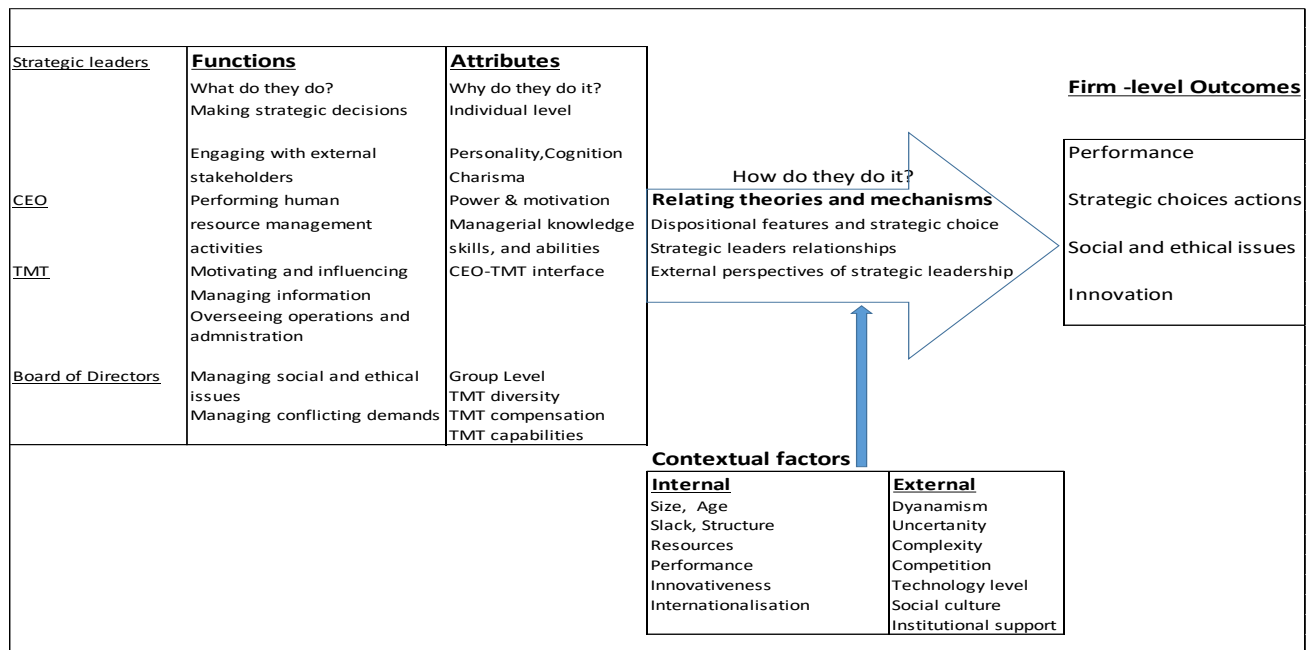


Figure 2.14: Overview of the Functions of Strategic Leaders

Source: Samimi et al. (2020: 2)

The board of directors occupy the top echelon, followed by the chief executive and top management teams. The board of directors are non-executives operating outside the organisation, setting the strategic tone and governance systems and responsible for prioritising resources, mainly signing off budgets and deciding what actions to take during economic turmoil (Samimi et al; 2020). The board of directors interact with the organisation through the chief executive, who together with the top management team, performs functions delegated by the board, such as human resources functions, motivating and influencing their team towards strategy alignment and managing information to make accurate decisions and oversee day-to-day operations as delegated by the board (Luu, 2023). The strategic leaders must have special attributes and skills to assist them in achieving their function, such as charisma, which is beneficial for motivation, and good personality and cognitive abilities to lead in the VUCA world. To understand the execution of these functions, certain theories, such as stakeholder theory, can help set up the relationship between the organisation and its stakeholders (Luu, 2023). In stewardship theory, both the board of directors and management (chief executive and top management teams) are regarded as partners tasked with executing strategy alignment that must result in improved firm performance. These correct strategic

choices are ethically governed and innovative to stay relevant in the changing business landscape (Samimi et al;2020).

There are internal and external contextual factors that are enablers of strategy alignment. Internal factors such as size and age of the entities, with a suitable structure and resources to support strategy. External factors that strategic leaders must tackle include a dynamic landscape, growing competition and advances in technology. A suitable culture must be cultivated to create resilience during challenging times (Samimi et al; 2020).

Like any other organisation, in state-owned enterprises board members are at the apex of strategic leadership and play a key role as upper-echelon members. For this reason, the next section delves into the character and role of the board of directors as enablers of strategy alignment (Samimi et al; 2020)

2.8.2 Board of Directors as enabler of strategy alignment

The board of directors is the source of strategic leadership and the custodian of good corporate governance, which monitors and evaluates strategic decisions and their impact on a firm (Boivie et al; 2021). Functional boards consist of directors who have developed expertise in functional roles they have experienced in their careers, or the industry they were once involved (Zhang & Greve 2019).

(Zhang & Greve 2019) described the four functions of the well-functioning board, namely, monitoring of the agents that are managing the organisation on behalf of the principal, making decisions for the strategic direction of the firm, which must be implemented by the board, providing the resources to the top management and the firm to support strategy implementation, and the publicised function of conflict resolution.

Capable boards, as stewards of the organisations, guide and assist the chief executive officer in delivering the strategy. A strategic board makes resources available to the state-owned enterprise to effectively deliver its mandate and monitor the performance regularly to contain deviations in their infancy before escalating. Continuity is an excellent enabler for successful strategy implementation. The term of office for public and private sector managers is usually limited to five-year renewable terms (Ono & Watanabe, 2020). The public and private sector boards serve as the custodians of continuity during the

changeover process. Public sector strategy implementation is more exposed to discontinuity as it has another layer of political office that frequently changes (Ono & Watanabe, 2020). The change of political office triggers a change in public sector managers (CEO and boards alike), thus creating uncertainty, which impacts continuity. On the other hand, the private sector setting is less prone to frequent changes as private sector shareholders demand policy clarity as a pre-condition before committing to investments (Ono & Watanabe, 2020).

State-owned enterprise boards are unique due to the nature of their government ownership. Unlike the private sector, the government makes board appointments as a shareholder, where shareholders are silent partners in the organisation's running, relying solely on the board members to safeguard their interests (Dinh et al; 2022). A public entity's shareholder (government) is an executive authority with powers to intervene, dissolve the board and administer political interference (Dinh et al; 2022). The success of state-owned enterprises is dependent mainly on the ability of the board of directors to steer the entity to success. The state-owned enterprise board performance is influenced by many variables, among them, board appointments, board induction and training, composition, rotation and succession planning, board assurance and the quality of shareholder compact (Abanga et al; 2022)

The appointment of a board of directors for state-owned enterprises in most countries differs from the private sector and is driven mainly by political affiliation over prioritisation of skills (Hlobo et al; 2022). According to Gumede (2022) state ownership of SOEs is abused to reward political ties by appointing politically connected persons or bureaucrats to SOE boards to follow specific political interests and personal interests. Most of the time, the political appointees lack the skills, knowledge, competencies, and experience essential to fulfil board responsibilities (Gumede, 2022). Boards are vital for the SOE's success because they are essential in setting the strategic direction, approving strategy, monitoring the execution, and performing oversight and accountability.

2.8.2.1. Board nomination and appointment

The board nomination process is a crucial step for board appointment, and it should be transparent and not shrouded in secrecy. According to the King IV (2017) report,

regarding the appointment of board members, Principle 7 recommends that the board assume the responsibility of its composition by setting the direction and approving the processes for the appointment of skilled people to attain a healthy balance of skill mix for governance roles and responsibilities. Lalane (2023), notes that at times board members allegedly possessed falsified or non-existent qualifications, thus highlighting the shortcomings of the board appointment process and its composition when due diligence is not followed completely. Phaladi& Ngulube (2022) and recent Zondo Commission (2023) reported that recruitment and selection of board members in state-owned enterprises was motivated by political affiliation, compromising the independence of the boards, resulting in the appointment of inexperienced board members who impacted strategy and monitoring ability and resulted in value destruction of the state-owned enterprises.

However, the shareholder representative, a Member of the Executive Council (MEC) or Minister, assumes the role of appointing board members of state-owned enterprises in South Africa as per recommendation from OECD (2021), however this system has been proven to be abused by the appointing authorities resulting in unskilled appointments (Lobo et al;2022), and in that process neglect the benefits of stewardship theory, which promotes that the principal and the agent have a mutual interest in the success of the entity. Although a nomination process for state-owned enterprises' board positions exists, appointments are made directly by one individual (Hlobo et al; 2022). Hlobo et al; (2022) noted that state-owned enterprises are besieged by poor leadership and politicised board appointments. The practice has unintended consequences as the state-owned enterprises are left with an unbalanced board, which cannot fulfil its duties diligently due to lack of skills or duplication of skills. Moreover, this board lacks the respect and trust of the stakeholders with whom it is supposed to interact (Hlobo et al; 2022).

The biggest challenge with the nomination process for board members of state-owned enterprises is that board members themselves are not able to nominate or appoint members of the board; however, King IV (2017) recommends that in pursuance of the Stewardship theory of collaboration and trust between the shareholder and the board, the board as the accounting authority must be able to recommend a pool of suitable candidates for appointment to the shareholder, including the appointment of the chief

executive officer, to ensure acceptability of the new members to relevant stakeholders. The chief executive officer appointment letter is from the Minister instead of the board, thus blurring reporting lines (IoDSA, 2018).

2.8.2.2. Rotation and succession planning

The best practice for board rotation and succession planning, according to IoDSA (2018), is a code of good conduct for state-owned enterprises, and it recommends that a third of the board members be retained at the end of the board tenure to make way for fresh new skills and ideas while preserving continuity of institutional knowledge (Hlobo et al; 2022). This is very important for the succession planning of the chairperson role and chairpersons of board committees; however, a growing disruptive tendency is replacing the whole board, especially during election years/cycles (Hlobo et al; 2022). The public sector practice of rotating the whole board or a significant portion of the board simultaneously every few years or for some other reason is highly counterproductive and deprives the board and the entity of institutional memory (Gasela, 2021). The short-term board members serve means they leave with their acquired knowledge, and those who take over start from the learning phase, thus disrupting the board's oversight duties (Le et al., 2021). In contrast, a well-planned and staggered rotation program retains valuable skills and maintains the continuity of knowledge and experience whilst introducing new ideas and expertise (OECD, 2021). Board rotation extends to succession planning for key roles such as the chairperson, deputy chairperson and lead independent director. Public sector directors are encouraged to engage with the executive authority to introduce/adopt a staggered rotation and succession for the board (IoDSA, 2018), while the minister is encouraged to have a succession plan for the board and identify potential candidates to serve on entities early enough in collaboration with a database of various professional bodies representing different sectors and organisations responsible for governance training (Gasela, 2021).

2.8.2.3 Optimal Board size and composition

The board's oversight function must be carried out by an adequately composed board in size, skills and expertise and good teamwork among the board members. Martin and Herrero (2018), in their study of a board of directors in Spain, assert that size, the board's composition, and diversity equip the board to carry this function sustainably. The

oversight function of a functional board is made possible by directors who draw on collective experience and background to help guide the top management team, providing insights, sharing experiences and approving the strategic change (Boivie et al;2021).

Public sector boards must reconcile the skills at their disposal with the number of board committees created and the average number of board members (Adebayo & Ackers, 2022). Functional boards must be staffed with directors with different expertise to complement the expertise of others in collective problem-solving as different areas of expertise widen the board's cognitive landscape (Finkelstein et al., 2009, cited in Boivie et al; 2021). The board size is another dimension of a functional board, with the IoDSA (2018) recommending a board size of between eight to fifteen board members, depending on the size and complexity of the firm. Large boards offer superior quality advice compared to small boards for complex firms, with Boivie et al;(2021) concluding that when firms face great complexity in their business, greater detail in advice is required, and the firm will recruit more directors with expertise. In the study by (Adebayo & Ackers, 2022) comparing Singapore and South African state-owned enterprises, the number of board members averaged between nine and eleven, and they caution that larger board's decision-making turnaround time is much longer (Adebayo & Ackers, 2022). Committee members must have specific knowledge, skills, and experience to fulfil their functions effectively (IoDSA, 2018).

Other entities, such as Water boards, are populated with lawyers, recycled members of parliament and hardly any water experts, making the oversight function of the board a failure before it started. The board's effectiveness, according to Goyal et al; (2022) is a function of its composition, with board members having different skill sets being able to challenge executives and test the assumptions used on strategy-related matters. Golal et al;(2022) reported that board members with diverse experience from their previous roles increase board effectiveness, especially during contingencies.

2.8.2.4 Board leadership and administration

Board leadership has become contentious for state-owned enterprise boards, deviating from the recommended corporate governance best practices. Board members must select their own chairperson based on their skills; however, upon appointing the board

members as per prerogative according to legislation, the shareholder representative also appoints the board chairperson and deputy chairperson (Hlobo et al; 2022). Due to the appointment of the chairperson by the shareholder, SABC ended with a board chairperson who has falsified qualifications, impacting the chairperson's abilities to provide counsel to the chief executive because the chairperson lacks the respect, legitimacy and trust of the chief executive (Thabane & van Deventer, 2017).

Board administration challenges are an everyday occurrence in public sector boards. The interviews conducted by IoDSA (2018) on public sector board members painted a picture of late board pack arrival, leading to inadequate preparation for meetings and impacting the quality and robustness of board discussions and decision-making (IoDSA, 2018)

One of the duties of strategic leaders is to make timely, quality information available for stakeholders' needs, the board being one of them, to carry out oversight duties. The late arrival of board members' packs highlights an undeclared lack of trust between the board and management (Stosich, 2023). Agendas of the board meetings are excessively long, with minutes reflecting excessive operational information instead of strategic discussions, i.e., board minutes reveal an abnormal trend of discussing operational matters instead of dissecting the board committee's recommendations (Stosich, 2023)

The King IV report (2017) recommends the effective use of a company secretary and holds the secretary accountable for the timely issuing of quality board packs to be provided to the board. Timely planning of the meeting dates by the company secretary allows the board to hold management accountable for the late delivery of the board packs. There must be regular evaluation of key factors such as the chairperson, chief executive, and company secretary (Stosich;2023).

2.8.2.5 Board experience and diversity

The adequately experienced and diverse board is another important dimension of a functional board which enable strategy alignment. Nel, Scholtz & Engelbrecht (2020) examined companies listed with the Johannesburg Stock Exchange. They showed that companies with more board members and a higher percentage of females and directors aged above 50 years excel in their oversight duties, suggesting board diversity improves firm performance and benefits stakeholders. In terms of skills and expertise, diversified

boards enhance experience sharing with the management and reduce decision-making time as diverse quality inputs accumulate reliable information (Boivie et al., 2021). King IV (2017) recommends that experienced external directors form a majority of the board to secure board independence and, most importantly, tap into the directors' vast experience, expertise, and links to industry networks.

The board's decision-making ability is greatly influenced by board members' experience, including diverse educational qualifications and intellectual capital, and functional experience eliminates group think (Hughes, 2022). The study went further to conclude that professional experience in relevant fields, such as industry-specific experience, finance, HR, operations, and board experience in the public sector, is crucial for the decision-making ability of the board and provision of strategic leadership as expected from the board (Boivie et al; 2021). Konadu,Ahinful & Boakye (2022) argue that functional diverse board members bring diverse perspectives, talents, and problem-solving skills to boardroom deliberations, leading to improved strategic decision-making.

2.8.2.6 Board evaluation

To understand the impact the board is making on a state-owned enterprise, stakeholders and society, boards must establish and allow tracking of their impact using an outcomes-based matrix aligned to the director competency matrix (Nugraha, 2023). The public sector boards' mindset of performance is the achievement of clean audits about anything else, reducing the state-owned enterprise boards into compliance boards to meet clean audits ahead of delivering the mandate (Hlobo et al; 2022).

Regular performance assessment of the board through self-assessment and by competent outside service providers must be added to the board charter. Although formal evaluations are undertaken biennially, the board must maintain a robust evaluation periodically led by a chairperson (Thompson et al, 2019). The board's evaluation results are used to strengthen board committees, enhance oversight and as a basis for rotation and succession planning, especially the chairperson and the deputy chairperson (Nugraha, 2023)

2.8.2.7 Shareholders compact

The state-owned enterprises operate in a highly legislated and political environment, inducing confusion over boards' and shareholders' roles. The Shareholder Compact from the government clarifies the roles of the governance partners in state-owned enterprises, shareholders, the board, and the management as per King IV (2017) recommendations for the public sector. According to King IV's Code of Good Governance, the shareholder and the board must regularly update the compact. A shareholder compact has not prevented political interference where ministers summarily amend a memorandum of incorporation of state-owned enterprises, giving themselves powers to appoint, suspend and dismiss chief executives (McLeod et al; 2021).

The provision of resources is one of the key attributes of the functional board. The board of directors is acting on behalf of the shareholders to provide resources to the agent (top management) for successful strategy alignment and execution. In the study by McLeod et al; (2021), functional boards provide resources to the organisation. The resources are in the form of capital: human, financial, intellectual, and social. Human capital refers to the board's ability to co-lead in the strategy's development and implementation, providing the management with the support and required skills during the implementation and monitoring of the strategy (McLeod et al; 2021). Financial capital is the provision of an adequate budget that is aligned and matches the requirements of the strategy to be executed; however, for the public sector board, this function of providing a budget is provided by the shareholder (government). Directors' intellectual and social capital involves professional networks, personal relationships, status, prestige and membership in elite organisations and institutes (Konadu et al; 2022).

In closing, public entities have a critical role in skills development and the provision of employment. The ability of the state-owned enterprises to fulfil their strategic role depends on board effectiveness. Despite challenges facing numerous boards, adopting King IV's recommendations for effective corporate governance in South Africa will assist the boards in understanding their obligations (Nugraha, 2023).

Strategic leadership has been discussed, with the board of directors being the apex of company leadership. It is also imperative to discuss different types of board

configurations, hereafter termed models of corporate governance. Different board configurations apply depending on the organisation's size, type, for profit or non-profit, and private or public sector (Konadu et al ;2022).

2.8.3 Corporate Governance as an enabler of strategy alignment

Governance is defined as creating policies, systems, structures, and strategic/operational frameworks. The framework becomes a guiding document for the organisation's leadership to make legal and ethical decisions to deliver services effectively and accountably. The Companies Act of South Africa of 2008, the King IV Report (2017) and the Public Finance Management Act of 1999 in South Africa dictate that the board must make decisions transparently and consider the social and environmental impacts on the communities where the organisation is routed.

The most commonly defined boards in governance landscape are: Traditional, Carver, Cortex, Consensus and Competency. The models are not mutually exclusive and can combine and blend appropriate features unique to an organisation's composition.

2.8.3.1 Traditional (structural model)

A governance structure is essential because it determines how an entity is governed and managed. Xie et al. (2022) described the known governance structures as Anglo-Saxon, German, Japanese, and, more recently, Chinese models directed at state-owned enterprises in China.

The abovementioned models are premised on the Agency theory and the need to police management (agents) by the board on behalf of the principal (shareholder/ government). The structural model holds that the board is the legal ownership entity, is the corporate itself and a legal persona in the eyes of the law irrespective of what type of organisation (Ezeani et al, 2022). The structural approach has evolved from the original Anglo-Saxon accountability model to the widely held shareholders approach compared to German/Japanese cross-ownership governance and family-owned business or minority ownership structures (Ezeani et al, 2022).

The United Kingdom's corporate governance model has a shareholder-oriented model, where the board's primary aim is to protect shareholders because they tend to provide

capital for firms due to a highly developed stock exchange. In the Anglo-Saxon model, board members are selected by shareholders to protect their interests (Eazani et al., 2022). In contrast, the German/French model is stakeholder-centric, the difference being that capital in these firms is provided by banks (Ezeani et al, 2022). The stakeholder's representation in the German system is relatively balanced, which makes it less attractive to shareholders. Unlike the United Kingdom's system, the German governance model is a two-tier system consisting of a management board and a supervisory board (Jatana, 2023). The supervisory board consists of different stakeholders, such as employees and creditors, with the protection of creditors being the most significant. The supervisory board selects and oversees the executive board which consists of the firm senior executives and is tasked with day-to-day management. The supervisory board make major decisions concerning significant changes that can impact company corporations and investments (Jager et al; 2022)

The basis of the traditional model is the board's structure, how it makes decisions and holds its meetings and the parameters by which it must abide. Another fundamental concept is that the board only speaks as a board, members speak on behalf of the board, and the board chairperson is structured as the official voice of the Board (Jatana, 2023). The traditional board model defines the delegation of responsibilities from the board to the chief executive/management and board committees (including the executive).

The limitation of this board is its silence on the accountability mechanisms for reporting back after the board has delegated its powers. Any board using this model must create policies to define responsibilities and accountability requirements for the board and top management teams as part of the board charter (Jatana, 2023). The boards using this model even go further to create job descriptions for board members in line with the duties of strategic leadership at the board and chief executive levels. Another limitation is the creation of management committees covering the same items as the chief executive, which might unintentionally result in some board members' communication bypassing the chief executive (Jatana, 2023).

The Chinese governance model has introduced the Party Committee role to enhance monitoring, given President Xi's ongoing anti-corruption campaign (Lin et al., 2016), a

party-controlled board aimed at eliminating and preventing corruption in state-owned enterprises.

2.8.3.2 Carver (Policy) Model

The Carver model, named after John Carver, also known as a policy governance model, was developed in the 1970s. The policy approach of this model defines specific roles and responsibilities for the board and management, defining the outcome (Gerard, 2023). The Carver model has two fundamental concerns:

- a) The board focuses on defining the “outcomes” of the organisation.
- b) Creation of policies to control the board and top management teams in pursuit of outcomes.

This board’s primary role ends up creating policy to guide management on its operational work and guide the board in its governance work.

The policy approach favoured by this model is placing limitation statements in the operational environment, defining what the chief executive cannot do to limit their decision-making. Like most boards, it must have a minimum number of meetings per year to conduct its business and a minimum number of members (Gerad, 2023). The caveat is that this type of board must be very knowledgeable, the requirement of board committees is reduced, and the board members are equally accountable for decision-making. The most famous application of this type of board is schools, non-government organisations and sports administrative or governing bodies (Crouzat et al; 2022).

The limitation of this model is the amount of time spent developing policy in proportion to the board’s oversight duties. The Carver board must also augment its policy work by creating or approving a comprehensive strategic plan, business plan and budget to assert the need for fundraising and maintain government relations and community/social interface (Raza & Chua, 2022).

2.8.3.3 Cortex (Outcomes) Model

The Cortex model challenges the board to focus on the organisation’s stakeholders, namely, clients, community, marketplace, legislation, benchmarking with similar organisations and employee knowledge, to define standards, expectations and performance to which the organisation aspires (Dato, Hudon & Mersland , 2020)

Under this model, the board's main task is to articulate clear goals and set the measures of success. The board must understand their organisation's value to the community to properly define success measures (Dato, Hudon & Mersland , 2020). The board creates the Accountability Framework around the outcome measures and identifies who is responsible for leading action and ownership of each area between the board, chief executive and staff. Once the Accountability Framework is in place, the board mobilises resources for each group to report on strategy implementation progress (Dato, Hudon & Mersland, 2020).

This model helps set up performance assessments for board committees, chief executives and staff and is implanted against clear goals and outcomes/areas of accountability, resulting in transparency (Blomson, 2023).

The challenge of this board is the expectation that it must have business knowledge of the organisation or rely on management for information, which might lead to asymmetry information supplied by the agents. To overcome this shortcoming, board members undertake study tours to familiarise themselves with the organisation's business (Blomson, 2023).

Boards that use Cortex must ensure the measurement of what is required versus what is convenient in order to provide matching resources as part of their strategic function.

2.8.3.4 Consensus (Process) Model

This model is premised on the fact that all board members are equal, with equal votes, equal responsibility, equal liability for decision-making and equal accountability for the actions of the organisation/board (Boassan et al; 2022). Unlike the other models of governance, which are premised on Agency and Stakeholder theories, the Consensus model is premised on the fact that board actors have adequate information to dissect and manage a common problem (Boassan et al;2022). In this governance model, board members and their expertise are intangible assets that determine intentions and actions. The Consensus model assists the actors in understanding the relationship between complexity and governance better. Complexity is the starting point, followed by consensus generation, with the last step being consensus building (Boassan et al; 2022).

The Consensus model recognises that the board has different areas of expertise, knowledge, and wisdom to contribute to the proper functioning of the board.

The decision-making process of the board is premised on:

- Analysing complexity through contributions of different actors per their expertise and insights.
- Generating consensus by tabulating different opinions.
- Building consensus, where actors reach an agreement and, in this step,, members support the decision wholly with no reservations, or actors support the decision with concerns but do not stop the organisation from implementing a decision or concerns are too many and no decision is taken to protect the organisation until all actors support the decision.

The model is suitable for most types of business, although it can slow down the proceedings while seeking contributions from all board members, and members are expected to listen, respect and consider the input of their colleagues. In the event consensus is not possible, some rules developed by the board may be revoked to make a decision (Tan et al., 2022)

2.8.3.5 Competency Model

This model is a developmental one to assist board members in acquiring appropriate knowledge, skills, and aptitudes to be good board members. It addresses the board as a team through communications, trust and relationships. This approach seeks to improve the performance of the board over time continuously (Singh & Alhulail, 2023).

Dutta et al. (2022) described Competency models as desired behaviours, expertise and traits needed to achieve organisational goals. Dutta et al. (2022) further argue that the Competency model aligns individual behaviours with accepted organisational behaviours.

The Competency model engenders a developmental board; it does not drive policy creation, strategy establishment or monitoring. Esser (2023) listed five competencies essential for the competency board's functioning: analytical, communication, organisational, personal and professional competencies.

The board can later realise the real governance work but does not have power through legal means to dictate strategy; however, it can define the style of engagement decorum and assist new board members' mentorship from more experienced board members to be fully effective in discharging their fiduciary, trustee, community interface and other duties (Dutta et al;2022).

Many other governance models have a significant bearing on blending the various governance components. Some of the models are:

- Ownership of corporate boards with governance and management responsibility.
- Advisory boards are only required to provide advice with no legal governance status, like university academic advisory boards.
- Trustee/pension boards to oversee assets, investments, and disbursements.
- Operational boards do not have the financial resources to hire full-time staff and instead undertake operational work to sustain the organisation and governance work.
- Marketing boards allocate quotas to members and bring goods to market.
- Resource boards that provide oversight of the environmental management of the region.
- Government service boards, whose national/provincial responsibility is delegated to the regional board to carry out government mandates, for example, health boards, school boards, and social services boards.
- Religious boards that practice local ownership of some assets in collaboration with faith bodies.
- Charity boards that focus on fundraising and service delivery
- Professional association boards like the Engineering Council of South Africa include self-regulatory elements and professional practice advancement.
- Political boards include town councils, provincial legislatures and national parliaments. They are often seen more in the light of the politics in which they engage to create policy agendas, but these bodies have an equal responsibility to discharge good governance for the community of their mandate.

2.8.3.6 The Generic Governance Model

Discussion of the five common models of governance highlights that the responsibility of governance is summed up into two fundamental aspects: (1) ensuring the sustainability of the organisation and (2) ensuring the relevance of the organisation's services and products (Massa & Taraporevala, 2023). Shareholder expectations change the dynamics in the boardroom. Stakeholder expectations for organisational sustainability, community relevancy, transparency and accountability demand new practices that are not in the domain of top management teams hired to run the organisation full-time but are often neglected in the quest for productivity. These practices demand more information sharing and enhanced collaboration between board members and top management teams (Massa & Taraporevala, 2023).

Beyond policymaking, today's board members must be prepared to put time and energy into governance work (Goyal & Gulati, 2023). Board members must understand the organisation's business and the industry sector they govern, which includes knowing the business model at play, target audiences for services and the flow of products, programs, services, and money related to clients, members, competitors and collaborative suppliers/researchers and partners (Goyal & Gulati, 2023). In addition, board members must regularly scan for insights into how their organisation inter-relates to other elements of the global marketplace (Goyal & Gulati, 2023).

Top managers must assist board members in acquiring industry knowledge through presentations, educational tours, and first-hand opportunities to experience the organisation's products, programs, and services (Baporikar, 2024). However, board members must also regularly update themselves by reading relevant journal articles and internet sites to study trends and attend industry events to gather knowledge about their organisation (Li, 2023). Industry knowledge is essential to empower board members to ask relevant questions to the top management teams to enhance oversight (Baporikar, 2024).

2.8.3.7 King IV corporate principles

The King IV code published by Insititute of Directors South Africa which is Secrariat for the King Committee, custodian of the coporate governance in South Africa. The King IV

is a foundation of corporate governance philosophy , principles and best practices in South Africa (Wang et al; 2020). The King IV report on corporate governance is targeting at all type of entities which were not previously catered for in the early version (de Villiers & Dimes, 2021). The King IV now also bring clarity of corporate governance interpretations to entities like non-profit organisations, private companies and state-owned enterprises of which the current study is focused on (Sibanda & Zindi, 2020).

The King IV set out principles of corporate governance which are easy to interpret. The King IV has seventeen principles of corporate governance which are clearly dedicated to different aspect of the business life. The divisions of principles of King IV are set out as below:

- Ethical culture: ethical leadership, effectively manages ethics, responsible corporate citizenship.
- Performance and Value creation: appreciation of the business inseparable elements, enable stakeholders to make informed assessments.
- Adequate and effective control: governing body as a custodian of governance, effective board compositions, balancing of power and responsibilities, appointment of competent executive management, performance evaluation for improved performance and effectiveness, govern risk and opportunity to achieve strategy objectives, legal compliance, fair and transparent remuneration, internal and external assurance
- Trust, Good Reputation, Legitimacy: stakeholder inclusivity and responsible institutional investors

The purpose of King IV is to supplement governance knowledge and skills to public sector organisations who are governed by the Public Finance Management Act 1 of 1999 and municipalities in category A, B and C as provided in the Municipal Structures Act 117 of 1998 (Siyaye, 2021). The supplement is to support the maintenance of viable, efficient and competitive SOEs to improve performance and address service delivery and ethical issues. Though the appointment of board members in SOEs is done by the minister or shareholder representative. King IV assist in the setting up and composition of board

committees, ethics, delegation of authority, internal and external auditing, performance management and most importantly stakeholder relations and adoption of King IV principles into SOEs internal policies to ensure enforcement (Wang et al; 2020).

The discussion of King IV corporate principles incorporates objectives of the study which include strategic leadership, board of directors, corporate governance and performance management.

2.8.4. The Performance management system as an enabler of strategy alignment

Performance management systems (PMSs) are a crucial management process initiative that substantially contributes to strategy alignment and integration and is aimed to positively influence organisational behaviour delivery of the business mandate and bottom line in organisations (Nguyen & Haslam, 2023). Vamar and Budhwar (2020) describe performance management systems as a fundamental step where the firm defines objectives, determines standards and outputs, assigns and monitors, evaluates results and distributes rewards.

This section discusses the enterprise management system, performance management in the private sector, performance management in the public sector, performance measurement, the Balanced Scorecard, including the public sector, and previous studies on leadership and performance (Nguyen & Haslam, 2023).

2.8.4.1 Enterprise performance management system

The enterprise performance management system (EPMS) is an integrated performance management system that supports managers in their decision-making to create and sustain value holistically (Tripathi et al; 2021). According to Histrov et al;(2022), the basic steps in a performance management system are strategic planning, implementation, monitoring and evaluating. Strategic planning defines the company's roles, competencies, and strategic goals. Implementation connects planning to the operational execution of the strategy, and monitoring empowers management to receive the critical feedback required to close the gaps through coaching and managing effectively to prevent strategic drift (Tripathi et al; 2021). Performance management systems have two

categories: the enterprise performance management system and the people management system (Tripathi et al; 2021).

The traditional theme of performance measurement is the cyclical measurement nature of the strategy implementation, during which objectives are formulated, performance data is generated, and the data are fed back to managers who must use it to review, adjust and make executive decisions regarding strategy direction (Lewandowski & Cirella,2023).

The purpose of the performance management system is to move away from inputs, rules and procedures towards outputs, outcomes, and performance (Lewandowski & Cirella,2023). Ohlig et al;(2023) emphasised shifting attention from rules and input regulation to goal setting and using performance information to improve public sector performance by adapting private sector management tools. Although management functions in private and public sectors are assumed to be the same, differences between the public and private sectors will likely produce different results due to dimensions such as ownership, funding, and control (Ohlig et al; 2023). Due to the internal characteristics of private organisations, such as economic incentives, managerial autonomy and goal clarity as articulated by Barbieri et al; (2023), a separate discussion dedicated to performance management between the public and private sector is needed. Numerous scholars (Barbieri et al;2023 & Kravariti et al;2023) have raised concerns regarding blurred boundaries between private and public sector organisations; however, consensus criteria have been agreed upon to differentiate these two sectors.

2.8.4.2 Performance Management in Private Sector

Enterprise performance management is a measurement of the ability of the enterprise to successfully implement strategic actions to achieve desired objectives or targets (Peccei, 2022). Ohlig et al; (2023) define performance management as a forward-looking tool to serve an efficient, focused business process against goal setting to provide regular feedback, coaching and development. Developing and implementing the business strategy and monitoring and managing an organisation's performance requires accurate, timely, consistent, and reliable data (Waeyenberg & Peccei, 2022).

(Barbieri et al;2023) identified the three most important variables to promote the effectiveness of performance management: incentives, capacity, and goal clarity.

Performance management is premised on the basis that when performance information is generated, managers will use the information to make proper decisions. Organisational leaders must be incentivised to act positively and decisively on performance information once it is available (Barbieri et al;2023). Since private sector funding is from investors and customers, private sector managers will likely be given incentives when making decisions that lead to continuous improvement. However, although private sector managers are incentivised to make decisions after receiving performance information, they must also have the capacity and managerial autonomy to make the decisions (Barbieri et al;2023) and the goals, in the form of the key performance index, linking objectives to strategy must be clear.

2.8.4.3 Performance management in the public sector

The performance management system became central to public management reforms at the beginning of the twenty-first century and has adopted private sector management tools, hoping to improve public sector performance (Kravariti et al;2023). Barbieri et al;2023) argue that management actions will impact private and public sector organisations differently. Public organisations, in contrast to private organisations, are funded by the government, and public sector managers have less autonomy in decision-making and economic incentives in the form of performance bonuses are capped in compliance with legislation and regulations like the Public Finance Management Act of 1999, which is designed to protect tax payers' money from abuse (Hlobo et al;2020)

Like the private sector, public sector managers must be incentivised when acting on the performance information; however, due to the source of funding (taxpayers' money), public sector set-up has limited flexibility in rewarding public sector managers (Kravariti et al;2023). According to Hlobo et al; (2020), public sector managers are less motivated to react to performance results because political leaders may emphasise symbolic goals rather than effectiveness. Second, due to the bureaucratic nature of public sector systems, public sector managers do not have the autonomy to make decisions without sanctioning by the accounting and executive authority, missing improvement opportunities as presented by performance information.

2.8.4.4 Measuring enterprise performance

Enterprise performance management requires an appropriate enterprise performance measuring system capable of reflecting the capabilities and bottlenecks of the enterprise (Bawa, 2023). The basic measuring metrics are classified into key result indicators (KRIs), productivity indicators (PIs) and key performance indicators (KPIs).

The key results indicators reflect the outputs of various functions and processes of the enterprise and its activities. These include profit before tax, return on invested capital, and customer and employee satisfaction (Bawa et al;2023). These indicators give a clear view and accuracy of the direction the entity is going; however, it does not answer the question: What should be done to improve the results? Key result indicators usually cover a longer time horizon (month, quarter, and year) and are not used for daily operational management. Although not used for daily management, the indicator provides essential data for business owners and senior managers (Bawa, 2023).

The process indicators highlight the amount of work (operations, products, and services) of various divisions, processes, and enterprises per unit of time and unit of resources expended. These include indicators such as labour productivity, capital productivity, asset turnover, etc. These indicators are used not only to estimate the current level of productivity of various departments and processes but can also be applied to establish operational short-, medium- and long-term goals in the enterprise performance management process (Yu et al;2023). The application of the process indicators can be illustrated; for example, when there are planned corrective actions to increase enterprise performance by reducing labour costs, the targets for productivity can be set at 1.5% or 15% per year. Thus, process indicators are used both in operational and strategic management (Yu et al;2023).

Key performance indicators reflect aspects of performance that are important for the current and future success of the enterprise (Lemma, Gwatidzo& Mlilo,2023). Based on the experience of various enterprises that apply the key performance indicators, the following main characteristics of this metric performance are distinguishable:

- They are not measured in monetary terms.

- They are measured with a specific frequency (e.g., daily or weekly) but at least once a week.
- They are put into effect by senior management.
- They require responsible focal points.

The above characteristics define requirements evaluated and monitored regularly, introduced by managers, and responsibly performed by staff. Based on them, management makes specific operational management decisions to ensure efficiency in specific areas of production and specific departments and processes (Lemma, Gwatidzo& Mlilo,2023). The reasonable key performance indicators linked to strategy can be established periodically (annually, quarterly or monthly) during the current planning, and their execution and monitoring can be performed more frequently than the analysis of the current plan.

2.8.4.5 Enterprise Performance Measuring System

The key results indicators, performance indicators and key performance indicators can be combined into a single performance measuring system. Combination into a single performance will allow:

- Cascading the goals and objectives of the enterprise from the strategic level into the daily operational level.
- Covering all aspects of the enterprise, from simple operations to general management functions (planning, control, etc.)
- Involving all staff in the process of performance measurement and management.
- Using the full range of existing measures from natural to cost.
- Performing control and monitoring functions of the enterprise performance management.

The generic system of measuring enterprise performance, purpose, units of measurement, terms and scope is reported in Table 2.10

Table 0.10: Generic Performance Matrix of an Enterprise

<u>Performance metrics</u>	<u>Objects of measuring</u>	<u>Subjects of measuring</u>	<u>Nature and purpose</u>	<u>Key indicators</u>

Key Result Indicator (KRI)	The results of the key functions, processes, and all activity of the enterprise	Planning and economic, financial, marketing, accounting and other departments of the enterprise	Have a generalising nature. Absolute and relative values. Different units of measurement. Cover long periods (quarter, year). Provide general information for owners and senior management of the enterprise on the result and prospect activity.	1) Profit before taxation 2) Return on invested capital 3) The degree of customer satisfaction 4) Satisfaction of employees, etc.
Productivity Indicators (PI)	Intensity of use of various resources and time by units, processes, and enterprise.	Planning and economic department, chief economist	Have an intensive nature. Relative values. Cover different periods. Provide information to company management about the efficiency of using various resources and time.	1) Labour productivity 2) Capital productivity 3) Energy efficiency 4) Material efficiency 5) Capacity 6) Asset turnover
Key Performance Indicators (KPIs)	Key aspects of the activity and operations that are most important for the current and future success of the company.	Workers, heads of departments, supervisors, and senior management of the enterprise.	Have an operational and normative nature. Not measured in monetary terms. Cover moments and short periods (hour, day, week). Provide information for operational performance management of processes, departments and enterprise.	1) Production and economic norms and standards 2) Financial norms 3) Standards of service shops 4) Indicators of the functional departments and service, etc.

Source: Goncharuk (2014: 3)

The performance indicators reported in Table 2.10 provide the holistic performance of the company and help create the enterprise performance template. The key results indicators provide a view on the performance status of business processes through monitoring of enterprise departments and are generally monitored over some lengthy time horizon

(Lemma, Gwatidzo& Mlilo,2023). Productivity monitors and evaluates the enterprise's use of various resources, enabling management to determine efficiency and evaluate how different resources are used to their maximum capacity with minimum wastage (Kumar et al;2023). The key performance indicators are the indicators of the operationalisation of the strategy, measuring enterprises' day-to-day activities and providing information for operational performance and departments of the enterprise.

2.8.4.6 Balanced Scorecard

The Balanced Scorecard (BSC) is an enterprise performance measuring tool used to track the balanced operationalisation of the aligned strategy. Kumar et al;(2023) assert that a balanced scorecard is a practical tool and simply uses performance-tracking techniques employed by different entities during the implementation of the strategy. The tool was initially developed in the private sector and has since been extended to public and not-for-profit organisations (Kumar et al;2023).

Origins of the Balanced Scorecard

According to (Tawse & Tabesh, 2023) the Balanced Scorecard was introduced by Kaplan and Norton in 1992 as a holistic model to improve enterprise performance measurement systems and measure elements that contribute to organisational performance. Before the introduction of the Balanced Scorecard, there were numerous performance measuring tools (Lamia, 2023); however, their focus of measurement was solely on financial performance further stated that financial performance was historical and unlikely to predict the future (Lamia, 2023).

The Balanced Scorecard introduced by Kaplan and Norton (1992) addresses this gap by offering to measure financial and non-financial performance indicators linked to organisations' business strategies. Lamia (2023) argues that the Balance Scorecard translates the organisation's strategic objectives into a clear set of measurable performance indicators that can be articulated by all the managers in the organisation, starting from the chief executive officer.

The Balance Scorecard measures an organisation's performance from four perspectives: financial performance, customer perspective, internal business process, and innovation and growth (Ito, 2023). The financial perspective is deemed historical and short-term,

while the other three are medium- to long-term and discuss the strategy. According to Ito (2023) a balanced scorecard is a set of measures that gives top managers a fast but comprehensive view of the business. The balanced scorecard includes financial measures that tell the results of actions already taken, but also complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement activities—operational measures that are the drivers of future financial performance” (Lincoln, 2023). “The name of Balanced scorecard reflect a balance between the short- and long term, financial and non-financial, lagging and leading indicators, external and internal dimensions of the organisation (Lincoln,2023). The graphical visualisation of the four perspectives with vision and strategy at the centre of organisational activities as proposed by Kaplan and Norton (1992) is shown in Figure 2.15.

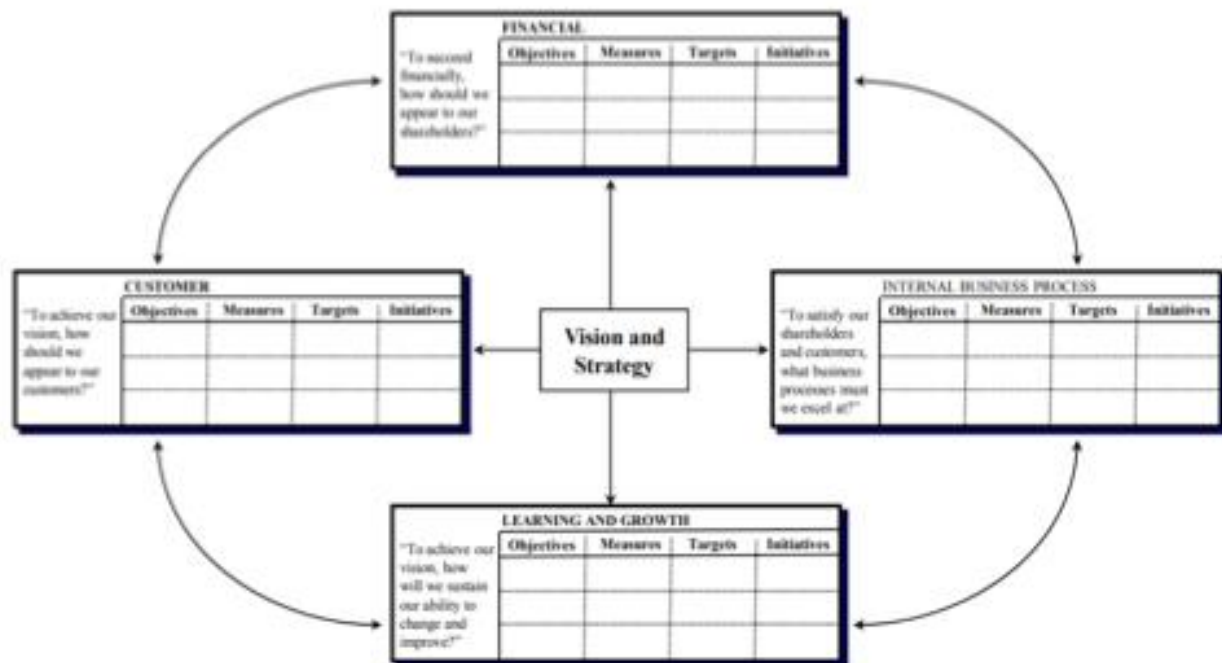


Figure 2.15: Diagram of the Balanced Scorecard

Source: Norton and Kaplan (1992:4)

Balanced “scorecard puts strategy and vision, not control at the center”(Kaplan and Norton,1992:79). The rationale underlying the balanced scorecard is that business

performance should not be assessed using a single financial indicator, as financial measures only tell the story of past events (Lincoln, 2023). There is need for clarity of what drives the financial outcomes, identify gaps and strategic readiness and measure the drivers of financial outcomes. The Balanced Scorecard framework shown in Figure 2.14 has sub-sets of the four main perspectives that must be linked to the organisation's strategic objective, measured by different units of the organisation, and ultimately consolidated into an overall scorecard (de Villiers & Dimes, 2023). It is recommended to weigh the four perspectives of the Balanced Scorecard in a balanced manner which enhances the achievement of the vision and strategy of the organisation (de Villiers & Dimes, 2023). While there is no predetermined formula, standard or prescription on the weightings on each perspective, the emphasis should be on putting weights on the perspectives based on their relative criticality and strategic relevance for the organisation to succeed in implementing its strategy and vision (Naidoo & Govender, 2023). For example some suggest that the financial dimension should have the weighting of 22%, the customer and citizen dimension at 22%, the internal process dimension at 34%, and the innovative and growth dimension at 22%, and total items to be included in the Balance Scorecard must not exceed 25 items with the recommended weighting reported in Table 2.11.

Table 0.11: Recommended Weighing of the Balanced Scorecard Metrics

<u>Dimension of</u>	<u>Weighting in Total as %</u>	<u>No. of Performance criteria</u>
Financial dimension	22	5
Customer/citizen	22	5
Internal Process	34	8-10
Innovation& Growth	22	5
Total	100	23-25

Source: Adapted from Gunduz & Al-Naimi (2021:4)

The financial perspective: This perspective focuses on what the organisation needs to focus on to succeed financially and progress towards its vision. In short, it answers the question, to succeed financially, how should we appear to our shareholders or those who provide financial resources. In the non-profit sector, the focus is on how should we allocate and use the resources to maximise social impact (Gehra & Schmidt, 2024). The

Balanced Scorecard measures financial performance with other measures to obtain the total balance of an entity's performance measurement system. Financial performance measures demonstrate the effectiveness of the prudent financial strategy implementation and the bottom line (Gehra & Schmidt, 2024). Financial performance measures concern the organisation's shareholder value, profitability and growth (Argawal, 2021). Financial performance is attributed to increased revenue, reduced processing costs, growth in market share and reduced costs. Argawal (2021) argue that good financial performance of an organisation is not an accurate accounting function but the outcome of other perspectives and is reflected through good financial performance. For not-for-profit and public sector organisations, the financial perspective is the prudent use of donor funding and accountability, the ability to attract and maximise additional funding and the stability of public sector finances (Gehra & Schmidt, 2024). As such, the financial perspective does not reflect the outcome, but rather forms part of the input or enabler to drive social impact in a non-profit context.

Customer perspective: This is about what an organisation needs to do or how it should appear to customers in order to succeed in achieving the vision and strategy (Kaplan and Norton,1992). (de Villiers & Dimes, 2023) remarked that the customer perspective of the Balanced Scorecard is measured through customer satisfaction because of the product quality, turnaround time to tackle customer complaints and excellent service delivery. Satisfied customers result in sustained or increased market share, thus contributing to increased revenue in the financial quadrant. (de Villiers & Dimes, 2023) asserted that a business's existence is to fulfil its customers' needs. Profit-seeking companies always aim to maximise and deliver value and fulfil customers' needs through quality products and services, recruitment of new customers, and affordability (Abdullah, 2019). Alternatively, there are organisations which do not have customers but rather stakeholders such as students of a public university.

Internal business processes: This is about the internal processes which the business must excel to satisfy the needs of customers or stakeholders (Kaplan and Norton,1992). Thoeli (2021) defines internal business processes as all processes that are important for the organisation to meet the needs of stakeholders. Thoeli (2021) asserts that the internal business process is the most important process the organisation must create to add value

to its customers/citizens because it is linked to the other dimensions of the scorecard, hence its elevated contribution compared to other perspectives. The internal process focuses on internal processes with the most significant impact on customers, such as increasing the number of new products, improving process quality, reducing processing time, and, most importantly, job satisfaction (Ogweno & Bula, 2023).

Innovation and growth: This are about what an organisation needs to learn and improve in order to have the strategic readiness to achieve the vision of the organisation (Kaplan and Norton,1992). To what extent do we have/not have the intangible assets (e.g. human, organisational, informational capital critical and strategic in order to excel in the internal processes (Ogweno & Bula, 2023)

The focus is on initiatives required to ensure strategic readiness to excel in the internal processes which influence internal and external customer satisfaction. According to (Ogwen & Bula, 2023) the perspective of Innovation and growth is critical to an enterprise's sustainability. This perspective identifies the infrastructure the entity requires for long-term investment and continuous development of workers to gain skills. It concerns the infrastructure and personnel's capabilities for the entity's long-term growth (Ogwen & Bula, 2023). The perspective includes technology leadership, employee motivation, management efficiency, training and development, and new product development. When mapped against time dimension, it is clear that the financial perspectives which focuses on financial measures are largely historical, the customer and internal perspectives are largely current while learning and growth perspectives are largely future-oriented, pointing towards the capabilities and organizations needs to focus on in order to sustain organisational success and competitiveness (Owen & Bula, 2023).

2.8.4.7 Balanced Scorecard for a public sector

Performance management in public administration is an important tool for determining and achieving strategic objectives. It is designed to disseminate participatory management in an open, transparent and accountable institutional culture (Modika et al; 2023). Although the Balanced Scorecard was developed initially for the private sector, it can be used by not-for-profit and public sector organisations. Like their private sector counterparts, the public sector still focuses much more on financial performance as a key

measure, with most public sector organisations aiming for clean audits as their principal outcome, at times, at the expense of the mandate for which they were created (Modika et al; 2023). There is critical need for the public sector to focus on efficiency measures to deliver public goods. The biggest challenge in implementing the Balanced Scorecard in the public sector is estimating measures and targets and collecting all the relevant information and details of non-financial measures (Zoidze, 2023).

Kaplan and Norton (2001) argue that the Balanced Scorecard has an excellent potential to empower public sector organisations to:

- Bridge the gap between unclear missions, strategy statements and daily operation activities.
- Develop a process to achieve strategic focus, thus avoiding a generalist approach.
- Shift their focus from programs and initiatives to outcomes,
- Provide clarity of performance measures that translate strategy into objectives.
- Align initiatives, departments, and individuals to work in ways that reinforce each other to achieve significant performance.

Supporting the use of the Balanced Scorecard in the public sector, Zoidze, 2023) cited the benefits to the public sector as the following:

- Creating alignment between mission, strategy, processes and personal performance,
- Aligning local government priorities to provincial and national priorities,
- Demonstrating the value of programs to citizens,
- Developing meaningful performance measures to determine the outcomes of the programs,
- Linking the mission and vision to the budgeting process,
- Determining the resources allocated and contract cost for each initiative, and
- Increasing coordination among agencies to eliminate waste and duplication.

(Pigatto, 2023) recommended a generic method to adopt the Balance Scorecard in the public sector. Adopting the Balanced Scorecard for the public sector from four perspectives is detailed below.

- a) **Financial dimension:** The mission or mandate to meet stakeholder needs and expectations rather than financial objectives or pursuit of financial outcomes are what drives strategy in public sector organisations. The financial dimension perspective adopted for the public sector is budgeting, where the organisation must know exactly the budget provision for the entity and how it matches the strategic intent of the entity (Pigatto, 2023). The budget resources are used effectively and efficiently with all accountability for spending known and transparent, the financial resources are appropriately allocated and accountable to all entity programs, and the budget is consistent with the performance indicators (Pigatto, 2023). This perspective in public sector or non-profit organisation is therefore sometimes re-labelled as financial stewardship, meaning the protection of the long-term assets of an organization through a commitment to moral, ethical and prudent financial decision-making (Piggatto, 2023). Financial or stewardship includes spending resources wisely (e.g. time, money, people, and property). In the balanced scorecard of public organizations perspectives differ significantly, depending on the role the organization plays in relation to its clients and stakeholders. The outcome of the value creating chain in the public sector is citizen and stakeholder satisfaction by using other people's money efficiently and effectively to achieve a mission (Piggato, 2023).
- b) **Citizen/stakeholder perspective:** The word citizen or stakeholder substitutes the customer for the public sector because the role of the public sector is to serve the citizens of the country compared to the private sector, which serves the customer (Hasoon & Jahil, 2023). The qualifying statements of the citizen perspective are offering increasing services to the citizens, increasing the demand for services offered to citizens, improving the quality of services rendered to the citizens, resolving citizen complaints in the shortest possible time, meeting all expectations of the society/stakeholders, engaging in activities designed to understand the wishes and complaints of the citizens, and including a spirit of *ubuntu* or sincere intention to meet citizens needs when delivering the services to the citizens and when talking to staff (Hasoon & Jahil, 2023).

- c) **Internal process dimension:** This dimension involves the internal process in which public sector organisation must excel to satisfy the needs of stakeholders and citizens (Al-Mawali, 2023). Other items of the internal process dimension are increasing the number of new services to the community, improving corporate governance, improving service delivery processes and development, and reducing waiting time to access services (Al-Mawali,, 2023).
- d) **Innovation and growth:** This are about how a public sector organisation must learn and improve to achieve the vision. (Krylov, 2023) asserted that this dimension deals with creating long-term growth and for public entities to remain sustainable and contribute to the developmental mandate of the state. The innovative and growth perspective emphasises the training needs of employees, infrastructure upgrades to attain maximum efficiency, deployment of the latest technology, and motivation of public sector employees (Krylov, 2023).
- e) The Balanced Scorecard evolution over the years is reported in Table 2.12, which lists the year in which the Balanced Scorecard was developed, with another column listing the unit of measurement and the last column reflecting comments on the changes in years (Krylov, 2023).

Table 0.12: Evolution of the Balanced Scorecard Performance Management Tool

<u>Year</u>	<u>Unit</u>	<u>Comment</u>
1990–1996	Performance measurement	Early years: used to measure performance without substantial feedback and improvement plan.
1996–2000	Performance management	Started to provide improvement plan.
2001–2022	Best practice for strategy alignment	Tool for strategy alignment, preventing margin losses.

Source: Adapted from Ali and Anwar (2021: 2)

Table 2.12 tracks the evolution of the Balanced Scorecard from the time Harvard researchers developed it to its current form, where it has been adopted in several business enterprises worldwide. The Balanced Scorecard in the early years measured performance but neglected the performance gaps and corrective action, neglecting

lessons from the feedback. In the later years of its evolution, the Balanced Scorecard provided an improvement plan, which was used to guide the performance plan back to strategy and implement corrective action to minimise losses (Krylov, 2023).

Criticism of the Balanced Scorecard

The introduction of the Balanced Scorecard and its subsequent adoption worldwide has proven to be a widespread strategy implementation measuring tool; however, criticism against the Balanced Scorecard is that it is suitable for big companies where there is sufficient human capital to properly implement it either through a top-down approach or bottom-up approach (Tawse & Tabesh, 2023). Kaplan and Norton might have introduced the Balanced Scorecard. However, today's dynamic business landscape makes the Balanced Scorecard not an attractive option to all enterprises due to the need for capable, skilled human capital to implement it, and it is expensive to develop and implement (Tawse & Tabesh, 2023). Humphreys (2023) recommends establishing a unit responsible for tracking performance in every organisation and having a champion to track the data entry into the scorecard calculator to prevent data input errors.

Unlike other strategy analysis tools, such as benchmarking, Porter's 5 forces, (SWOT) analysis, and a political, environmental, social, technology, economic and legislative (PESTEL) analysis, the Balanced Scorecard is concerned with internal organisation capabilities and does not consider the external environment (Humphreys).

2.8.4.8 Re-designing of Balanced Scorecard for Afrocentric appeal

Although initially developed for private sector application, the Balanced Scorecard has been applied successfully to other organisations, such as not-for-profit and public sector (Argawal, 2021). However, there is a need to design a Balanced Scorecard model for the public sector, rooted in Africa. The applicability of the Balanced Scorecard to the public sector involves incorporating terms that are applicable and acceptable to the public sector and key values (Lose & Khuzwayo, 2021).

Lose & Khuzwayo (2021) argue that redesigning the Balanced Scorecard for public sector applications is complicated compared to the private sector due to the tendency to use punitive measures when results are poor instead of seeing poor results as a gap and

learning opportunity. As (Oyewo, Moses & Erin, 2022) highlighted, other challenges include a culture of mistrust for private sector business solutions and a lack of staff capabilities in developing innovative measures within the public sector.

The redesign of the Balanced Scorecard for Afrocentric philosophy must be incorporated into the citizen, innovation and growth, and internal process perspectives (Oyewo, Moses & Erin, 2022). All those activities that interface with the human element must incorporate the *Ubuntu* philosophy in servicing citizens. (Sunday, 2023) emphasised the importance of organisations that operate in Africa to have a leadership approach that is in synergy with a culture of *ubuntu*. *Ubuntu* is an African worldview rooted in caring, sharing, respect, compassion, and humanity (Okonji, 2023).

Having defined *Ubuntu*, it follows that performance indicators of the public sector with the human interface as customers must infuse *Ubuntu* as part of the scorecard, and in that way, the scorecard would be remodelled for an African perspective. The South African public sector is underperforming, not competitive and has low staff morale and high employee disengagement (Ilaboya, & Monye–Emina, 2023). Sibarani (2023) propose a culturally Afrocentric perspective on leadership as the enabler of strategic alignment.

2.9 BARRIERS TO STRATEGY ALIGNMENT

An analysis undertaken by Jurczuk (2021) on barriers to implementation of business process governance mechanism identified the following barriers to strategy alignment: unclear strategy and conflicting priorities, poor coordination across all functions, ineffective top management, inadequate leadership skills and lack of development for lower managers, poor vertical communication, legislation, lack of support from executive authority, political interference.

2.9.1 Lack of strategic leadership as a barrier to strategy alignment

The lack of strategic leadership skills is the biggest killer of strategy alignment; boards must ensure that the successful candidate possesses good strategic skills when recruiting chief executive officers. The chief executive officer must be committed to the strategy and be an effective communicator to communicate the strategy (Zimon et al; 2020).

The board of directors is the apex of the organisation's strategic leadership; hence, the organisation's performance strongly reflects the board's character. However, there are instances where boards are in turmoil and unstable, leading to the deterioration of the firm performance, relationships with stakeholders and the great society, and economic impact due to corporate scandals (Takacs et al;2022). The section discusses the dimensions of dysfunctional boards and its causes with conflicts between the top management team and the board in state-owned enterprise being a dominant factor.

2.9.1.1 In-effective board leadership

Board leadership is crucial for an effective board to execute its fiduciary duties diligently. Weak board leadership results in the board deferring crucial decisions related to strategy implementation (Samimi, Cortes & Anderson, 2022). This is particularly prevalent if the board chairperson is not strong enough to control both the board and the top management teams. Thompson & Alleyne (2022) argue that political appointments are the source of board instability because political leaders appoint like-minded individuals to power and trigger the replacement of board members prematurely. A study by Tladi & Madue (2022) listed ineffective board sub-committees, inadequate diligence during board appointments, corruption, greed, maladministration and political patronage as causes for weak board leadership. Although the executive authority (government through a Member of the Executive Committee) appoints the board, the minister's appointment of the board chairperson and deputy chairperson creates mistrust among other board members (Tladi & Madue, 2022). According to the Institute of Directors South Africa (2018), board members must appoint their own chairpersons and deputy chairpersons based on their leadership capacities; appointing a chairperson before the first board sitting leads to suspicions of the political agenda by the other board members.

Chief executive duality has been listed as another factor that weakens board leadership by different authors, such as Yu (2023). The Agency theory perspective discourages chief executive duality as a powerful chief executive who is also a chairperson weakens board oversight, impacting strategic focus and day-to-day operations (Yu, 2023). The concerns of chief executive duality as promoting weak monitoring have reduced chief executive duality in Standard & Poor 500 countries from 65% to 41% (Stuart, 2021).

It is worth noting that proponents of the Stewardship theory believe that chief executive officer duality results in strong board leadership as it removes ambiguity in the decision-making process (Uyar, Kuzey & Kilic, 2021). The Contingency theory mitigates the negative impact of chief executive duality and is dominant in countries like the USA and China; however, their board configurations do not follow the Anglo-Saxon or German models (Stuart, 2021).

2.9.1.2 Conflicts between top management teams and boards

Corporate governance research has extensively studied the relationship between boards of directors and top management teams and how this affects the board's functioning (Brahma, Nwafor & Boateng, 2021). The board of directors and top management teams are strategic leaders and should not be viewed as separate units (Uyar et al, 2021) but rather as a team, and interpersonal team dynamics are to be expected between the board and the top management teams.

The Agency theory prescribes that managers cannot be trusted and must be policed by the board (Cole & Schneider, 2020). The premise of the agency theory is that agents do not always act in the interests of the principals, and if this is not controlled, a conflict is likely to arise (Cole & Schneider, 2020). Conflicts between top management teams and the boards are premised on the Agency theory paradigm, where the chief executives cause induced organisational crises. Yahaya (2022) states that conflicts often arise when chief executives desire to increase their power due to their political connections.

Yahaya (2022) argues that conflicts between top management teams and board is more prevalent in state-owned enterprises due to three actors: executive authority (government) who is the funder and a shareholder providing resources instead of the board, and accounting authority (the board) and the chief executive officer. The board and top management teams require an exchange of information, and task conflict occurs when there is a difference of opinions regarding the task's quality (Yahaya, 2022).

2.9.2 Dysfunctional board as a barrier to strategy alignment

The function of the board is to provide strategic guidance, oversight and support to the chief executive and the top management teams (Brown, 2020). To fulfil this role, boards must be adequately capacitated and poses diversity of skills to support management

(Brown, 2020). However dysfunctional boards are not able to support the top management teams sufficiently and this becomes a barrier to strategy alignment (Eid, Bonnet & Voyant, 2022). The following sections elaborate further on the board discussion as a barrier to strategy alignment.

2.9.2.1 Board size

The board size determines the entity's success (Dah, 2023). However, larger boards have the potential for conflicts of interest and misunderstanding between board members, weakening monitoring and impending consensus and alignment (Abdullah et al; 2022). Organisations must appoint an optimal number of board members as determined by the company size, complexities and the number of committees (Abdullah et al; 2022). Increasing the number of directors must be balanced against the skill profile needed by the board to ensure the larger board contributes to reaching consensus quickly due to the collective advice of the skilled directors (Wahyudi, Hasanudin & Pangestutia, 2020).

The ideal board size must have a balanced skill mix, experience and expertise to deploy directors to serve on different committees as per their expertise but avoid serving on too many committees to prevent dilution of oversight and monitoring (Kanadli et al;2022). King IV (2017) recommends a board size of between eight to fifteen members, as dictated by the number of board sub-committees, with complex organisations like state-owned enterprises reaching a maximum of fifteen board members.

Larger boards, i.e., those above the required optimal size, might result in confused information flows and take longer to reach consensus on many issues. The impact of the time taken to reach consensus is the non-completion of agenda items, not taking resolutions on key strategic items, and lack of proper enterprise monitoring (Dawood et al;2023)

2.9.2.2 Board composition and diversity

An inadequate diverse and properly balanced board regarding skill set, knowledge and functional experience deprives organisations of proper guidance and sharing of experience (Hlobo et al,2022). Boards lacking diversity are less likely to succeed in leading the development and implementation of strategy and effective in monitoring and

guidance due to scarcity of functional experience and disproportional skills that do not match the entity's requirements (Hlobo et al., 2022).

Lack of due diligence and political patronage often leads to this scenario, especially in state-owned enterprises where retired parliament members are made to lead boards without any corporate experience (Hlobo et al., 2022). Boards populated by directors who lack functional sector experience are unlikely to assist with decision-making during contingency periods of instability and unpredictability. Boards that lack capital (human, social and intellectual) and resources do not assist managers in executing the strategy (Boevie, 2021).

2.9.3 Conflicting priorities

The top leadership as an enabler of strategy alignment, execute this task through issuing orders and priorities (Poole et al, 2023), the instructions and priorities must be aligned to the strategic intent of the organisation. However, Mizark (2023) reports of instances where TMT issue conflicted orders leaving the organisation confused. Once the followers detect the mis-alignment at the top echelons, precious time is wasted each time an instruction or an order is issued as the members of the organisation has lost trust in the management.

It is imperative that all orders and communication to the business is originating from one source of accountability which is the chief executive officer (Abrahams et al, 2023), and this is also the case with the state-owned enterprises through the shareholder compact. Huo et al, (2023) identified influences external to the organisation as the barrier which disrupts collaboration when non-executive directors interact with the organisation directly and by-passing the chief executive, as most often the internal language usage for communication is less complicated than language used at the director's level.

Unclear strategy and conflicting priorities, an ineffective senior team and a leader who is too controlling or disengaged in their management style can all interact to prevent the senior team from developing high business organisational direction (Coenen et al,2023). Lacking a common view of strategy and commitment to improving the performance of the whole organisation leads to poor downward vertical communication. Senior leaders cannot confront the issues that cause poor alignment without honest communication

about the barriers. Changing priorities without realigning the strategies is one of the significant barriers to strategic alignment, and the opposite is also true (Ncube et al, 2023).

2.9.4 Legislation

Public corporations are created by the act of parliament, implying that a piece of legislation supporting their existence and strategy alignment (Tavares et al, 2023). However, according to Orji & Ojadi (2023), the lack of government support and legislation is a barrier to strategic alignment, as it takes a long period to implement the legislation though have been promulgated by the legislature.

Legislation governing state-owned enterprises, such as the Public Finance Management Act of 1999, although created to safeguard public resources from poor decision-making, constraint the budgeting ability of the public organisations resulting in state-owned enterprise having to manage the strategy execution with constraint budget (Sibiya & Subban, 2023) impacting creativity and innovation.

The decision-making in the public sector must follow certain legal prescripts, leaving little room for flexibility (Mpete & Maier, 2023). In contrast to the public set-up, private sector managers' decision-making process caters for flexibility because the goal of the private sector setting is to maximise profit for owners (Mpete & Maier, 2023).

2.9.5 Decision-making cycle

Another barrier to strategy alignment within the state-owned enterprise environment is the long decision-making cycle (Nyatsumba & Pooe, 2023). (Nyatsumba & Pooe, 2023) went further to state that for strategy alignment to be a success, a shareholder must reduce the turnaround time of making major decisions to match the dynamic business and market landscape. The slow process of decision-making in the state-owned enterprises results in missed market opportunity, impacting strategy implementation (Nyatsumba & Pooe, 2023).

The state-owned enterprise decision making process value chain is much longer than the private sector (Saad et al, 2023), due to many actors in the SOEs compared to the private

sector where the chief executive is mandated and trusted by the board to make decisions up to a certain threshold (Saad et al;2023). The hierarchy and institutional nature of state-owned enterprises and many stakeholders.

The public-sector decision-making process is longer due to different stakeholders' interests than the private sector (Saad et al;2023). More importantly, public sector managers are subject to external auditors who evaluate the decision-making processes and if they align with legislation. Due to external audits, there is pressure on the public sector to adopt the right approach to avoid violating regulatory policies. Most public sectors prefer the multi-stakeholder-centric approach as a sustainable decision-making process, resulting in missed opportunities (Jaffe et al; 2023).

2.9.6 Poor vertical communication

State-owned enterprises due to their hierarchal structure in nature uses vertical communication to communicate important strategy operation plans. Vertical communication is defined a form of communication where the instructions move downwards from the top management teams to lower levels employees who are strategy functionaries (Suh & Battaglio, 2022). Since this type of communication is more prevalent in hierarchal state organisations, instructions must be well thought and crystal clear as there is little chance for dialogue or clarity (Suh & Battaglia, 2022)

The types of common vertical communication could be research findings presented by the employees to the top management, who assess the information whether it is aligned to strategy or not (Wang-Mlynek & Foerstl, 2020). The most dominant type of vertical communication in the public sector is instructions which are relayed from the top management to employees, whilst performance reports are used to communicate performance behaviour of employees by their superiors and the memorandum are used by top management teams prior being disseminated companywide newsletter platforms (Wang-Mlynek & Foerstl, 2020).

The vertical communication has its advantages such as transparent chain of command, empowering employees with knowledge of their go-to-person in their industry with established boundaries (Beer, 2021). Critics of vertical communication argues that

information flow is slow with sign-offs for timeous approvals of projects and delaying implementation of new projects thus compromising strategy alignment (Beer, 2021). Critics go further to state that poor vertical communication inhibit creativity as the communication channels are stringent (Huo, Wang & Zhang, 2021)

2.9.7 Lack of support from executive authority

The board of the state-owned enterprise as the accounting authority develops strategy, provide resources and undertake continuous monitoring in the implementation of the agreed and aligned strategy (Bello-Gomez & Avellaneda, 2023). The board to effectively execute its oversight mandate requires the support of the executive authority (Bello-Gomez & Avellaneda, 2023). According to (Thusi, Matyanan& Jili), some board members feel undermined and not supported by the government to secure strategy alignment.

The lack of support can be both politically or administratively, where the executive authority takes too long in the forms of months to sign a key appointment at executive level (Tapfuma, Musavengane & Magwaza, 2024). Since the organisational architecture is such that structure supports strategy, weakness in the structure translate to poor implementation of annual operations plans for state-owned enterprises (Abiauga et al;2023)

The lack of political support when there are administration changes and election years have an impact of strategy alignment as that year, the change in administration bring changes in both strategy alignment and board make-up immaterial that the five-year cycle strategy duration has been completed or not (Thusi, Mayisela& Matyana, 2023).

2.9.8 Poor coordination

The strategy coordination is important for strategic alignment, as the activities of the business must be managed properly to deliver strategy. The strategy coordination begins at the executive level with top management teams cascading and guiding their direct reports on the expectations of the decision makers (Coenen et al; 2023). Employees are functionaries with different skills set and expertise, however prioritisation of their work activities is mandatory and their coordination is the responsibility of the leadership Coenen et al; 2023).

Poor coordination and integration of strategy implementation is a huge barrier to strategy alignment. Top management team members should have one clear line of sight, this is important to avoid publishing of conflicting instructions to the employees (Reshad, Biswas & Agarwal, 2023). Once the entity is leader by leadership which has a poor coordination, employees lose faith in the leadership abilities and start making their own plans (Reshad, Biswas & Argarwal, 2023). Employees who are not properly guided do not take their tasks seriously and rarely complete their tasks and, in the process, put the aligned strategy implementation into jeopardy.

2.9.9 Political interference

There are ongoing debates regarding political interference in state-owned enterprises, with deferring between those who support interference and those who are against political interference (Amoah & Steyn, 2023). Political interference is the meddling of the political heads and appointees in the work of the state-owned enterprise operation during execution (Amoah & Steyn, 2023).

There are many reasons found in literature regarding reasons for political interference, with the most dominant being self and group enrichment by using SOE as a conduit and cash cow to fund patronage and different (Ngcamu & Mantzaris, 2023; Hlobo et al; 2023). Others argue the necessity of government to intervene politically since the government play a role in the provision of funding and setting of strategic tone for these enterprises of monitoring progress (Ngcamu et al; 2023).

The authors against the political interference argue that since the political administration has a shareholder representative in the form of a Minister who through shareholder compact set up a board and all the deliberations are conducted through that compact, there is no more need for political actors to interfere in the business of state-owned enterprise operation (Kgarose, 2023; Motswaledi & Maseng, 2024).

Persistent political interference lead to conflicting priorities, drive a wedge between the board and the CEO and derail the flawless execution of aligned strategy (Kgarose, 2023).

2.10 PREVIOUS RESEARCH ON STRATEGY ALIGNMENT

A study by Alateeg & Alhammadi (2023), that focused on the impact of organisation culture for innovation in the business landscape. The study variables were the strategy alignment between organisation culture and innovation with a specific focus on the mediating role of strategic leadership in Saudi Arabian businesses. The study employed the structural equation modelling as an analysis tool. The study findings revealed the positive role of strategic leadership in aligning organisation culture and organisation innovation.

Recent studies on strategy alignment include Ferlie et al.'s (2018) study examining strategic alignment in the UK's national health services. They concluded that alignment was lacking between the organisation's priorities and other levels of those organisations. A study by Meyer and Hollerer (2018) concluded that organisational internal and cultural resistance affect and undermine strategy alignment. This study was conducted in Germany using a qualitative research design. Simunec et al. (2018) researched Croatia and concluded that strategic alignment in the public sector is heavily linked to employee and job satisfaction. In sum, the organisation's internal members must all be satisfied and happy to be able to commit to the strategic goals of the organisation. The results of these studies can also be applied to how state-owned enterprises execute strategy alignment.

2.11 STRATEGIC LEADERSHIP AND PERFORMANCE MANAGEMENT STUDIES IN SOEs

After having elaborated on the nature of strategic leadership and performance-related issues, attention turns to shedding light on the key gaps for future research within and outside South Africa.

2.11.1 Strategic leadership of state-owned enterprises outside South Africa

Existing studies on strategic leadership in state-owned enterprises in South Africa has delved into a variety of issues such as (1) the link between strategic leadership and organisational competitiveness, (2) role of strategic leadership and organisation agility in influencing digital transformation, and (3) deploying strategic leadership intervention in strategic human resource development which reveal a shift from political perspective,

For example, a study by AlNuaimi et al; (2022) was undertaken in the United Arab Emirates to investigate the role of strategic leadership and organisation agility influence in the digital transformation of public organisations. The study aimed to close the research gap that many organisations fail to implement digital transformation despite the publicised benefits of digital transformation and significant investments in technology and systems and ignore the role of strategic leadership. Six hundred electronic questionnaires were sent to employee emails in Abu Dhabi public sector organisations, and the response rate was 85%. The study's findings show that digital transformational strategic leadership positively influences digital transformation, suggesting that transformational leaders are better equipped to drive organisational change towards the digital environment by promoting digital values. The study adds value to the theory because it demonstrates that digital transformation is beyond organisation capabilities and systems, instead of on leaders who have cognitive abilities to inspire their followers to learn to induce digital transformation. The practical implication is that public institutions must emphasise technology adoption and consider how to obtain strategic digital leaders to make this change successful. The limitation of this study is that although successful, it was conducted on a small sample in Abu Dhabi public sector organisations; future research requires a larger sample drawn from many United Arab Emirates public sector organisations and countries with different digital transformation implementation levels to consider other cultural factors.

Chen (2020) studied the implementation of strategic human resource development (SHRD) to address training and leadership development in China's state-owned enterprises to enhance their effectiveness. The study aimed to close a research gap on leadership development, as many studies on China's state-owned enterprises are focused on the political perspective, neglecting the application of human capital theories; the research adapts Western theories to leadership training in Chinese state-owned enterprises. The qualitative research was undertaken on two Chinese state-owned enterprises using case studies and semi-structured interviews for data collection. The study's findings demonstrated that the effectiveness of Chinese state-owned enterprises can be improved by deploying strategic leadership intervention in strategic human resource development. The study adds to a body of knowledge of strategy and human

capital theory with Chinese characteristics in improving training and leadership development in Chinese state-owned enterprises. The practical contribution of the research is that state-owned enterprises and their leaders must invest in leadership training and development to improve effectiveness and contribute to governance reforms in the management of state-owned enterprises in China. The limitation of the study was limited access to data collection, resulting in only conducting research in two state-owned enterprises. Future research should include more state-owned enterprises and focus on the design of leadership training.

Furthermore, existing studies have also investigated the link between strategy, employee performance and strategic leadership style. For example, Meiryani et al; (2021) examined the influence of business strategy and strategic leadership on the quality of the accounting function in Indonesia's state-owned enterprises. The data was collected from 61 state-owned enterprises in Indonesia and analysed using structural equation modelling. The study's findings showed that strategic leadership style positively influenced the quality of accounting information systems; no effect of business strategy was established.

A study by Rusli et al; (2020) was undertaken in Indonesia's state-owned enterprises to investigate the role of the chief executive towards the performance of Indonesian state-owned enterprises. Previous studies in Indonesia studied leadership and corporate governance in private companies, but very few studies focused on leadership in Indonesian state-owned enterprises. Data was collected on the six state-owned enterprises in the population of 128 enterprises in Indonesia. The study results showed that transformational strategic leadership in the person of the chief executive has a significant positive effect on the performance of state-owned enterprises. The limitation of the study is the small sample of state-owned enterprises, and the recommendation for future research is to expand the number of participating state-owned enterprises. The study adds value to theory as it contributes to the databank of leadership studies on state-owned enterprises in Indonesia, and the practical contribution is to allow room for innovation on the highly regulated state-owned enterprises.

The link between organisational and employee level commitment and type strategic leadership style has also attracted research interest. A study was conducted in Ghana's

state-owned enterprises by Donkor, Dongmei and Sekyere (2021). The study aimed to investigate the effect of strategic leadership on organisational commitment and employee performance. Previous studies on the subject have produced inconsistent findings and differ in each geographical area; the study focused on the psychological mechanism gap. Data was collected across ten different state-owned enterprises based in Kumasi Metropolis and Sunyani Municipality; 400 questionnaires were sent to respondents with a 58% response rate. The study results were analysed using partial least squares structural equation modelling. The study concluded that strategic transformational leadership has a positive effect on job commitments and job performance. The study contributed to the theoretical underpinnings of understanding drivers of employee performance, organisational commitment, and suitable leadership style. Findings imply that employees become more committed to the enterprise and improve job performance when they perceive their leaders allow them to participate in decision-making, which is new to state-owned enterprises. The limitation of the study is that it focused on state-owned enterprises located in a limited area in Ghana. Future research must consider all state-owned enterprises in Ghana and perform a multi-level analysis of collected data.

It is also interesting that strategic leadership scholars have focused on green innovation, multiple dimensions of state involvement in SOEs (e.g. ownership structures, recruitment and funding), and role of the board in mapping the strategic direction of their organisations as well as dominance of few individuals with strong political connections and presence which reflects the state's agenda. For example, a study by Munawar et al; (2022) on the effect of strategic human resources management on green innovation was undertaken in hotels in Pakistan. The study wanted to close a gap in improving environmental management in the hotel sector. Only a handful of studies are available investigating green human capital and environmental management. A total of 209 questionnaires were distributed for data collection using random sampling, and the response rate was 55%. The data was collected from a random sample using a questionnaire from 200 hotel staff from various occupation levels and analysed using a two-step technique of sequential equation modelling. The study showed that green human resource management positively impacted green hotel innovation and strengthened environmental performance. The study adds value to the knowledge of human resource management and green

innovation literature by demonstrating a relationship between green human resource management and green innovation based on human capital. Practically, the study proposed that hotels practice and promote green behaviours in their entire operation line to promote environmental protection. In addition, hotel managers must design recruitment policies that include environmental sustainability and encourage green practices and their staff to contribute to green management. The study's limitations were that green human resource management was focused on a single sector only, the hotel industry in Pakistan, with a small sample size for a quantitative study ($N = 209$), which had a 50% rather than 100% response rate. Therefore, the findings cannot be confidently generalised. The recommendation for future research is that studies include other industries, such as manufacturing and technical industries.

The study by Maenner and Stolz (2021) was conducted in Germany using a theoretical review of secondary literature. The study aimed to analyse the strategic leadership of SOEs in Germany. The authors concluded that states often act as strategic actors, directly or indirectly, through their involvement with the SOEs. The research supported the state's involvement because it provides a source of value creation and sometimes value distraction. However, state involvement's effects depend on the state's specific objectives. This study is important because it provides a framework for researchers to analyse and research strategy alignment for SOEs. It identified a research gap in this field as most previous research focuses on a single aspect of state involvement, such as ownership structures, etc. In contrast, this study provided a framework that looked at all the aspects of state involvement, ranging from social, political and economic factors.

Annika and Bengtsson (2022) studied SOEs in Sweden using quantitative and qualitative methods. The authors concluded that the boards of SOEs are vital and play a critical role in mapping the strategic direction of their organisations, sometimes possessing enough power to influence the state's political interests. According to the study, the boards of SOEs are generally dominated by individuals with strong political connections and sometimes their presence reflects the state's agenda. As a result, it is easy for the state to use its influence through board members to pursue its social and political goals instead of seeking profit.

Giancarlo and Pudney (2021) conducted a study looking at the state's role in SOEs. They concluded that the state is the principal actor, and its involvement in shaping SOE strategies manifests in various ways. Examples include direct and indirect ownership of SOEs. This involvement can provide positive or negative results to the performance of these SOEs. For example, state involvement can lead to accountability and transparency, but if the government does not exercise good governance, its involvement can lead to misaligned incentives and reduced efficiency.

Having discussed the previous studies on strategic leadership outside South Africa, the following section discusses previous studies on strategic leadership in South Africa.

2.11.2 Strategic leadership of state-owned enterprises in South Africa

Existing studies on strategic leadership in South Africa has focused on a variety of issues in state-owned enterprise including a framework for screening and evaluating the competencies and qualities of the board of directors; the accuracy of combined assurance reporting and corporate failures due to risks not adequately disclosed during reporting; and theoretical model for staff retention in South African state-owned enterprises. For instance, a study by Hlobo, Moloi and Marx (2022) was undertaken to develop a framework for screening and evaluating the competencies and qualities of the board of directors in South African state-owned enterprises. The South African guidelines are inconsistent regarding board nominations of state-owned enterprises. The Public Finance Management Act is silent on board screening and appointments, only commenting on board members' removal, whilst nomination is done following King IV (2017) but not followed through as per King IV afterwards. The study used a mixed-method approach for data collection. The study results produced an ideal theoretical framework to screen potential board members of state-owned enterprises before shortlisting and evaluating sitting board members. The theoretical framework covered a variety of skills common to skills possessed by board members. The limitation of the study was the failure to include numeracy skills as part of the requirement because state-owned enterprises deal with public funds. Another limitation was not testing the framework for robustness with a few board nominations in parallel to formal fine-tuning processes; third, there was no indication of the number of state-owned enterprises that participated in the research.

Future research should include variables such as numeracy and financial acumen. The study contributes to research by introducing a framework of board literature in state-owned enterprises. The practical contribution is assisting ministers, stakeholders, and board chairpersons in screening and evaluating potential board candidates to add value to state-owned enterprises.

A study undertaken by Adebayo and Ackers (2023) on South African state-owned enterprises investigated the accuracy of combined assurance reporting. Corporate failures are mainly attributed to risks not adequately disclosed during reporting, raising trust levels in combined assurance. Board members must make decisions based on internal reports, and accuracy and assurance are required. A qualitative study on 21 state-owned enterprises was conducted involving the survey of annual reports. The study showed that not all state-owned enterprises conform to combined assurance disclosures. In those that conform, the majority do not provide sufficient information to explain how combined assurance was adopted to assure users of these reports with adequate risk management strategy. A standard universal template was recommended for combined assurance disclosures. A limitation of the study is the small number of state-owned enterprises that participated in the research, just 21 out of 700. Future research must be undertaken to include more state-owned enterprises and test the implementation of the template before expanding the study to other participants. Experimental research should also include investors and other stakeholders who use these reports. The study contributes to the governance theory of state-owned enterprises research, and the practical contribution is to develop reporting trusted by stakeholders of state-owned enterprises.

A study by Maphanga (2023) was undertaken to develop a theoretical model for staff retention in South African state-owned enterprises. Previous studies have investigated staff retention strategies in the private sector, and few studies have been undertaken for state-owned enterprises. A quantitative study on 685 participants (out of 1000) was undertaken using state equation modelling for data analysis. The study showed that organisational culture, compensation and benefits, and training and development were key variables for staff retention in state-owned enterprises. The limitation of the study is that participants were from one state-owned enterprise, limiting generalisation to other

industries and state-owned enterprises. Another limitation is that the study limited itself to five variables of staff retention of the possible 13 variables. Future research must extend the study to many state-owned enterprises to validate the model for generalisation across all state-owned enterprises and include more variables. The study contributes to the literature on staff retention in state-owned enterprises in South Africa. The study will assist human resource departments and talent management specialists on key variables to focus on to retain highly skilled employees.

It is equally notable that extant research has also investigated the relationship between dynamic innovation capabilities, poor corporate governance and performance to create a model of innovation capabilities that stimulate performance, mitigation of knowledge management risk due to high staff turnover and ageing and inconsistency in understanding among the board members regarding who is responsible for strategy development in SOEs.

For instance, a study by Marweshe (2022) investigated the dynamic innovation capabilities of state-owned enterprises in South Africa. The research on the underperformance of state-owned enterprises has focused on poor corporate governance, ineffective leadership and related governance nuisances, with few studies dedicated to innovation culture to stimulate business performance. A quantitative approach was used, with 278 participants and using Statistical Package for the Social Sciences (SPSS version 25) to analyse data. The study created a model for innovation capabilities to enhance business performance in South Africa, including strategy, market, and technological innovation. The study contributes knowledge about the relationship between innovation capabilities and business performance, specifically for state-owned enterprises. The study will equip innovation managers in state-owned enterprises with practical tools to implement state-of-the-art innovative practices. The limitation of the study is that it covered only three provinces in South Africa, namely Gauteng, the Free State and North West, with a small sample size of 278 respondents due to the non-existence of a universal list for managers. Further research that includes more provinces must incorporate the mixed method approach to establish an in-depth analysis.

A study by Phaladi and Ngulube (2022) at South African state-owned enterprises aimed to mitigate knowledge management risk due to high staff turnover and ageing. Although studies have reported high staff turnover and an ageing workforce in state-owned enterprises, a lack of organisational knowledge about management practices remains a critical issue in addressing knowledge loss. A mixed-method approach using sequential design was adopted for the study. The qualitative element was achieved using interviews and document analysis in nine state-owned enterprises, whilst a survey questionnaire was distributed to 585 respondents with a response rate of 25% in three state-owned enterprises. The study's findings showed that most state-owned enterprises do not have knowledge retention programs, and the absence of knowledge practices negatively impacts their performance and sustainability. The limitation of the research is that it was undertaken on a limited number of state-owned enterprises in South Africa, and the findings cannot be generalised to nations outside the country. Recommendations for future research are to expand the sample size. The study contributes to knowledge management theory in state-owned enterprises. Practically, it recommends adopting various knowledge management tools for managers to drive the implementation of knowledge management.

Lack of urgency by strategic leaders in decision-making in digital transformation and strategic goal clarity at multiple organisational levels in a SOEs has also attracted research interest in South Africa. For instance, a study by Roper (2018) on the impact of leadership style on the achievement of organisational goals in an SOE found that goals were not explicitly understood by both leaders and the followers, indicating failure to make goal clarity clear as part of strategic leaders' task, and without clear goals, leaders battle to inspire followers towards goal attainment.

A study by Maswanganye (2019) explored competency requirements for selecting and appointing board members and chief executive officers in South African state-owned enterprises. Though the appointment of board members and chief executives of state-owned enterprises remains the minister's prerogative, little is known regarding the competency profiles used to make the appointment, and competency remains an under-researched area. It is this gap that this study attempts to close. A mixed-method study approach was used, starting with a quantitative online questionnaire and follow-up

interviews. Data were analysed using SPSS version 25 for the online questionnaire and thematic analysis for the qualitative component. The study's results were developing the competency profile for chief executive and board member appointments in state-owned enterprises. The study contributes to the literature on state-owned enterprise governance in South Africa. The practical contribution of the study is creating a model to be implemented by government regulation departments such as the National Treasury, the Department of Public Enterprises, and the Department of Public Service and Administration for the selection and appointment of chief executives and board members in state-owned enterprises. The limitation of the study is the number of state-owned enterprises that participated in the study ($N = 21$) with a population of 715 state-owned enterprises, limiting the generalisation of the results. Future studies must include more state-owned enterprises and senior officials assisting the minister in making an appointment.

Loxton and Kotzes' (2019) study interviewed board members, like chairpersons, about their perceptions of their strategic roles and responsibilities with open-ended questions. The study's main findings revealed that board members of South African SOEs are generally satisfied with their positions and roles even though they admitted that there was room for improvement in strategic monitoring and evaluation mechanisms. However, board members emphasised that they are not directly involved in monitoring the performance of SOEs because the executive management and the CEO often do that role.

There is also research which has focused on the relationship between directors and CEOs of SOEs and the state and how these relations affect strategy alignment and the role of board members in the success of strategy. For instance, Mmamakae, Ghezzi and Fourie (2021) conducted research that examined the contribution of board members to the success of strategy alignment for SOEs in South Africa. Data was collected through a mixed-method approach. The study's main findings showed that board members play a limited role. Their role is limited to traditional government and strategic functions like planning and corporate governance. However, the level of their involvement to strategic involvement varied, depending on their expertise and the needs of the SOEs.

Sikota and Thys (2021) also researched South African SOEs using a qualitative approach. The study aimed to look at the relationship between directors and CEOs of SOEs and the state and how these relations affect strategy alignment. The results showed that this relationship was complex due to different factors influencing the balance of power between the two parties. It was concluded that the chairperson's experience and expertise can influence power relations for SOEs. The level of support of the chairperson from the board and the government is also important. The key opportunity identified in these studies is a need for further research into the political and socio-economic challenges faced by SOEs (Sikota & Thys 2021). Further research is also needed on the role of board members, such as the chairperson's political relations with the government.

Having surveyed and discussed previous studies on strategic leadership, the following section discusses previous studies on performance management.

2.11.3 Performance management and state-owned enterprises outside South Africa

Research on performance management in state-owned enterprises has focused on a variety of issues including the effect of performance management system and nature of top management support; development of sustainable performance management system by adapting the Balanced Scorecard; the impact of digital transformation on performance of state-owned enterprise and the drivers of performance management in SOEs which include political objectives and necessity of revenue generation.

For example, a study by Mochamad and Arsyah (2019) on sixteen Indonesian state-owned enterprises was undertaken to determine the effect of implementing the performance management system on state-owned enterprise performance by adopting the Malcolm Baldrige Criteria for Performance Excellence. Different studies have shown that performance management systems positively affect organisational performance, but such research in state-owned enterprises is limited; hence, a gap exists for state-owned enterprises. The research employed a quantitative approach, and a least squares method was used for data analysis. The results of the study indicated that the performance management system if supported by the top management team of the state-owned enterprises, had a positive effect on the performance of state-owned enterprises. The

research adds to the theory of performance management systems in state-owned enterprises. The practical implication is the strengthening and socialisation of the performance management system in Indonesian state-owned enterprises. The limitation of the research is that the successful implementation of a performance management system requires strong corporate governance. Suggestions for further research include conducting mixed-method research to gain an in-depth understanding.

A study by Trisyulianti et al; (2022) on the sustainability performance management framework in state-owned enterprises was undertaken in Indonesia. The study aimed to develop a sustainable performance management system for state-owned plantation enterprises. The study employed a qualitative research design to collect data through interviews with fifteen managers and company documents. The study's findings show that a sustainability performance management framework, a modified sustainability Balanced Scorecard, is a valuable sustainability performance framework for Indonesian state-owned enterprises. The study added to the growing knowledge of performance management systems for state-owned enterprises. The practical contribution is that the sustainable management performance system will assist company leaders in integrating strategic and operational monitoring. The limitation of the research is that the study was carried out on only three state-owned enterprises. Future research should expand the study to include more state-owned enterprises and extend sustainable performance management systems to measure performance for reuse and recycling.

A study was undertaken by Gao (2023) on the impact of digital transformation and enterprise performance in Chinese state-owned enterprises. Studies on digitalisation show that digital technology radically improves business scope and performance, but there is a dearth of studies exploring digitalisation in state-owned enterprises. The findings show that digitalisation significantly improves firm performance. The limitation of the study is that it considers the impact of digital transformation on enterprise performance but does not discuss the impact on the enterprise's sustainable development. Future research must explore the relationship between enterprise digitalisation and sustainability to evaluate holistic, integrated performance. The contribution of this study is the contribution to the literature on the influence of

digitalisation on firm performance. The practical implication is the deployment of digitalisation to promote transparency, efficiency and accuracy in data.

There are also studies which have uncovered the hurdles of implementing performance management, the need for performance management education and training for managers and staff and need for clarity of performance goals. For example, Ilevbare and Oluwandare (2020) conducted a study examining state-owned enterprises' performance in Nigeria. Ilevbare and Oluwandare (2020) gathered information from Nigerian SOEs using a survey-based methodology. According to the survey, the absence of specific, quantifiable goals and objectives presents the biggest hurdle to performance management in Nigerian SOEs. The survey also revealed a need for additional performance management training and education for managers and employees, as well as that the systems for measuring performance are not entirely in line with the SOEs' strategic goals. The study also discovered that organisational culture significantly influences how well Nigerian SOEs manage performance.

2.11.4 Performance management and SOEs in South Africa

Within South Africa's state-owned enterprises, the variety of studies on performance management has focused on abuse of performance management system to promote bonus culture, relationship between executive pay and financial performance and the need for non-financial metrics, and lack of accountability coupled with the repercussions of poor performance, poor monitoring and evaluations of SOE performances. For example, Mkhize et al; (2021) reviewed the performance management system for the public sector in KwaZulu-Natal. They found that performance management was conducted inconsistently and viewed as a human resource function instead of the responsibility of the whole enterprise. The study found the abuse of the performance management system to target bonus payments. Although the study contributed to performance management system research, the gap is that study is that participants were low-level bureaucrats instead of upper-echelon members.

In a quantitative study by Carlson and Bussin (2020) regarding the relationship between executive pay and financial performance in South African state-owned enterprises, a weak positive correlation between excessive executive pay and the performance of the

SOE was found. The study identifies the need to include non-financial metrics to make state-owned enterprise measurement robust.

There is also a variety of research which has focused on gaps and lack of capacity regarding the implementation of performance management, and inconsistency between the strategic plan and the performance management system in state-owned enterprises. For example, Mothibi and Van der Walddt's (2012) study looked at the performance management of state-owned enterprises in South Africa. The study surveyed senior managers and board members of an SOE to gather information. The study's key conclusions were that although South African SOEs have a robust legal framework for performance management, implementation gaps exist in actual use. According to the report, there is a lack of effective leadership, defined roles and duties, and board member and senior manager training and development. The survey also discovered that a lack of accountability existed in SOEs coupled with the repercussions of poor performance and poor monitoring and evaluations of SOE performances.

Thomas and Musinguzi's (2017) study also looked at performance management for state-owned enterprises in South Africa. They used a documentary examination of the annual reports of twenty South African SOEs to gather data. The study's primary conclusions were that, despite being mainly based on best practices, the performance management systems in South African SOEs are not adequately applied. The analysis discovered a lack of capacity and capability to implement the systems successfully and a lack of monitoring and evaluation of performance. The survey also discovered a misalignment between the SOEs' performance management systems and the strategic objectives.

Another study by Capa (2016) explored performance management among state-owned enterprises in South Africa. Capa (2016) used qualitative and quantitative methods to gather data through surveys and case studies. The study's primary conclusions were that while South African SOEs have some performance management systems, they are neither complete nor efficient. According to the report, there is a lack of a clear vision, strategic objectives, and key performance indicators and an inconsistency between the strategic plan and the performance management system. The survey also discovered a lack of resources, stakeholder buy-in, and competence and capability to apply

performance management successfully. The following section discusses this qualitative study's conceptual framework guiding the entire research.

2.12 CHAPTER SUMMARY

This chapter provided literature on strategic management in its broadest form. The chapter covered the history and perspectives of strategy, and strategy formulation and implementation. Discussions about the strategy alignment concept were extended to include strategy alignment within state-owned enterprises and the public and private sectors. Enablers and barriers to strategy alignment were also discussed, ending with strategy alignment models and organisational architecture.

The next chapter presents the concept of strategic leadership and the upper echelons theory, frames of strategic leadership, competencies and activities of chief executive officers and board members, and performance management in state-owned enterprises at the chief executive and board level. Previous research on strategic leadership and performance management in state-owned enterprises is discussed, and the conceptual framework for the proposed model for strategy alignment is described.

CHAPTER 3

THEORETICAL FRAMEWORK

3.1 INTRODUCTION

This chapter aims to critically review relevant literature on strategic leadership and performance, which are key in a state-owned enterprise. Given this aim, the chapter begins by reviewing the Upper Echelons theory and its adaptation to understand the concept of strategic leadership and the competencies and activities of strategic leadership. Second, the chapter will discuss principal-agency theory, followed by the steward theory. Last, the chapter presents the conceptual research framework of the study before presenting chapter summary.

3.2 ORIGIN AND SCOPE OF THE UPPER ECHELONS THEORY

Delving into the seminal work of the Upper Echelons theory developed by Hambrick and Mason (1984) is important for understanding the origins of strategic leadership. The Upper Echelon theory proposes that “organisational outcomes – both strategies and effectiveness – are viewed as reflections of the values and cognitive bases of powerful actors in the organisation (Hambrick & Mason 1984: 193) cited in Short & Hubbard (2023). The original Upper Echelons theory proposed several demographic characteristics: age, formal education background, socioeconomic background, functional work experience, and financial position as a proxy for the psychological drivers of decision-making (Short & Hubbard, 2023).

Upper Echelons theory focuses on top decision-makers in the organisation and leads to the scope of strategic leadership research. The original Upper Echelons theory's main attributes of top managers' behaviour focus on age, functional track, and top management team (TMT) heterogeneity (Short & Hubbard, 2023). Age is the first TMT characteristic presented in the Upper Echelons theory, and this demographic is associated with rigour, appetite for risk, careless decisions, and learning. The age demographics proposed that organisations managed by younger managers are prone to embark on high-risk strategies, taking more leverage, obtaining high returns and more significant performance variability (Short & Hubbard, 2023).

Hambrick and Mason (1984) present that the functional track or previous work experience of TMT members or board members is another important demographic. According to the Upper Echelons theory, a manager's experience predicts on which strategy the manager will likely focus. For example, a manager with experience in sales will focus much more on output strategies, such as entering new markets and selling innovative products. A manager who is more experienced in the manufacturing process will tend to focus on the internal performance of an organisation, honing in on the processes and efficiency of the existing procedures (Saiyed et al;2023). Hambrick and Mason (1984) classified these two approaches as the functional track of managers. The functional track demographic holds that managers prefer to deal with situations they are used to and present strategies based on their earlier experiences.

The third demographic of the Upper Echelons theory (Mason, 1984) is the TMT heterogeneity, i.e. the demographic and background diversity inside the TMT is expected to impact organisation performance, such as greater diversity increases performance with one set of studies advocating greater diversity performance (Saiyed et al;2023)

Later studies found that the discretion powers of managers can be constrained by the institutional logic of the firm, as advocated by Clark et al. (2014) and by the management structure at times, which includes supervisory boards, as defended by Nelson and McCann (2010). Based on all the knowledge gathered on the impact of top managers on firms' decisions and performance, a broad spectrum of authors from different fields use the Upper Echelons theory or its modification as a base for their research. Nahavandi (2008) presented the six forces affecting strategic leadership: structure, strategy, technology, environment, culture, and leadership.

Hambrick (1989) argues that in strategic leadership, both internal and external environmental factors affect corporate decisions. In the 1970s and 1980s, there were considerable differences in the impact of leadership on organisational performance, with scholars advocating that leadership behaviours influence organisational performance less than environmental and organisational factors (Hannan & Freeman, 1997), while

proponents argued that leaders' attitudes had a significant impact on the performance of organisations (Thomas, 1998). A shift from the study of "supervisory" leadership towards strategic leadership appeared in the mid-1980s. The change in basic assumptions was moving away from managerial leadership, usually dominated by lower-level managers, towards those leaders in the organisation's upper echelons, hence the study of strategic leadership. The Upper Echelons theory studied what leaders at the top level of the organisation do, why they do it and how they do it. Strategic leadership concerns top executives' symbolic role and relational and social construction (Hambrick & Mason 1984: 193–195).

Strategic leadership is the ability to influence others in the organisation to voluntarily make day-to-day decisions that lead to long-term growth and survival and keep short-term financial health (Rowe & Nejad, 2009). Visionary leadership is future-orientated and involves risk-taking, and visionary leaders are not dependent on their organisations for their sense of who they are. Under visionary leaders, control is kept thorough socialisation and the sharing of compliance with a commonly held set of norms, values, and beliefs. Managerial leadership involves stability and order and the preservation of existing order, with managerial leaders being more comfortable handling day-to-day and short-term oriented activities.

3.2.1 Upper Echelons theory revisited: The need for a change

Hambrick and Mason's (1984) Upper Echelon theory has been established as one of the most influential theories on the study of top management teams (TMT) and organisation performance; the theory has evolved to address contemporary issues facing leadership and organisational performance. The theory catalysed how executive characteristics and experiences shape perceptions, thinking, choices and organisational outcomes (Bromliey & Rau, 2016; Sparrow, 2002).

From 2000 to 2020, a few reviews focused on how Upper Echelons theory research progressed over its two decades (Carpenter, Geletkanyca, & Sanders, 2004; Abetecola & Cristofaro, 2020). While these reviews summarised, the growing evidence supporting the Upper Echelons theory's core premise, they also set forth several broad critiques

about conceptual and methodological limitations of the existing literature. They charted new directions for the existing literature and research going forward.

The premise of the original seminal work in Upper Echelons theory is that the firm's strategy implementation and effectiveness performance reflect TMT values and learning abilities (Carpenter et al., 2004; Hambrick & Mason, 1984; Oppang et al; 2019). The theory further states that TMT's view of the business environment shapes the strategic choice. The chosen strategies by the TMT are likely to affect organisational performance. However, regarding leadership theories, like Agency theory and stewardship theory, TMTs are regarded as agents who are steered towards implementing the strategy through guidance and stewardship by the board. The TMT strategy development is overstated because strategic leaders (i.e., the board and CEO) develop and implement strategy, with TMTs implementing the strategy.

The Upper Echelons theory in its original form is no longer suited for the current business landscape, including state-owned enterprises, because strategy development also involves the awareness of the external environment, such as market developments, legislation and regulation. The board of directors provides knowledge of the external environment, whilst the TMT, through their leader, the chief executive officer, knows better about the internal environment. The Upper Echelons theory surrenders the development and implementation of the strategy to the TMT. During strategy implementation, the personal characteristics of TMT members and their predisposition to a particular environment (functional experience) play a pivotal role in informing their decision-making. Carpenter et al. (2004) incorporated variables, such as mediators and moderators, to further define the TMT. Additional variables Carpenter (2014) added were power dynamics and cohesion, team processes, integration and incentives.

The point of departure in the evolution of the Upper Echelons theory was to investigate the mechanism of how the TMT influenced their organisation's fortunes. The test protocol included the impact of TMT demographics on firm performance and psychological traits. However, Oppang et al; (2019) stated that most researchers chose to investigate the demographic variables over psychographics and a few investigated both. The investigation on demographics included age, functional background, tenure, environment,

and similar variables related to the organisational outcomes. Although the demographics are important today, contemporary challenges related to transformation and diversity in South African organisations suggest they are inadequate to address full organisational performance.

The interest in top management's influence is still as important today as it was four decades ago. Recent reviews focus on topics such as executive cognition and personality (Harrison, Thurgood, Boivie & Pfarrer, 2019; Lovelace, Hambrick & Pollock, 2018), alternative strategic actions (Gupta, Briscoe & Hambrick, 2017) and the influence of human capital (Benischke, Martin & Glaser, 2019). The evolution of the Upper Echelons theory has narrowed down and assisted in the advancement of the research of strategic leadership, which is more suited for today's business landscape and state-owned enterprises.

3.2.2 Criticisms of the Upper Echelons theory

Although the Upper Echelons theory contributed to the study of TMT, it also attracted some criticism. The criticism of the Upper Echelons theory is directed mainly towards its conceptual and methodological approaches. Neely et al. (2020) listed three conceptual and two methodological criticisms. The criticism can be summed up under the following themes: an inadequate exploration of the cognitive black box, an inadequate exploration of the relational black box, a systematic evaluation of contingencies, a congruence of constructs and measures, and the need for increased attention to endogeneity.

3.2.2.1 Inadequate exploration of the cognitive black box

The influence of the Upper Echelons theory perspective has, in part, stems from its ability to connect executives' characteristics to outcomes such as firm actions and performance; however, there has been a lack of attention to the process mechanism that mediates relationships between executive orientation (Robins-Wright & Menz, 2012). Neely et al. (2020) cited the lack of explicit exploration of the executive's cognition and relational processes. Although there has been significant activity in executive cognition (Bilgili et al., 2017; Gamache & Johnson, 2019), examining steps of the information filtering process, a gap remains in understanding leaders' learning behaviour.

3.2.2.2 Inadequate exploration of the relational black box

The Upper Echelons theory has been criticised for paying limited attention to the leaders, TMT, and stakeholder interactions (Neely et al;2020). The critique of the Upper Echelons theory calls for research that examines how executive behaviour influences the relationships, motivations and actions of various stakeholders that shape firm outcomes (Chen & Miller, 2012; Felin et al., 2015; Klotz et al., 2014; Wowack et al; 2017), stakeholder relations are even important in organisations like SOEs because all decisions must be taken democratically to satisfy all stakeholders. Critics call for greater focus on how executive characteristics influence the dynamics between executives, managers, and the board. The focus should extend even to stakeholders such as employees, media, and investors to gain a richer appreciation of the best behaviour models for leaders in their organisations to produce successful outcomes (Helfat & Martin, 2015).

3.2.2.3 More systematic evaluation of contingencies

There is a concern over the inconsistency of empirical findings across Upper Echelons theory studies. The early review (Hodgkinson & Sparrow, 2002) attributed mixed findings to proxy variables (demographics). Critics, including Busenbark et al;(2016) and Wang et al. (2016), have proposed the adoption of contextual factors to moderate the influence of executive characteristics on firm outcomes. In addition, critics have argued for greater attention to theoretically and empirically specifying conditions for supporting key predictions. Specifying the conditions will address the inconsistent findings and reconcile boundary conditions of the Upper Echelons theory for the future progress of the Upper Echelons theory research and its ability to assist practising managers.

3.2.2.4 Congruence of constructs and measures

There is a debate regarding the appropriateness of the measures used in the Upper Echelons theory studies (Bromiley & Rau, 2016; Finkelstein et al., 2009). Critics of the methodological approach (Wang et al; 2016; Wowak et al; 2017) are advocating for the use of more deliberate approaches to measurement that inspire confidence in study findings to enable systematic evaluation of overall Upper Echelons theory research. The measurement challenges in the Upper Echelons theory research originate from employing proxy variables to estimate underlying characteristics. The key concern for

critique is that demographic proxies (age, experience, or tenure) are unreliable for underlying psychological characteristics (Priem, Lyon & Dess, 1999). Sparrow (2002) argues that using unvalidated proxies has contributed to inconsistent findings.

3.2.2.5 Need for increased attention to endogeneity

The state of endogeneity exists when the independent variables in a study are correlated with the error term (also known as disturbance or residual) in an ordinary least squares regression (Semadini, Withers & Cetro, 2014). Endogeneity creates a bias in the findings and interpretations of non-experimental investigations if left unchecked, resulting in researchers attributing causality to relationships that do not exist. The critics are concerned about the ability of the existing Upper Echelons theory research to delineate causality (Carpenter et al; 2004; Hoskisson et al; 2017).

This section has discussed Upper Echelons theory fundamentals and Upper Echelons theory studies focusing on demographics and in comparison, to psychological characteristics. Despite the critique of the Upper Echelons theory, it is noteworthy that it takes cognisance of the role and significance of the TMT and board members in shaping the strategic direction of an organisation. The Upper Echelon theory is relevant in this study as TMT and the board are key in shaping the strategic direction of state-owned enterprises in South Africa.

3.3 PRINCIPAL-AGENCY THEORY

The purpose of any business is to maximise wealth for its owners/shareholders. The early seminal work by Jensen and Meckling (1976) and Ross (1973) introduced Agency theory, which focuses on the relationship between the owners and management of the firm. An agency relationship is defined as one in which one or more persons (principal) engage another person (agent) to perform services on their behalf, and this relationship must include the delegation of authority from the principal to the agent for decision-making (Jansen & Meckling, 1976; Ross, 1973). The premise of the Principal-Agency theory is that the managers (agents) cannot be trusted to manage the firm properly and must be policed because they are always acting in their own interests instead of serving the interests of the owners (shareholders). Agency theory assumes that the interests of the

principal and agent differ, and the principal can introduce specific incentives for the agent to align this interest. Performance incentives and shareholding are also used to align the interests of the principal and the agent. The incentives reward managers financially for maximising shareholder returns and possibly deferring executive compensation to the future to reward long-term value maximisation instead of short-term value maximisation, which may potentially harm the firm (Jensen & Meckling 1976). Another mechanism of aligning principal and agent interests is monitoring the agent through the governance structure on behalf of the shareholders. This governance structure, commonly known as the board of directors, provides oversight of the agent's actions through the chairperson of the independent board of directors.

3.3.1 Evolution of Agency theory

The work by Adam Smith (1776) on the *Wealth of Nations* planted the seeds of the Agency theory, where he raised the possibility that in organisations not managed by owners (principal), there is a chance they might not be working for the principal's benefit. A study by Berle and Mena (1932) on ownership structures of big corporations in the USA concluded that business operations were undertaken by agents and argued that agents of the firm might misuse the firm's property, although no evidence of such was brought forward.

The financial literature introduced another interpretation in the 1960s and 1970s describing agency arrangement in firms as owners who take risks by investing in firms to make wealth and agents who manage the firms and are risk averse and concerned about maximising their earnings by taking huge risks, and the risk appetite of owners and managers being at opposite extremes thus creating the agency conflict.

Ross (1973) and Mitnick (1975) constructed the Agency theory using two approaches. Ross's (1973) view was that the agency problem was the problem of incentives and rewards, whilst Mitnick (1975) described the agency problem as a challenge of the institution and the theory was extended to understand the agency problem in real-world settings beyond the business corridors.

Alchian (1975), Demsetz (1972), and Jensen and Meckling (1976) propagated that the business is a legal creation consisting of a set of contracts. The contractual relationship

amongst parties in the business is likened to the agency relationship, which is a contract between a principal and an agent, and all parties must benefit contractually in the relationship; however, the agency problem leads to parties working for their own interests, giving rise to agency conflict. In this arrangement, to limit the agent's harmful activities, the principal exercises the monitoring mechanism to control the agency's costs.

Jensen and Meckling (1976) presented the firm as an entity that operates to maximise the wealth and profitability of its owners. The objective of wealth maximisation can only be realised when there is teamwork amongst parties; however, if there is a divergence of interests, a conflict of interest will arise and can only be managed through structural ownership and control governance set-up. Subsequent developments in the Agency theory by Fama and Jensen (1983) and Eisenhardt (1989) suggest principals are risk-neutral and profit seekers and agents are risk-averse and rent-seekers. The above scholars proposed that agents must be controlled through incentives to align their interests with the principal.

3.3.2 Criticism of the Agency theory

The most significant criticism of the Agency theory is the super concentration on the agent side of the principal-agent conflict (Chen et al;2023). (Chen et al;2023) considered if the problem is not on the principal's side and further stated that principals and agents are both human and can find a noble work partnership for the firm's benefit. Unlike Agency theory, which argues that agents cannot be trusted, (Yu, 2023) held that agents can be trusted and advocated for good teamwork between the principal and agents. Yu (2023) took this view further, and later, it became known as stewardship theory.

(Ceyhan & Barca ,2023) argues that the most significant limitation of the Agency theory is that it assumes that the contract between the principal and an agent is flawless, whereas the future is uncertain; further, the theory assumes that a contractual agreement between the principal and an agent will eliminate the agency problem, but in reality, contractual agreements face many obstacles like fraud, deception and transaction costs. Shareholder interest is to maximise wealth; however, their role in the firm is limited and relies on the board of directors to monitor the managers. The theory considers agents

opportunists who cannot be trusted and ignores their skills and competencies (Ceyhan & Barca ,2023)

3.4 STEWARDSHIP THEORY

The Stewardship theory marks a departure from the Agency theory because it supports the idea that shareholder interest can be protected by a mutually shared working relationship between the principal and the agent (Steinfeld, 2023). While the traditional Agency theory views the board of directors as an institutional mechanism, especially the chairperson, to provide independent oversight to monitor and control the chief executive officer to safeguard shareholder interests, a good working relationship between the two is critical to align the interest of the principal and the agent (Steinfeld, 2023). The point of departure is that the interest of the principal and agent cannot be aligned only through incentives and policing as per the agency theory, but the two actors can collaborate with mutual trust as per advocates of stewardship theory (Steinfeld, 2023).

3.4.1 Evolution of stewardship theory

The stewardship theory introduced a different relationship paradigm between the management (agents) and the shareholders (principal). Whilst the premise of the Agency theory is that management cannot be trusted to implement strategy on their own, they need to be policed to ensure that management does not implements its own priorities rather implement the board priorities (Gwala & Mashau, 2023). Stewardship theory on the other hand promotes the co-sharing of management duties between the board and management (Kaapanda, 2023). In stewardship theory, the board and management are equally responsible for strategy development, alignment, execution, monitoring and evaluation. It regards the board and management or the principal and the agent as equal partners regarding the company strategy (Gwala & Mashau, 2023).

3.4.2 Criticism of stewardship theory

According to (Hlobo et al; 2023), there are constant changes and increasing evolution in the board of directors' roles, with the board exercising oversight and expected to collaborate with executives on strategy. Langal et al;(2023), in a study on executive board chairpersons, discuss the emergence of hybrid organisations where board chairpersons

are guardians and support the structure of chief executives instead of policing. Previous studies by Yu et al; (2023) reported on firms using chief executive duality, where the chief executive is also a board chairperson to manage agency problems. Recent evidence, as reported by Salim (2023), Rahman & Chen (2023) and Alves (2023) show that most firms have evolved to separate the roles of chief executives to improve governance.

The literature is full of evidence that shows how board chairs are impacting their firms, their increased roles with duties such as an intellectual resource (Alves ,2023), driving strategic change (Samimi et al; 2022), leading director engagement (Alves ,2023), and ultimately having to unpack firm performance across stakeholders and investors (Langal et al; 2023). Recently, changes in corporate governance introduced innovations of what is termed the executive board chairperson. The responsibility of this individual remains the same as the independent board chair; however, unlike the non-executive chair, this individual leads the firm's strategic decision-making and, at times, is involved in implementation. The concept of an executive chairperson is still raising doubts about the success of oversight monitoring, as this may require an in-depth knowledge of the organisation's activities (Sun et al; 2023); however, proponents of this model (Arora, 2024) argue that firms will benefit from the dual oversight and strategic decision-making of the executive board chairperson. Notably, the board chairpersons of some state-owned enterprises in South Africa are increasingly using the title of executive chairperson.

3.5 CONCEPTUAL FRAMEWORK GUIDING THE STUDY ON STRATEGY ALIGNMENT IN STATE-OWNED ENTERPRISES

In a study, it is very important for a researcher to have a guiding foundation which provides a clear and overall structure that shapes and visualises the relationship between the key concepts. In this regard, qualitative researchers are required to develop a conceptual framework which provides the detailed components or concepts that identify the interrelationships in and across the research components. A conceptual framework constitutes a series of interrelated concepts (Zimmerman, 2023).

In a nutshell, concept is an idea that has been formally developed and organised (Zimmerman, 2023). Conceptual frameworks are usually associated with qualitative studies to clarify concepts, organize ideas, and identify relationships with which to frame

a study (Zimmerman, 2023). Concepts are logically developed and organized to support an overall framework. They can be displayed graphically in a research and arrows in qualitative research serve not to depict cause-effect relationship like in quantitative studies but rather serve to guide the researcher's thinking or properties of the problem being researched this way, conceptual framework provides an illustration of the interrelated ideas presented in the research (Creswell, 2018). In short, a conceptual framework is like a roadmap for the study, helping the researcher visualise the interrelationships between concepts of interest and put the study into action (Creswell, 2018).

It is important to develop these frameworks in the early stages of the study to guide the researcher's thinking and enable the researcher to visualise linkages between various concepts and theories (Prem, 2023). A researcher constructs a conceptual framework before he or she starts data collection. This is because a researcher needs to visualize the relationship that will be examined between the relevant concepts or the characteristics or properties that are at the core of a study (Prem, 2023).

This study aims to develop a model for strategy alignment within the state-owned enterprises in KwaZulu-Natal based on the perceptions of board members and chief executives. In the current qualitative study, it is crucial to underscore that strategy alignment is a core concept which refers to integrating the firm resources to deliver the strategy successfully in an organisation including the SOE. There are seven interacting components in the conceptual components of the current study, which include the (1) strategic leaders engaged is strategy, relational and ceremonial work within the SOEs, (2) board directors, (3) corporate governance; (3) performance management; (4) political orientation, (5) political connection and shape of strategy alignment in SOEs. Each of these components guiding this study is briefly discussed below:

For the purpose of this study, strategic leadership refers to the board of directors and top management team (guided by the chief executive) of the state-owned enterprise, which manages the firm's resources and is responsible for strategy development, alignment and execution. It is very important to underscore that strategic leadership uphold that the chief executive officer is the leader of the entire SOEs while the other leaders below him or her

are leaders “within” the organisation. Outside the day-to-day activities, strategic leadership embraces the board in SOE. As such, the CEO-Board interface, the Top Management Team-Board interface and the interface between CEO and Top Managers are all aspects of the upper echelon which reflect strategic leadership. The misalignment between the top management team and the board of directors/shareholders results in agency problems and conflict. To avoid confusion, deliberate distinction is made where strategic leadership refers to CEOs and TMT, which is different from board and board members mindful that all of these are part of the upper echelon.

As the accounting authority in SOEs, the board of directors is part of strategic leadership and is responsible for approving the strategy after successful alignment with top management. The board of directors must exercise oversight, align and guide the state-owned enterprise management on executing the strategy under Stewardship and Resource Capability theories. The board’s composition, qualifications, expertise, experience, and size are critical factors in aligning the strategy.

For the purpose of this study, corporate *governance* is the integration of legal, risk management and ethical and financial duties that the board performs to balance the interests of all the stakeholders in a SOE in securing the strategy alignment in line with the stakeholder theory. The role of various internal and external stakeholders in shaping the nature of strategy alignment and misalignment is critical for the relational and strategic work of Board and top management team.

The pursuit and success of strategy alignment and its outcomes hinge on people management including the management of financial and non-financial performance, balancing current and future performance, and focus on leading and lagging indicator to drive performance at various levels of an organisation. *Performance management* allows the top management team and the board to practice oversight by monitoring and evaluating the progress made by the top management team in implementing approved and aligned strategies and the whole firm. Performance management quantifies the progress and quality of performance towards strategy implementation transparently, making it easier to intervene when deviations are known early enough.

Political orientation

State-owned enterprises are hybrid organizations in many ways. For example, they are market-oriented and independently-run organisation, but the state has significant control through full or majority ownership. The governments in power are tempted to use these companies for political purposes to favour party members or to influence electoral results, especially when the company size may have a significant impact on public policy. Furthermore, these organisations face a challenging fusion of economic and political rationalities. In short, state ownership” is understood to imply control or at times political intervention which destabilize the corporate governance system, creates compromised agency relationships and culture which may nurture flawed relationships between the CEO, the Board of Directors, and the line ministry. Morales (2022) assert that political goals have an effect on the efficiency of a state-owned enterprise when ownership and management tend to be concentrated in the same actor.

For the purpose of this qualitative study, political orientation and connections may have value enhancing or value-reducing impact on the SOE and strategy alignment. As SOEs are owned by the government, there is state involvement in various facets of these organisations. Political orientation summarises the expression of an individual’s system and political beliefs about proper functioning and organization or society. At the individual level, political orientation refers to the individual-level ideological beliefs, expression of values, and overt behaviours. At a group level, the key characteristics of beliefs and values are the reference to desirable goals, their ability to motivate people, and the transcendence of specific actions and situations. In terms of strategy alignment, political orientation serves as standards for selection and evaluation of actions, people, and policies, and guide one’s actions in a SOE as part of strategic leadership. Political orientation is very critical for strategy alignment as it has the capacity to shape people’s thinking and decision-making in the political and organisational spheres.

Political orientations of actors are used to fulfil a role expected of the activated political orientation and constitutes a political act. The enactment of a political act or role is accompanied by all three components of values, beliefs, and overt behaviour and consequences. When orientations are viewed as contributing toward the sense of

common membership or the cohesiveness of a political-organisation sphere, they serve not only a mobilization function, but also perform an identification, and attachment function which may enable or impede strategy alignment.

Thus, orientations serve as a conscious tool and criteria in the selection of measures, and "beliefs about the outputs of the dynamic political and organisational system which form part of SOEs.

Political connections

Political ties or associations with influential figures can boost the perception of an organisation's stability, dependability, and legitimacy. The effect of political connections at the firm level are a result of politicians' involvement in firms' activities. The involvement of politically connected individuals in a firm could double the agency's problems, i.e., it could lead to opportunistic behaviour by politicians and managers. Politically connected individuals may aim to maximise their private interests, which can harm the interests of other stakeholders and impede strategy alignment. In support of the value-destructive nature of political connections, it is positing that politically linked organisations face a variety of problem, such as poor performance, low earnings quality, high corruption and operational incompetence.

Alternatively, political affiliations can grant entry to valuable resources such as capital, market power, financing, and government support for financially weak firms, protection from regulatory intervention and access to finance with higher priority. Political connections strengthen an organisation's external linkages, providing a competitive edge over non-connected strategic leaders. Political connection creates a firm's value if driven by the connected CEO or chairman since they are the key decision-makers. CEOs with political connections tend to appoint bureaucrats, rather than directors with appropriate professional expertise, to their company's board of directors. This practice weakens the overall value of the SOE.

Politically connected CEO may have value-destroying effects on firm performance. For example, it is important to be aware of how political connections are more likely to engage

in nepotism by appointing bureaucrats rather than directors with relevant professional backgrounds to their boards, experience poor management and inefficiency.

Corporate political connections (CPCs)—ties that strategic leaders of SOEs forge with political actors—directly affect organisation, political actors, and various stakeholders of a See the proposed conceptual framework guiding this qualitative study is depicted in Fig 3.3.

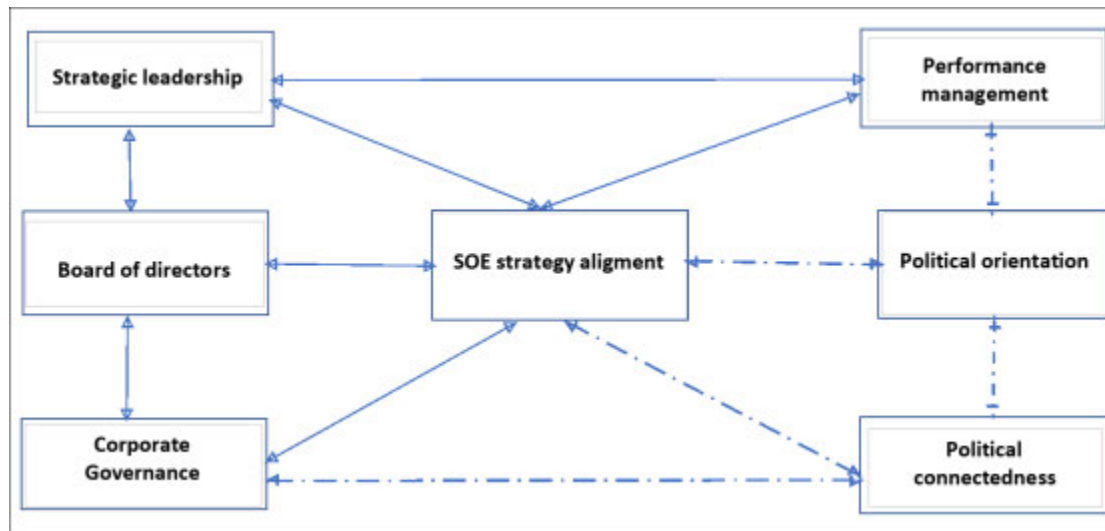


Figure 3.1: Framework for Strategy Alignment in the State-Owned Enterprises

Based on Fig 3.3, the strategy alignment of the state-owned enterprise is strongly linked to the concepts connected to the strategy alignment box by solid lines. The solid lines promote and safeguard alignment, whilst the dotted lines may become enablers or barriers of strategy alignment in a state-owned enterprise.

3.6 CHAPTER SUMMARY

The chapter covered strategic leadership and Upper Echelons theory to understand the frames of strategic leadership and the competencies and activities of chief executives and board members. Furthermore, the chapter discussed the importance of corporate governance and performance management. Previous research on strategic leadership and performance management in state-owned enterprises was covered extensively. Finally, a conceptual research framework for the study was presented. The next chapter

introduces the research methodology followed to pursue answering the research question.

CHAPTER 4:

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter aims to discuss the research methodology adopted for the study. Given this aim, the chapter begins by explaining different philosophical research paradigms and their location in research. Furthermore, the chapter discusses research approaches and research design. Finally, the chapter describes the different types of qualitative research approaches, sampling, data collection methods, reliability, validity and ethical considerations adopted in the study.

4.2 RESEARCH PARADIGM

The advancement in human thinking and different ways of perceiving the phenomena of the existing world has given birth to many philosophical paradigms (Adom, Yeboah & Ankrah, 2016). There is a need for research to follow a specified pattern to acquire specific results that will both provide insight and give answers to the research questions. Creswell (2014) considers a research paradigm a global theoretical inclination about the world and the origin of the study that a researcher pursues, and Kamal (2019) defined research as a lens through which a researcher sees the world. Sekaran and Bougie (2014) and Creswell (2014) define a philosophical paradigm as a worldview and assumptions that researchers bring to the study, a research design related to this worldview and specific methods of research that translate the approach into practice.

Early scholars define the concept *paradigm* as an interconnected set of ideas, variables and challenges attached to the matching research methodology (Kuhn cited in Flick, 2009). Other early authors, notably Guba and Lincoln (1994), define a paradigm as a fundamental system that guides a researcher in selecting a methodology and tools when conducting research.

According to Baran (2016), positivism, constructivism, transformativism and pragmatism are the most famous research paradigms. The framework for the philosophical paradigm for the study is shown in Figure 4.1.

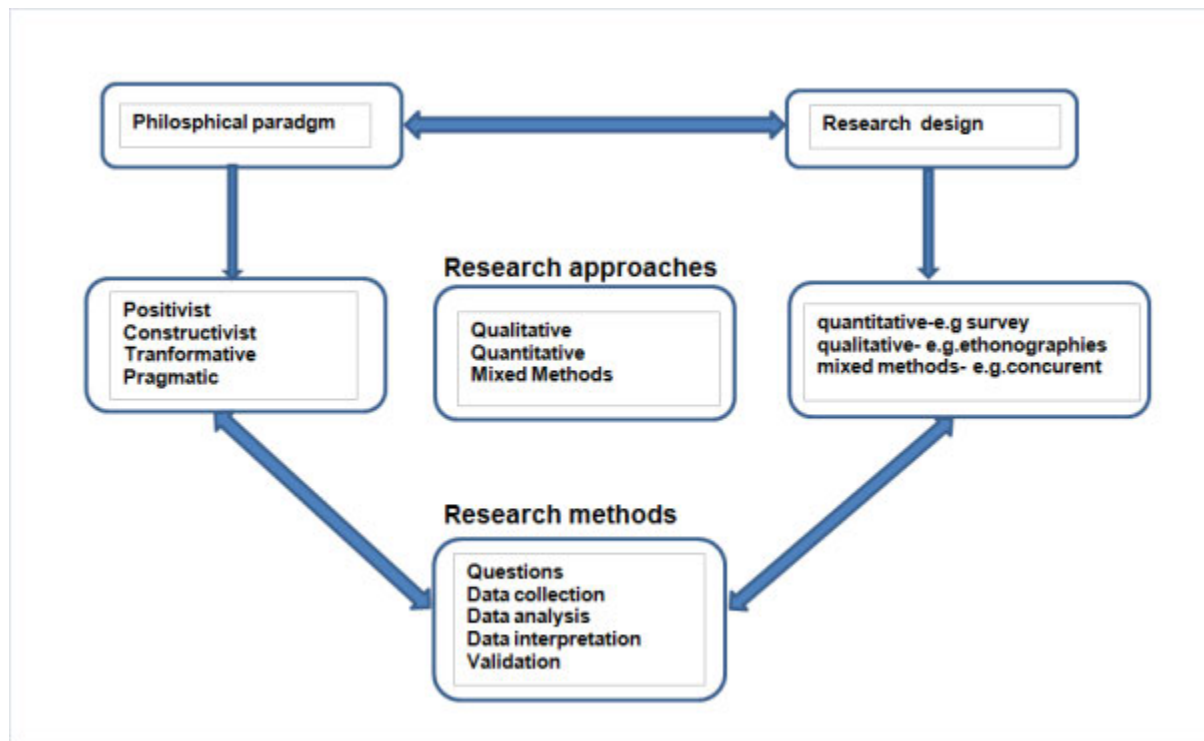


Figure 4.1: A Framework for a Philosophical Paradigm

Source: Adapted from Creswell (2014: 32)

The paradigm is made up of five components (Chalmers, 1982), which are the following:

1. Clearly stated laws and theoretical assumptions.
2. Standard ways of applying the fundamental laws to a variety of circumstances.
3. Instruments and techniques that reconcile the paradigm and the real world.
4. General metaphysical laws to guide research work within the paradigm.
5. General methodological prescripts on how to conduct research within the paradigm.

Hussain et al. (2013) and Masrin and Mokhtar (2022) advance three crucial benefits of paradigm in social sciences. The benefits of paradigms are the following:

- The institutionalisation of intellectual activity.
- Description of broad approaches to research such as positivist and interpretive paradigms.

- Broad groupings of specific approaches and perspectives to the study of any subject.

Researchers often choose and apply one of the approaches when conducting research. The chosen paradigm translates to research methodology, data collection and analysis techniques and ultimately, the final interpretation of the research.

The following section discusses different paradigms and their implications. The different paradigms are positivism, constructivism, transformativism and pragmatism.

4.2.1 Positivism

According to Thapaliya and Pathak (2022), the positivist paradigm was promoted by August Comte (1798–1857) and is a scientifically based methodology designed to generate pure data and facts (Saunders et al., 2019). Positivism is grounded in factual objectivity and singular reality and is premised on the notion that truth is observable, can be measured and forecast and is consistent with causal relationships (Park et al., 2020).

According to Ikram and Kenayathulla (2022), the positivist paradigm is a scientific research philosophy. Positivism is sometimes called the ‘scientific method’ or ‘science’ research. Saunders et al. (2016) assert that positivism is a philosophical stance of natural science and is an observable social reality to produce generalisations. According to Konge and Artino (2020) and Mertens (2004), positivism originated in the 17th century and was inspired by a move away from social elites (i.e. royals) and defined by scholars as discovering evidence-based truth through well-articulated experimentation.

The primary purpose of this paradigm is for use in studies that want to test the hypothesis. Ikram and Kenayathulla (2022) further state that this paradigm emphasises quantitative techniques through statistical analysis to test hypotheses, and the outcome is generalisable. Positivist scholars like Tomb and Pugsley (2020) maintain that actual knowledge is based on sensory experience, and only observation or experiments can accomplish it. Positivism argues that the social world can be studied in the same way as the natural world; that is, there is a method for studying the social world that is value-free, and explanations of a causal nature can be provided (Ryan, 2018). Positivists aim to test a theory or describe an experience through observation and measurement to predict and

control forces that surround the world (Tombs & Pugsley, 2020). Studies aligned with positivism tend to focus on discovering explanatory associations or causal relationships through quantitative approaches, where empirically based findings from huge sample sizes are preferred, resulting in generalised inferences; replication of findings and controlled experimentation are the guiding principles of positivist science (Konge & Artino, 2020; Creswell, 2018).

The positivist paradigm is used widely in quantitative research where numeracy from natural sciences has been adopted to social sciences to test models, concepts and theories to prove or disprove the hypothesis, especially with larger sample sizes. Using software to process numerical input data can produce multiple tests. Taylor and Medina (2011, cited in Ikram & Kenayathulla, 2022) describe the positivist paradigm as the scientific inquiry to test, prove and forecast behaviour patterns and test hypotheses.

4.2.2 Constructivism/Interpretism

The interpretivist/constructivist paradigm grew from Edmund Husserl's phenomenological philosophy and Wilhelm Dilthey's and other German and French philosophers' studies of interpretive understanding called hermeneutics (Mertens, 2004; Crotty 1998). Interpretivist/constructivist approaches to research intend to understand the world of human experience (Cohen & Manion, 1994), suggesting that reality is socially constructed (Mertens, 2004). According to Saunders et al. (2016), the premise of interpretivism is that human beings and the social world cannot be studied like natural science, emphasising the need for social science research to be different from natural science research rather than emulating it. Creswell (2014) and Saunders et al. (2016) assert that human beings are from different cultural backgrounds and exist under different circumstances and times, resulting in their social realities; thus, critiquing approaches reduce such complexity to scientific laws.

The interpretive research paradigm holds that reality is influenced by our experiences and surroundings, which makes it a well-crafted approach to researching human interactions and behaviours (Rehman & Alaharti, 2016). The interpretivism approach is firm that the reality of the social construct is through the experiences and feelings of the narrator

(Whitley, 1984). The interpretive approach does not use numbers; it uses different methodologies such as interviews, case studies, and ethnography to access the in-depth life experiences of the narrators who are actors within their sub-culture (Tuli, 2010). Interpretative research allows researchers to interrogate a small sample size and probe thoughts, values, prejudices, biases, perceptions, perspectives, and emotions to provide deep insight into the social context (Pervin & Mokhtar, 2022). It must be emphasised that interpretivism is more concerned with deep understanding and knowledge of the phenomena than generalising the findings, marking the big difference from positivism.

According to Saunders et al; (2018), interpretive research primarily aims to create new, in-depth understandings and interpretations of social worlds. For business and management researchers, this implies studying organisations from the perspectives of different groups of people, such as the experience of a board member, chief executive, top management teams, middle managers and shop floor workers who are experiencing different realities in the same organisation. This definition is important because if researchers can focus on experiences common to all during all times, the richness of different experiences and individual circumstances will be lost.

According to Ryan et al; (2018), the interpretivists believe that the individual shapes society, not vice versa. It is worth noting that these individuals are not controlled or influenced by any external social forces. Individuals are recognised as unique. Thus, scientific methods are seen as inappropriate. Constructivism focuses on assessing the differences between humans as social actors. The emphasis is placed on humans and not objects in interpretivism. Bogna, Raineri and Dell (2020) further note that social roles are defined by one set of meanings and the world's social life. Finally, interpretivism usually engages in in-depth investigations and is a qualitative study.

4.2.3 Transformativism

According to Mertens (2017), the transformative paradigm arose during the 1980s and 1990s partially due to dissatisfaction with the existing and dominant research paradigms and practices. There was also the realisation that much of the sociological and psychological theory behind the dominant paradigms had been developed from the white,

able-bodied male perspective and was based on studying male subjects (Hesse-Biber & Johnson, 2015). Transformative researchers felt that the interpretivist/constructivist approach did not give significance to issues of social justice and marginalised people (Creswell, 2016). The origins of the transformative paradigm arose from the need to decolonise research paradigms created mainly by Eurocentric Western scholars, with Chalmers (2017) and Held (2019) asserting that academia has almost exclusively been focusing on Western paradigms as well as approaches to research. The manifestation of ontological oppression is a result of Western science being exported around the globe from Europe alongside imperialistic and colonial attitudes.

Around the world, with emerging scholars, there have been growing calls to decolonise knowledge dominance and recognise new research paradigms that advocate for historically and marginalised voices, giving rise to indigenous scholarship (Held, 2019). Transformative researchers hold that research inquiry needs to be integrated with politics and change agendas to confront social oppression at whatever levels it occurs (Creswell, 2018). Mertens (2014) further notes that this paradigm concentrates on the oppressed groups' needs and opinions to stimulate some social change in communities. Thus, this paradigm rests on social and political transformation ideals.

Although there is no ideal model or practice for decolonising research, a great emphasis is put on further extension of qualitative research to include critical reflexivity (Thambinathan & Kinsella, 2022). Power dynamics not evident in traditional paradigms are challenged in a transformative paradigm to ensure that research enquiry does not alienate historically oppressed populations and that no hierarchical barriers exist between researchers and participants (Datta, 2018; Thambinathan & Kinsella, 2022). Critical reflexivity challenges researchers to interrogate their own worldviews when making epistemological assumptions to remove the bias of researchers' privileged positions, making the interpretation of findings more meaningful.

Another critical part of the transformative paradigm is unlearning and re-imagining how human beings construct, generate and interpret knowledge to create an integrated paradigm (Abdi, 2019). The transformative paradigm greatly emphasises respecting cultural protocols by researchers, meaning expanding Western-developed ethical

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protocols. To conclude, transformative paradigm research is ongoing to support social/judicial and environmental justice in collaboration with community stakeholders as equal partners to build capacity across ages, genders and social classes (Mills et al., 2019).

4.2.4 Pragmatism

Pragmatism originated in the United States in the late 19th century in the work of philosophers Charles Pierce, William James and John Dewey. According to Kaushik and Walsh (2019), the naming of this paradigm originates from the Greek word “pragma” for action, and action is a key characteristic of pragmatism (Pansiri, 2005, cited in Kaushik & Walsh, 2019). Pragmatists like Morgan (2014) argue that it is unlikely that two persons have identical experiences because shared experiences among them may vary.

Pragmatism is at the centre of the paradigm continuum, integrating positivist and interpretivist paradigms. Kelly and Codirero (2020) described pragmatism as a philosophical underpinning premised on social reality’s practical outcomes and consequences and promotes plurality in methodology.

This paradigm asserts that concepts are relevant only if they support action (Kelemen & Rumes, 2008). Pragmatism strives to reconcile both objectivism and subjectivism, and reality matters to pragmatist researchers because they focus on the practical aspects of the research (Schrauf, 2016). Creswell (2021) defines a pragmatic paradigm as a system that relies on reality and philosophy and applies qualitative and quantitative assumptions when conducting research.

Ivankova (2014) notes that pragmatists reject the dogmatic either/or choice between quantitative and qualitative approaches and believe that the truth is ‘what works’ best for understanding a particular research problem. Cause and effect are overridden by action and consequences in pragmatism, making it a practical approach to problems to get solutions. Early pragmatists rejected the scientific notion that social inquiry could access the ‘truth’ about the real world with a single scientific method. Thus, pragmatists focus on solving practical problems and addressing the needs of the research questions rather

than on selecting methods that meet the requirements linked to qualitative or quantitative research.

Serth (2019) outlines that the preferred research approaches for different paradigms are quantitative for positivism, qualitative for interpretive/constructivists, and mixed methods for pragmatism. This study adopted a constructivist paradigm. The reason for the choice of paradigm is discussed below.

The following section discusses the rationale and motivation for choosing an interpretive paradigm for the study.

4.2.5 Why interpretivism

The study was conducted using a qualitative approach and adopted an interpretive paradigm. Interpretivism allows a researcher to understand phenomena through the lens of study participants, who have developed subjective meanings through lived experience. The knowledge is developed and shaped by social factors (political, social, cultural, and economic). The knowledge is contextualised by political, historical, social, cultural, and economic factors that influence the reality of the study participants or actors (Began et al., 2020). This enables a researcher to interpret study participants' meanings through interactive discussions rather than starting with a theory. Interpretive research is concerned with subjective meanings as it seeks to recognise the individual's interpretation and understanding of the social phenomenon. Since social research is guided by a researcher's desire to understand social reality, all is interpretive. Hussain et al. (2013) and Nickerson (2022) argue that researchers cannot distance themselves from the observed object, the subject matter and the study methods.

This study is aimed at a subjective understanding of strategy alignment's implications in state-owned enterprises' performance in the province of KwaZulu-Natal. Interpretivism allowed the use of interviews for an in-depth understanding of the subject matter. The researcher was privileged to glean information unique to every participant's first-hand experiences.

The interpretive approach also ensured that information gathered concerning the subject matter was not speculation but a reflection of real-life experiences. The case that interpretivists argue is that the external environment does not shape individuals (Tombs & Pugsley, 2020), but all perceptions emanate through experiences. Chinyamurindi (2022) argues that interpretivist research philosophy helps comprehend complex matters experienced by study actors.

Rich data on the subject matter was gathered, facilitating learning, considering that any other organisation or entity can adopt this information on strategy alignment and benefit from its impact on the organisation's performance (Adom et al; 2016). The notion that constructivists deny the existence of a single reality or truth but, instead, accept multiple realities leads to wanting to understand and interpret the meaning attached to an action. The interpretive paradigm was more suitable than any other paradigm, as it was more supportive of multiple and subjective understanding of reality on strategy alignment by different CEOs and board members of SOEs.

4.3 RESEARCH PHILOSOPHY

According to Saunders et al. (2016), *research philosophy* is a set of beliefs and assumptions about knowledge development. A research philosophy determines the techniques used to conduct a research study. This section discusses the underpinnings of philosophy, classified as ontology, epistemology, and axiology (Rehman & Khalid, 2016). These philosophical approaches enable the decision about the approach a researcher should adopt and the philosophy behind the choice.

4.3.1 Ontology

Ontology is concerned with the nature of existence (Crotty, 1998), social entities (Bryman, 2012) or reality (Creswell, 2014). Antwi and Hamza (2015) assert that ontology is the way a researcher defines the truth and reality. The constructivist paradigm posits multiple realities (Guba & Lincoln, 1994). The ultimate truth is regarded as not existing, and reality is subjective and dynamic (Kamal, 2019).

Proponents of constructivism believe that entities exist only in the minds of those contemplating them (Lincoln & Guba, 1994). Creswell (2014) reiterates that

constructivism deals with developing subjective meanings and understandings of one personal experience of specific topics. The study participants themselves construct their experience serving on the boards of state-owned enterprises and develop and implement strategy as their reality (Berg, 2007).

Interpretive researchers use qualitative research methodology to investigate, interpret and describe social realities (Morrison, 2005). The qualitative research findings are reported as text or words and are not meant to be generalisable but aim to understand the phenomena in-depth. Qualitative research treats people as participants, not objects, as would the positivist approach. To refer to people as participants is empowering because participants regard themselves as writers of their own stories rather than the objects of research. This process enables participants to make meaning of their realities and come to appreciate their construction of knowledge through practice and culture.

Ontology is the study of claims and assumptions about the nature of social reality regarding what exists, what it looks like, what units make it up and how these units interact. In other words, ontology is a discipline of philosophy concerned with our assumptions about reality. It is the study of the nature of existence, reality, being and basic categories of existing objects and their relationships (Ikram & Kenayathulla, 2022).

Ontology philosophy classification rests on subjectivism and objectivism (Kivunja & Kuyini, 2017). As Ryan et al., (2018) notes, the question that ontology strives to answer is what constitutes reality. It tries to unravel if a single reality exists within research. Objectivism argues that social objects persist external to social actors as an aspect of ontology (Thomas and Hardy, 2011). The concern of subjectivism is on the social phenomena which emerge from the way of thinking and consequences of those social actors concerned with their existence (Ryan et al., 2018). Creswell (2014) asserts that in qualitative research, it is the responsibility of a researcher to report on the realities of the multiple actors in the study.

4.3.2 Epistemology

The study adopted subjective epistemological assumptions because the constructivist paradigm has been adopted (Burrell & Morgan, 2016). The study participant's lived

experience was entered into, and with the knower, knowledge was developed in this particular study area. Ikram and Kenayathulla (2022) defined epistemology as studying human beings and the nature of reality. It focuses on the origins and nature of knowing, the construction of knowledge, and the relationship between the knower and the known.

The study participants' reality and knowledge were gained through years of experience as strategic leaders, board members and chief executives of the state-owned enterprises in KwaZulu-Natal. These realities are not readily accessible to the researcher as board members and chief executive officers rarely share or divulge this knowledge to strangers and outsiders because they occupy positions of trust as strategic leaders. Part of their function is to manage information, and they cannot divulge sensitive information to strangers and non-stakeholders of the public entities they serve. The information and knowledge of the study participants is exclusively for other strategic leaders and government officials, including the Minister/Member of the Executive Council or Premier (collectively referred to as the Executive Authority) responsible for state-owned enterprises in KwaZulu-Natal. The strategic leaders (board members and chief executives) were assured confidentiality and anonymity.

Epistemology is the acceptable knowledge of a particular study area and how it is communicated to others (Burrell & Morgan, 2016). Its focus is on answering the question of how possible it is to know reality (Alase, 2017). Epistemology incorporates the validity, scope, and methods of acquiring knowledge. Thus, epistemology focuses on knowing what forms part of claims to knowledge, how the knowledge can be produced or acquired and how to assess the extent of its transferability (Shanon-Baker, 2016). Creswell (2014) emphasises that epistemology also assumes a relationship between knowledge and the knowledge holder. Thus, epistemology alludes to the study of knowledge, what informs knowledge and how such information is gathered.

4.3.3 Axiology

Axiology is a philosophy more concerned with values and ethics (Saunders et al., 2016). This philosophical approach has a significant impact on social science research. Axiology is viewed as a study of ethics. The process of social enquiry is involved in this

philosophical approach. A researcher's skills are paramount to making informed judgments about the research content and their conduct (Deane, 2018). In addition, although the philosophy of axiology emphasises ethics, there is the general belief that values and ethics are not immune to time; hence, values and ethics are also prone to change due to changes in experiences in a specific space (Patel, 2015). There is the belief that ethical values are not predetermined, considering the influence of the human factor. Heron (1996) argues that values are the guiding reason for human action but are especially important for a researcher.

In this section, research paradigms and the philosophies they are based on were discussed extensively, and the constructivist paradigm's suitability for the study was described. The following section provides an in-depth discussion of the qualitative research method adopted.

4.4 QUALITATIVE RESEARCH

Qualitative research deals with subjective experiences and knowledge associated with a specific phenomenon. Qualitative data collection methods aim to provide a narrative of a phenomenon or in-depth knowledge, which means that researchers group qualitative data collection into two categories: field research/non-reactive research or unobtrusive research (Cresswell, 2014). The main objective of using qualitative research is to help interpretive researchers gain an in-depth understanding of various phenomena, from the characteristics of individual experiences to social artefacts (Cresswell, 2014; Indriati, 2022).

Islam and Aldaihani (2022) describe qualitative research as the methodology that allows a researcher to explore and investigate the quality of relationships and activities. According to Haradhan (2018), qualitative research data is descriptive; it is analysed inductively, and the data sources are real-life situations. Researchers explore and understand the meaning of a particular problem being investigated for the chosen participants relevant to the study (Creswell, 2021). It is non-numerical, and a researcher engages with a chosen group of study participants to gather data that will assist in understanding their lived experiences (Crossman, 2021). Aspers and Corte (2019) argue

that qualitative research is an iterative process in which an improved understanding is achieved by making new significant distinctions resulting from getting closer to the studied phenomena. In addition, Aspers and Corte (2019) assert that qualitative research combines how to do things and the outcome. According to Chigbu (2019), qualitative research focuses on why and how things work; researchers use it to understand a phenomenon and adopt focus group discussions, case studies, and interviews to answer research questions.

Qualitative research seeks to establish a profound understanding of how people make sense of their lives. McMillan and Schumacher (2010) point out that qualitative research begins with assumptions, a theoretical lens, and the study of research problems. This method enables a researcher to understand the situation's exclusivity as part of a particular context and the existing interactions. McMillan and Schumacher (2010) state that the qualitative researcher uses an emergent design and continually makes decisions about data collection tactics during the research. This research was directed in a way that enabled the participants to express their understanding and experiences about the phenomenon.

Qualitative research focuses on a phenomenon occurring or occurring in a natural setting, while there is an involvement in capturing and studying the complexities of such phenomena (Leedy et al., 2019). Given (2016: 2) describes qualitative research as an exploration process that thoroughly investigates people's experiences, perceptions, behaviours and beliefs while providing a window to understanding participants' actions and thinking. A qualitative research study is designed to provide an engagement platform for researchers and research participants to be directly involved for extended periods, thereby producing negotiated outcomes (Pickard 2013: 14).

Tuffour (2017), when characterising qualitative research, said:

- It seeks to understand the inside perspectives of the participants from the participants themselves; it is emic and idiographic.
- The research questions determine the data-collecting strategies.

- It can be used to explore less known or less understood phenomena to help bring to the forefront unexpected knowledge.
- It seeks to shed light on less perceptible meanings and investigate the complexities of the social world.
- It explores what, why, when, and how questions. It studies people's lived experiences by describing, exploring, understanding and interpreting instead of measuring, counting and predicting.

Moreover, Skovdal and Cornish (2015) highlighted that qualitative research gives voice to ordinarily silent people whose perceptions are rarely considered. Skovdal and Cornish (2015) added that qualitative research could be used to obtain information that can assist a researcher to attain an understanding of:

- Local knowledge.
- People's perceptions and experiences.
- How people act and engage with each other, programs or organisations.
- Local responses to the acceptability and feasibility of a program.
- Meanings people attach to experiences, relationships, or life events.
- Social processes and contexts that sideline a group of people or have an impact on a program.
- Local agencies and responses in mitigating social issues.

This type of research entails the richness and detail of data and the tolerance of ambiguity and contradictions that allow a researcher to obtain a correct explanation (Denscombe, 2010). Data is collected from a natural setting where the participants experience the problem under study (Creswell 2021). Qualitative research combines contextual methods with direct human-focused behaviours that give researchers better insights into rich data about participants' experiences (Given 2016:2). This methodology assumes social constructions of reality (Pickard 2013:13).

Qualitative researchers must be well-trained in observation techniques and interview strategies because the method requires significant preparation and planning, meaning data collection takes longer (Leedy et al., 2019: 229). Bryman (2016: 398) points out that

qualitative research is criticised because it does not use standardised procedures and, therefore, is difficult to replicate. It is also subjective and relies on small samples and inconsistent views. Furthermore, there is a lack of transparency in how conclusions are reached, which has generalisation problems.

Alessi and Kahn (2023) define qualitative research as a technique that explores how individuals and social groups naturally construct meaning and make sense of their lives, experiences, symbols, pictures, and structures of their world. Alessi and Kahn (2023) assert that qualitative research follows a systematic method, such as detailed observations and explanations, to understand the nature of the events under consideration. These events may include a set of underlying relationships existing in the world that need to be uncovered by a researcher or descriptions of the experiences of the human group, organisations, culture, or individuals (Balmer & Richards 2022). Qualitative research is a holistic approach that evaluates the complexity of the entire situation to ensure that the conclusion takes account of both the unique and general factors (Atieno, 2009). It is more process-focused than outcome-oriented, with inductive processes enabling researchers to construct abstractions, concepts, hypotheses, and theories from details (Atieno, 2009).

The qualitative research strategies are ethnography, grounded theory, and the case study approach.

4.4.1 Ethnography

Ethnography is a research approach that involves “the descriptions of a particular culture that a researcher is interested in exploring” (Denzil & Lincoln, 2011). Ethnography is a qualitative methodology that lends itself to the study of the beliefs, social interactions, and behaviours of a small society, involving participation and observation over time and the interpretation of data collected (Denzin & Lincoln, 2011; Reeves, Kuper & Hodges, 2008; Berry, 1991). Ethnography developed as a social science tool and involved the social scientific observer, the observed, the research report as text, and the audience to which the text is presented (Denzin & Lincoln, 2011).

The uniqueness of ethnography studies is that researchers immerse themselves in the culture of those being studied such that “they” become “we” (Elliot & Janket-Elliot, 2003). Rather than represent the cultures as alien, it is essential to identify with those being studied instead of turning them into objects (Abu-Lughod, 2000). The most significant advantage of using ethnography to investigate work practices is that some organisations recognise some form of work, not others. In contrast, ethnography tracks all that is done, whether recognised or not, and the relevance of the experiences can be highlighted by analysing the social relationships. As a participant observer, a researcher can be immersed in the culture over an extended period and, therefore, discover what is hidden. Ethnography is linked to the lived experience of the ethnographer (Reeves, Kuper & Hoges, 2008)

4.4.2 Grounded theory

Grounded theory was “developed by Glaser and Strauss in 1967 as an alternative to positivism” . This approach aims to study human behaviours through comparison. A new theory can be created and analysed by comparing groups of people and observing their behaviours (Cresswell, 2014). A researcher using this theory employs semi-structured interviews, field studies, participant observation and social interaction to collect data. Charmaz (2014) added that grounded theory starts with data and ends with theory; hence, it is grounded in data.

According to Khan (2014), studies that use the grounded theory approach are a step towards conceptual thinking and theory building instead of empirical testing of a theory. It is the systematic development of theory in social settings, and it depends upon inductive approaches appropriate for the study’s aim of theory development (Glaser,2007). According to Glaser (2007), grounded theory deals with only the inductive rather than the deductive inquiry approach.

4.4.3 The case study approach

A case study approach is a study that allows a researcher to explore and understand a phenomenon in detail that exists within a real-world context (Sekaran & Bougie, 2016). According to Cresswell (2021), a case study aims to “represent the case authentically”

and, in this process, to discover symbolic realities that amplify the unique voice of those whose experience in, and perspective on, the world is unknown, neglected or suppressed. A case study essentially examines and explores a real-world occurrence in a natural setting. As such, case studies offer an empirical investigation that looks at a current phenomenon in its actual setting when the distinctions between the phenomenon and context are also not immediately apparent and many data sources are used (Yin, 2001). Case studies can be divided into several categories. Yin (2001) distinguished three types of case studies: exploratory, descriptive, and explanatory. Exploratory case studies, to start with, examine any piece of data that piques the researcher's curiosity. By asking typical questions, this kind of case study identifies issues and necessitates further investigation into the incident. Additionally, descriptive case studies clarify the natural occurrences that occur naturally within the data. The drawback of a descriptive case study is that the researcher uses descriptive theory to aid in the description of the event or narrative. Failures during the description process and problems may arise during the inquiry or description because the description has a tendency to deviate from the requirements of rigor. Thirdly, the explanatory case summarizes events in the carefully examined data at both the surface level and deeper level. For instance, a researcher might inquire as to why a business owner employs a defensive strategy. The investigator will decide to develop a theory and test it in light of the findings. Explanatory cases are additionally used in casual research where pattern-matching makes use of specific instances in multivariate and complex scenarios. The utilization of case studies permits the use of both quantitative and qualitative data collection and analysis techniques (Saunders, 2016). A case study, in particular, allows for the utilization of both primary and secondary materials.

Case study approach has not been adopted in this study to examine the enablers and barriers of strategy alignment in SOEs in Kwazulu Natal. The following section presents research approaches that are used in qualitative studies.

4.5 RESEARCH APPROACH

Research approaches are plans and procedures that consist of the steps, with assumptions and details to methods of the research data collection and data analysis

(Shannon-Baker, 2016). The adopted research approach has a bearing on a researcher's plan, the overall research process and the measurement of the quality of the research. The research approach is usually categorised into the deductive or inductive approach. These are commonly used in logic, reasoning, and science. Researchers use inductive and deductive reasoning as part of the research enquiry method.

4.5.1 Deductive approach

The deductive approach tests an existing theory (Shannon-Baker,2016). Hence, it gravitates more towards scientific investigation. The deductive approach is sometimes informally called the top-down approach. It allows a researcher to study existing literature and theories of a phenomenon and test the hypotheses presented by those theories. The deductive approach is mainly employed by positivist researchers pursuing quantitative studies. The starting point in the deductive approach is a set of general premises or the formulation of a hypothesis, which draws a specific conclusion that contains no more information than the premises themselves (Chetty, 2016). In simple terms, there is hypothesis formulation in the deductive approach, followed by its testing through experiments to conclude the hypothesis's accuracy.

The deductive approach has been criticised for being narrow in scope because it is concerned more with testing or confirming a hypothesis and nothing more (Chetty, 2016).

4.5.2 Inductive approach

The inductive approach is aimed at theory development from simple observation, interviews and case studies (Saunders, 2016). Observing phenomena occurring repeatedly and concluding that it will happen again is an example of inductive reasoning. Research that employs this approach is mainly interested in the first-hand information of an occurrence. Hence, the inductive approach is a popular method of collecting qualitative data (Atiku, 2014). The inductive approach is geared toward the in-depth investigation of the relationship between concepts to arrive at a theory; hence, using interviews and questionnaires in this approach is standard. Observed patterns culminate into a general conclusion.

The inductive approach is bottom-up; it starts with specific observations and measures, detects patterns and regularities, and develops general conclusions or theories (Streefkerk, 2019). Considering the above arguments and that inductive reasoning is more open-ended and exploratory, it was used in this study, which sought an in-depth understanding of the enablers and barriers of strategy alignment in state-owned enterprises within KwaZulu-Natal to develop a model for strategy alignment.

The following section discusses research strategy, delving into research design.

4.6 RESEARCH STRATEGY

Research strategies or methodologies are data collection methods that a researcher uses to gather the deductive or inductive meaning of the research (Creswell, 2018). According to Kelvins (2018), a research design is a blueprint for conducting the research, detailing the specific procedures for acquiring relevant information to solve a problem under study. Each research design is complemented by a research strategy that enables researchers to gather relevant information to answer the research problem (Creswell, 2016). Akhtar (2016: 68) states that the “research design can be considered as the structure of research and the ‘glue’ that holds the different elements in a research project together; in short, it is a plan of the proposed research work”. Regarding research studies, there are mainly three recognised categories: descriptive, exploratory, and causal. These are further subdivided into various forms of research design, as discussed in the following section.

4.6.1 Survey research design

The research design entails conducting surveys that a researcher can send to survey respondents. The collected survey data are statistically analysed to draw meaningful research conclusions (Hox, 2015). Surveys are used to understand better the views and perspectives relating to a specified concept or topic under study. The survey research design can be quantitative, relying on closed-ended questions, or qualitative, using open-ended questions. The survey method pursues two primary purposes: (1) to describe some aspects or characteristics of a population and (2) to test hypotheses about the nature of relationships within a population. From the viewpoint of practicality, questionnaires, interviews and documentation review are the most popular variations of surveys

(Denscombe, 2010). The application of surveys means a researcher can glean first-hand information from the affected respondents. Survey data is reliable and valuable (McCombes, 2019).

This study was carried using interviews and not survey data due to its qualitative nature and the need to gain an in-depth understanding of the experiences and beliefs of study participants.

4.6.2 Exploratory research

Research topics that require in-depth understanding use exploratory research because little information is available before the study or the topic is still novel and yet to be fully explored. Thus, the aim will be to explore the problem to understand it and not merely draw a conclusion from it (Mole, 2019). Exploratory research sets a strong foundation for deeply exploring a subject matter. Since exploratory research targets a subject matter to a population or study area yet to be fully explored (Winston, 2022), it is befitting to use this approach to answer the research questions in this study about state-owned enterprises and strategy alignment in the South African context. In summary, although a few studies have explored the underperformance of state-owned enterprises, the strategy alignment concept or topic is not fully understood in terms of how it impacts the underperformance of state-owned enterprises.

In addition, exploratory research allows the analysis of lived experiences; hence, information gathered will be based on real experiences instead of speculation, making the information reliable, credible and trustworthy (Mole, 2019). Therefore, following the study's aim to develop a model for strategy alignment within state-owned enterprises in KwaZulu-Natal, an exploratory research design was chosen, and interview data about lived experiences was collected from board members and chief executives.

The following section discusses the advantages of using exploratory research.

4.6.2.1 Advantages of exploratory research

Connaway and Powell (2010: 170) and Swain and King (2022) discuss various advantages of an exploratory research design. According to Swain and King (2022),

exploratory research is not rigid and has some flexibility during its execution. A researcher can adapt and adjust their approach as the study continues to accommodate the changing environment of the study participants. For example, interviews were supposed to be held in offices, but due to unforeseen circumstances, the researcher conducted the interviews online via web-based software such as Microsoft TEAMS and Zoom. The nature of exploratory research allows a researcher to ask new questions based on the previous answer provided by the participant, confirming a certain degree of flexibility and adaptability to change (Thompson, 2022).

Exploratory research lays the foundation or novelty of the research and is sometimes used during pre-study to test whether the topic is worth pursuing through research. Exploratory research findings are often used to pursue further research as new information regarding the topic is acquired (Swedberg, 2020). The importance of undertaking a pre-study is to save time and resources that otherwise would have been deployed unnecessarily to examine a topic not worth researching. It lays the foundations for future studies and has the potential to save time and other resources by determining the research types worth pursuing (Saxena, Hew & Wong, 2020).

Exploratory research is associated with low cost because the research, most of the time, is carried out in the natural setting of the study participants; for example, interviews are conducted in the participants' offices, observations are made in participants' settings, and document reviews and analysis is done on already published annual reports or published data readily available on websites and in different databases (Newton & Tonelli, 2020).

Exploratory research collects rich, in-depth data from a small sample size (Newton & Tonelli, 2020). The findings of the exploratory studies are used for further research with expanded sample sizes for other research methods, such as quantitative and mixed-method studies (Swedberg, 2020). The insights from exploratory results lay the research foundation for other methodological approaches.

The criticism directed at exploratory studies is mainly around the issue of not being able to generalise the results due to the small sample size. However, defenders of exploratory

studies argue that the criticism is unnecessary because the results are a departure point for studies that can generalise the results (Chong & Plonsky, 2021).

4.7 RESEARCH TECHNIQUES/PROCEDURES

Research technique consists of tools and procedures adopted to gather and analyse data. The procedure constitutes the population and sampling methods, data collection tools, analysis tools and procedures for ensuring the reliability and validity of the data.

4.7.1 Population size

According to Saunders et al. (2016: 729), a research population is the “complete set of cases or group members that is the focus of the research inquiry, and from which a sample will be drawn”.

The study population size was the total number of strategic leaders (non-executive board members, chief executive officers and chief financial officers) for state-owned enterprises in KwaZulu-Natal. There are twelve state-owned enterprises in KwaZulu-Natal under the control of the Department of Economic Development Tourism and Environmental Affairs (EDTEA). According to the EDTEA website, the total population for the study was 105 and the breakdown of the population size is reported in **Table 4.1**.

Table 0.1: Number of board members in KwaZulu-Natal Public Entities

Name of Entity	Legislative Mandate	Board members (incl CEO+CFO)	Male	Female	CEO	CFO
IDFC	Development Finance	8	7	1	1	1
KZNGF	Development Finance	8	6	2	1	1
MKI	Research Agency	9	5	4	1	1
TIKZN	Trade Promotion	9	8	1	1	1
DPTC	Trade Promotion	10	7	3	1	1
RBIDZ	Special Economic Zone	10	6	4	1	1
KZNFC	Investment Promotion	7	4	3	1	1
KZNLA	Investment Promotion	6	4	2	1	1
KZNGBB	Betting and Gaming	8	5	3	1	1
KZNTA	Tourism Promotion	9	8	1	1	1
EKZNW	Wildlife conservation	11	9	2	1	1
KZNSB	Maritime conservation	10	5	5	1	1
Total		105	74	31	12	12

*Source: www.edtea.gov.za

According to Table 4.1, there are 74 male directors and 31 female directors. There are 81 non-executive directors and 24 executive directors (twelve chief executive officers and twelve chief financial officers).

The qualitative sample of the study determined using literature on purposive sampling was 30, consisting of a total of 24 participants were interviewed, although saturation was reached after 18 interviews, further five follow-up interviews were undertaken to cement the chief executive officers' voice in the study, resulting in the final total number of study participants interviewed at twenty nine.

4.7.2 Sampling procedure and size

The qualitative study used a purposive sampling technique. In terms of sampling, the strategy for study participant's selection must be integrated into the overall logic of the study (Punch,2004), and the rationale for sample selection must be aligned from an ontological, epistemological and axiological perspective to achieve the aims of the study (Campbell et al.,2020). For a qualitative study, selected sample must be employed because the aim is to increase the depth (as opposed to breadth) of understanding (Palinkas et al., 2015).

Studies by Vasileiou (2018) and Mthuli et al. (2021) highlight the academic debate regarding the suitable sample size for qualitative research. The sample size of a qualitative study is determined based on the concept known as saturation (Mandal, 2018). The guidelines for the sample size of a qualitative study differ according to different scholars; a study by Mthuli et al. (2018) and Warsame et al. (2013) reported reaching saturation after six interviews, whilst other studies (Fusch & Ness, 2018) reached saturation after twelve interviews. The concept of saturation must be applied with caution when determining sample size because some populations might be tiny (Young & Casey, 2019).

According to Lincoln and Guba (1985), the size of the sample is determined by the information redundancy, proposing that sampling be stopped when data saturation has been reached, whilst other researchers such as Maleterud et al. (2015) came up with the concept of information power as a guideline, that is, the more in-depth the information

from participants, the smaller the sample size, and the grounded theory proposed the saturation guideline. Guest et al. (2006) analysed 60 interviews and found that the twelfth interview reached saturation of themes, particularly for homogenous samples. Hagaman and Wutich (2017) concluded that sample sizes between twenty and forty are recommended for data saturation. Francis et al. (2010) reached data saturation at eighteen interviews. Further, they proposed that researchers use an initial analysis sample (such as monitoring saturation after ten interviews) and employ a stopping criterion, i.e., that an additional three interviews be conducted before stopping with a recommended number. Other scholars, such as Corbin and Strauss (2008, cited in Mthuli et al., 2021), introduced other criteria to determine sample size in addition to saturation. The factors introduced by Corbin and Strauss (2008) were the time required to complete the interview process and the types of questions, i.e., whether structured or semi-structured. The guidelines for estimating the sample size for qualitative studies are reported in **Table 4.2**

While scholars such as Mthuli et al. (2021: 6) attempt to provide some recommended guidelines for estimating sample size as reported in Table 4.2, it is important to underscore that these lack any scientific rigour or justification. Actually, the lack of consensus on sample size based on data saturation reveal that a case by case approach is important. Different studies may achieve data saturation after different number of interview, hence it is problematic to come up with a credible guide or standard for all circumstances and contexts.

Table 4.2 shows that sample size is influenced by several factors but predominantly the type of study and data collection method. Although the guidelines are reported in Table 4.2, none of the authors shared how the estimates were chosen (Omona, 2013). There is inconsistency and variation in the sample sizes reported in Table 4.2, adding to debates about estimating a qualitative sample and pointing to a lack of consensus amongst scholars. It is important that any attempt to offer sample size based on number of interviews in previous studies done to achieve data saturation should be rejected as a basis for data saturation and sample size in future studies.

Table 0.2: Summary of qualitative studies sample size estimation

Strategy	Author	Type of data collection	Number
Narrative research	Creswell (2002)	Interviews	2 or 3
Case study research	Stake (2006)	Single case	4 to 10
	Yin (2011)	Single case	23 to 30
	Marshal et al; (2013)	Single case	15 to 30
	Creswell (2014)	Cases	4 to 5
Grounded theory	Morse (1994)	Interviews/observations	30 to 50
	Creswell (2002)	Interviews	15 to 20
	Marshal et al; (2013)	Interviews	20 to 30
	Charmaz (2014)	Interviews	25
	Corbin & Straus (2008)	Interviews	5
Ethnographic studies	Morse (1994)	Interviews/observations	30 to 50
	Bernard (2000)	Interviews	30 to 60
Ethno sciences	Morse (1994)	Interviews	30 to 50
	Bernard (2000)	Interviews	30 to 60
Phenomenological studies	Colaizzi (1978)	Interviews	12
	Dukes (1984)	Interviews	3 to 10
	Morse (1994)	Interviews	6
	Ray (1994)	Interviews	8 to 12
	Cresswell (2002)	Interviews	5 to 25
	Smith et al; (2009)	Interviews	3 to 10

***Source: Adapted from Mthuli et al;(2021:6)**

The rationale for rejection is that different contexts matter just like different participants and different research times such that adoption of number of interviews done to achieve data saturation in previous interviews to determine sample size in another study shows lack of contextual sensitivity, but also rigour and undermining of context-specific justification and on-going contextual changes in qualitative research. Table 4.2 depicts the variations of interviews taken in qualitative studies to achieve data saturation which is not consistent at all to enable one come up with a reliable and dependable pre-determination on the number of interviews and sample size informed by data saturation

A purposive sampling technique was employed to select participants as all potential participants were likely to yield appropriate and rich meaningful data (Kelly, 2010) because they were board members and chief executives with a high degree of homogeneity and strategic leaders entrusted with the duties of the strategic functions detailed in the previous chapter, mainly custodians of strategy development, approval and execution, and also tasked with identifying, selecting, and using limited resources effectively to exploit and explore opportunity while addressing challenges and threats (Palinkas et al., 2015; Campbell et al., 2020). The sample size chosen for the study was 30 participants pre-determined in the specific context of this particular study and ultimately 29 participants were interviewed (24 initial participants and further follow up interviews of five participants mainly chief executives).

It is important to note that (1) the study population is approximately 105, (2) the type of study is in-depth, with each interview lasting between 45 minutes to an hour during the piloting of the interview guide, (3) seniority of the participants because all are board members and chief executives of state-owned enterprises, so finding time in their calendar was not easy and obtaining a larger sample size would prove difficult, (4) the politicised nature of state-owned enterprises meant attracting participants to participate in the study was not easy despite a gatekeepers letter being granted by the Department of Economic Development, Tourism and Environmental Affairs (see Appendix 1).

Qualitative research is flexible, adapts to change, and should saturation not be reached after 30 interviews, further interviews could have been conducted using a snowballing technique (referral) to interview further study participants. Saturation was reached after 18 interviews, but data collection continued until 24 participants were interviewed. Further follow-up interviews with five participants, specifically chief executives, were conducted, bringing the total of study participants interviewed in the study to 29. The reason for further follow-up interviews with chief executives was to ensure the voice of chief executives was heard.

The following section briefly discusses the sampling strategy because some elements have already been covered.

4.7.3 Sampling strategy

Interpretive research is associated with qualitative research methodology. The sampling strategy for qualitative studies is non-probability sampling. The three most common methods of non-probability sampling are convenience, purposeful and snowball (Robison, 2014; Straton, 2021). Because the study is qualitative, the discussion of sampling strategy will be limited to non-probability sampling.

Convenience sampling is a form of non-probability sampling widely employed in research. The sampling technique is directed at participants closer to a location, and those who wish to participate due to interest in the research topic or those who desire to express an opinion, especially with marketing studies (Straton, 2021; Andrade, 2021; Mthuli et al., 2021). Proponents of convenience sampling mention low costs, less time-consuming than other sampling strategies, and simplicity as the basis for attraction. Criticism of convenience sampling is directed mainly to its perceived bias and its findings not being generalisable.

Purposive sampling is another form of non-probability sampling used in qualitative studies. In purposive sampling, the study participants are invited and selected directly by a researcher due to their specialised knowledge, shared experiences and beliefs and expertise in the subject matter being pursued by a researcher (Creswell, 2014; Mthuli et al., 2021). Purposive sampling is primarily targeted at a small sample size due to information power, where those with superior knowledge are chosen, so fewer participants are required.

Snowball sampling is a variation of purposive sampling where participants directly selected by a researcher can recruit or refer other participants with similar expertise, specialised knowledge or beliefs.

This study used purposive sampling to select participants conversant with the subject matter being pursued, which required only strategic leaders who serve at the upper echelon of state-owned enterprises, that is, board members and chief executives (Andrade, 2021).

4.7.4 Data collection techniques and sources

Jovancic (2019) views data collection as systematically gathering and measuring information about variables of interest to answer queries, state research questions, test hypotheses, and evaluate outcomes. The data collection tools in qualitative research are mainly, documentary analysis, observation, focus groups and interviews (Watson, 2015).

4.7.4.1 Data collection techniques

As discussed in the previous section, this study adopted interviews to answer the research questions. The aim was to obtain first-hand information in its naturalistic setting (McCombes & van den Eertwegh, 2019). A cross-sectional approach was used, with data gathered using interviews. Inductive reasoning constituted part of the study because the questions were open-ended and exploratory; hence, qualitative data was collected about the participants' perspectives regarding strategy alignment's impact on state-owned enterprises.

4.7.4.2 Sources and types of data

Two types of data govern most research, quantitative and qualitative, and these data are equally important. They are associated with effectiveness and giving value to a research study (Jovancic, 2019). Data can be collected using either primary or secondary sources, and in some instances, both. These can sometimes be called internal (primary data) and external (secondary data) sources. According to Crossman (2019), primary sources are first-hand information from the participants that provide direct evidence on the research topic. Primary sources are considered the raw material of a research study created at the time of study during fieldwork, which the researcher gathers directly or with the aid of a research assistant. Primary data can be collected using field observations, experiments, interviews, and surveys.

Regarding secondary sources, these are accounts of events created from someone else's study. It uses primary sources, that is, findings from other researchers or the same data sources used by the same researcher, but to address a different research question (Okeke et al., 2017). Secondary sources can be viewed as the interpretations and evaluations of primary sources; hence, they are commentary and interrogation of

evidence. Secondary sources include bibliographies, commentaries, proceedings of conferences, annual reports, journal articles, magazines and essays or reviews, to mention a few (Crossman, 2019).

This study used primary sources to collect data, namely, semi-structured, face-to-face interviews with CEO and board members, which enabled the researcher to gather raw data from the study participants regarding the enablers and barriers for strategy alignment within state-owned enterprises in KwaZulu-Natal to establish a framework for strategy alignment.

4.7.4.3 Interview design

Denscombe (2014: 215) believes that in-depth face-to-face interviewing is the most appropriate research method for exploring complex phenomena like opinions, feelings and experiences, complex issues that call for a detailed understanding of how things work, or privileged information based on someone's experience or position. An interview enables direct data collection from the affected population about a topic being investigated (Showkat & Pareen, 2017). Thus, semi-structured interviews were chosen as this study's most appropriate data collection tool.

Semi-structured interviews are flexible and conversation-like; some questions are prepared to ensure the conversation addresses the main topics of interest (Collis & Hussey, 2014: 133). However, it is at a researcher's discretion to either follow through with all the prepared questions or discard some following the kind of responses that the participants give. In addition, some interviewees might introduce interesting answers that may need further probing and elaboration. There were prepared questions for this research that guided the researcher during the interview. The reason the research adopted semi-structured interviews is justified by Motene (2017), who notes that semi-structured interviews gather relevant data from participants to make an informed analysis and draw a constructive conclusion. The researcher could gather rich first-hand information from the participants through semi-structured interviews.

The interview guide was piloted using two former board members and a chief executive officer as participants. The testing aimed to ensure language appropriateness and the

general terminology used by government civil servants or consultants working mainly with the government. A few words were changed, which are explicitly used by the state-owned enterprise, such as legislation and accounting officer for the chief executive officer. The three participants testing the interview were also satisfied with the duration, indicating that most study participants will not sit for interviews surpassing one hour due to time pressures of their work commitments.

4.7.4.4 Strength of the research instrument

Semi-structured interviews are considered paramount to a qualitative study because they lead to the gleaning of in-depth insights. This data collection technique is associated more with collecting highly personalised and untainted data (Obaid & Gul, 2016). Thus, it provides an authentic experience of first-hand data directly from the primary source (study participants). Moreover, interviews generally are highly flexible (Saunders et al., 2016). This being the case, an interviewer or researcher is allowed the privilege of prompting for more information from the participants about the subject matter (Green, 2015). The sensitivity of the matter with semi-structured interviews is no problem as the researcher is in control to assure the participants about their privacy and, at the same time, able to coin better the line of questioning so as not to infringe on the participant's comfort zone (Robson, 2011). Through semi-structured interviews, the researcher gathered insightful and first-hand experiences from the CEOs and board members regarding state-owned enterprises' challenges, the underlying factors, and the contribution of strategic alignment.

Semi-structured face-to-face interviews also allowed the researcher to revisit key questions later in the interview process for clarity or elaboration, generating a rich understanding of the subject matter. As a result, attitudes, perceptions, and motivations were better understood (Motene, 2017). Also, considering this is a face-to-face encounter between the interviewer and the interviewee, the researcher could monitor changes in tone, word choice and body language to read into discomfort, keenness to answer, and, to some extent, the validity of the response (Alsaawi, 2014), which allowed for easier probing and avoiding sensitive questions. During the interviews, the researcher could probe and dig deeper into the subject matter, leaning on the participant's body language

and choice of words and circulating interesting answers for more information until data saturation was achieved by the sample (MacGrath et al., 2018).

In addition, semi-structured in-depth interviews enable participants to share their views, freely elaborating and clarifying where needed (Motene, 2017), which guarantees a higher response rate than other data collection techniques. Colson (2017) argues that there is no groupthink in face-to-face, one-on-one interviews; thus, a respondent's answer represents their experiences or knowledge of the research problem. If interviews need a few participants to gather information, the technique is cost-effective and the fastest way to gather relevant data for a study (McGrath, 2018). From the research, participants who were interviewed managed to give information that addressed the research concerns quickly (including the five additional follow-up interviews with chief executives), and the researcher was convinced the research questions were exhausted (Reeves et al., 2015).

4.7.4.5 Weakness of the research instrument

Interviews are also characterised by their share of shortfalls. According to Colson (2017), the carrying out of interviews requires, in many instances, trained personnel, and there is the chance of misreading body language. To mitigate against such, the researcher read about conducting interviews and pilot-tested the questions on a few study participants to clear out ambiguities.

The process can be costly when interviews are carried out face-to-face due to travelling expenses and other costs that may be incurred. In addition, data analysis may also be tiring for a researcher in cases where a great deal of qualitative data is to be analysed (Calzon, 2021), which may lead to the risk of bias and misrepresentation of the information given by participants. However, in this researcher's case, credibility, dependability and member check were used to minimise bias as much as practically possible.

4.7.4.6 Administration of research instrument

Interviews can be carried out in various ways. According to Kelvin (2018), semi-structured interviews can be carried out in-person, face-to-face, and online platforms like Skype and telephone. As indicated earlier, this research was carried out face-to-face. Thirty

participants were purposively selected for their knowledge of the subject matter, and the final number interviewed was twenty four, with an additional five follow-up interviews with chief executives, bringing the total number of interviewees to twenty nine. A prepared interview guide with structured questions was used to ensure the researcher did not deviate from the course of the research, as per McGrath et al. (2019). The interview guide assisted the researcher and study participants in maintaining consistency during the interview to guarantee consistency (Herbert et al., 2014).

The participants were debriefed at the beginning about the nature of the study, starting with explaining the purpose of the interview, addressing ethical, anonymity and confidentiality issues, the interview format, and the approximate interview length (Krouwell et al., 2019). This study's interview process ranged between 45 and 60 minutes, which ensured all relevant points were covered. The unstructured questions that followed sprang from the respondents' initial answers, which needed further elaboration through further probing.

During the interview, the respondents were audio-recorded because the researcher did not want to disrupt the process and attention of the session through note-taking (Salmons, 2012). The participants were again reassured that the voice recordings were for academic purposes only and that they were to help the researcher in the later revisiting and transcribing data (Tuttas, 2015). The recordings also helped the researcher remember information that had disappeared from memory (Roulston, 2018). The participants were able to give vast and rich information about their experiences and shared how a strategy alignment model could be successfully initiated. The researcher thanked the study participants at the end of each interview.

4.8 DATA QUALITY ASSURANCE FOR QUALITATIVE STUDY

Reliability and validity, previously a concern in quantitative research, are becoming a common concern in qualitative research (Johnson & Parry, 2015b, Nassaji, 2020). The naturalistic approach has deemed them relevant in qualitative research but have adopted their own language ideal for qualitative research. Reliability and validity have been witnessed to guarantee the quality of data in quantitative studies. (Bhakur & Chetty,

2020). The term that is used in qualitative studies equivalent to ‘validity and reliability’ is “trustworthiness”, which can be further categorised into credibility, transferability, dependability and confirmability (Cresswell., 2014). The quality of data analysis in the qualitative study compared to the quantitative study is reported in **Table 4.3**.

Table 0.3: Terminology for Data Quality Between Quantitative and Qualitative Research

<u>Qualitative terminology</u>	<u>Quantitative terminology</u>
Credibility	Internal validity
Transferability	External validity
Dependability	Reliability
Confirmability	Objectivity

*** Source: Adapted from Shenton (2004: 11)**

Based on Table 4.3, qualitative terminology will be expanded further since the study is qualitative. The elements of qualitative terminology listed in Table 4.3 which are credibility, transferability, dependability and confirmability are criteria elements for the trustworthiness of the qualitative studies.

Trustworthiness in qualitative research refers to the systematic methodological rigour of the research design, the researcher’s credibility, the findings’ believability, and the research methods’ applicability (Riazi et al; 2023). The trustworthiness of qualitative research is promoted by the understanding of epistemology, the depth of literature reviewed and engaged, and the appropriateness of theoretical underpinnings ().

The next sections discuss the different criteria elements of trustworthiness and explain how each was attained in the study.

4.8.1 Credibility of the qualitative study

Credibility refers to the accuracy with which the researcher interpreted the data that the study participants provided. Credibility is enhanced when the researcher spends long periods with the study participants to understand them better and gain insights into their lives resulting in prolonged engagement (Amin et al; 2020). Credibility is established through member checking, data triangulation and peer-debriefing throughout the data analysis process (Park, 2023).

It is also increased when the researcher uses triangulation, i.e., multiple methods to collect data, such as combining interviews with focus groups. Moreover, credibility is enhanced when findings are believable from the participant's perspective (Amin et al;2020).

Credibility for the study was achieved through member checking as recommended by (Amin et al; 2020) . Member check was used by allowing participants to review, validate the accuracy or correct any inaccuracies in the transcripts. Furthermore, the researcher reported the collected data as it was gathered, and the participants' opinions were captured, not the researcher's. Another technique used for was triangulation data by comparing recorded interviews and written transcripts to ensure accuracy of the data.

4.8.2 Transferability of the qualitative study

Transferability is the ability to apply findings in a similar situation and deliver similar results, which allows generalisation with a research approach that does not lend itself to generalised findings Amin et al; (2020). (Park, 2023) that transferability is promoted when the researcher include full description that connects the background and environment in the context of the study. Amin et al;(2020) posited that the researcher must present thick descriptions of the settings, subjects and other participants involved, direct quotations to empower the reader to transfer the findings to their own context.

In the current study, the settings was adequately described (provincial SOEs), subjects transparently well defined (board members of the provincial SOEs) and direct quotations to capture the feelings of the study participants (Amin, et al; 2020).

Qualitative researchers endeavour to leverage and demonstrate that the time spent with collecting, interpreting and reporting data results in a meaning output to be employed by other stakeholders, contribute the richness and depth to the phenomena and theoretical insights. The thick description of data lead to rich interpretation to build trustworthiness.

4.8.3 Dependability of the qualitative study

In qualitative studies, dependability indicates that the researcher's approach is consistent across different studies (Amin et al; 2020). According to Creswell (2018) and Amin et al; (2020), confirming the dependability of the study is likened to an fiscal audit to test the robustness of processes that were followed to undertake the study. Amin et al; (2020) and Mthuli (2021), refer to the Halpern audit trail categories which are 1) raw data, including recordings, field notes, and other documents; 3) data reconstruction and synthesis product, including themes, results, conclusions and reports; 4) process notes, including notes related to methods used and trustworthiness; 5) materials addressing intentions and dispositions, including reflexive notes, 6) instrument development information, including pilot forms. It is very important for this process to be undertaken immediately after data collection when interpretation is still ongoing to ensure that all issues dressed to the dependability are addressed (Amin et al; 2020).

To confirm dependability in the current study, the researcher provided full explanation of research procedures and methods, and a detailed audit trail and information that another researcher could follow the same procedural steps, albeit possibly reaching similar or different conclusions. Audio recordings and transcripts were inspected to account for any oversights. One noticeable matter during the study, was the unavailability of CEOs for interviews due to tight calenders and diary changes by the operational nature of their job. Of the twelve intended CEOs to be interviewed, only six CEOs were interviewd and a further follow up of five interviews (four CEOs and a director) were undertaken to fully account and include the voice of the CEOs in the study.

4.8.4 Confirmability of the qualitative study

Confirmability refers to how well the data collected by the researcher supports the researcher's findings and interpretation. According to Park (2023), confirmability is achieved when the researcher demonstrate that the findings and conclusions are connected the raw data. According to Liamputtong (2019), cited in QRJ (2023) described conformability as an act to prove that the findings and interpretations of the findings are not emotional and bias expression of the researcher rather are clearly linked to the data. The aim of conformability is to extend the robustness of the findings

such that other researchers using the research process followed by the researcher can corroborate the results of the study (Park, 2023).

The current qualitative study has showed the findings through detailed descriptions and the use of quotes from CEOs and board members to express their views. Themes are derived from data and captures the views of participants (e.g CEOs and board members) which are depicted through various direct quotations used in reporting results.

4.9 QUALITATIVE DATA ANALYSIS

Data analysis is an essential step in research that follows data collection. The collected data must be analysed and interpreted for its meanings and findings. De Vos et al. (2011) described qualitative data analysis as the “process of bringing order, structure and meaning to the collected data”. Qualitative data analysis entails reducing the volume of raw information, sifting for significant data among trivia, identifying significant patterns and constructing a framework for communicating the essence of what the data reveals (De Vos et al., 2011). The common name for qualitative analysis methods are the reduction, organisation, interpretation and substantiation of data. The qualitative data analysis process is long, time-consuming, fascinating and fulfilling. Various analyses of data analysis are briefly described in the subsequent section, namely, thematic analysis, content analysis and discourse analysis. Emphasis will be placed on thematic analysis as it is used to analyse this study’s data.

4.9.1 Thematic analysis

Thematic analysis entails reading through a data set, for example, in-depth interviews or focus groups. From this reading, patterns are identified, meanings derived, and themes coined (Kiger & Varpio, 2020). Thematic analysis is widely used in psychology, business management, social sciences and other fields that use qualitative research methods. Braun and Clarke (2006) outline their approach to thematic analysis in their 2006 paper “Using thematic analysis in psychology”. In thematic analysis, a researcher’s subjective experience is integral in making meaning from the data. The use of thematic analysis is useful to identify patterns in data. Thematic analysis is a flexible approach to qualitative research, enabling a researcher to generate new concepts and insights embedded in the

data. Although the method is criticised for being too flexible and can lead to many data interpretations, making it difficult to discern which data is more important to the research, that can also be viewed as a win because vast data is collected.

Thematic analysis was adopted for this study. It helped establish the variety of views of participants to create broad themes which embrace diversity of perspectives and nuances in how different CEOs and Board members see reality. (Jowsey, 2016). Braun and Clarke (2006) listed several phases of the thematic analysis, as follows, which were adhered to:

Data familiarisation is the transcribing step. It involves reading and re-reading the data and noting the initial ideas. The main ideas were identified and written down for each transcript.

Generating initial code means coding features of the data systematically across the entire data set and collecting data relevant to each code (Braun & Clarke, 2006: 87). In the translation and transcribing phase, common features are coded and given small phrases or a keyword that represents a specific idea. Memos are captured to keep track of the coded information.

Theme searching across the data means “Collating codes into potential themes, gathering all data relevant to each potential theme” (Braun & Clarke, 2006: 87). The researcher read and re-read the data several times to come up with a few relevant codes to be categorised into identifiable themes. The codes were then analysed and grouped into central themes.

Reviewing themes implies “Checking if the themes work in relation to the coded extracts at the first level and then the entire data set at the second level, generating a thematic map of the analysis” (Braun & Clarke, 2006: 87). The completed data was re-read to validate the codes, making sure the codes were reflective of the stage one identified patterns.

Producing the report generates “The final analysis; selection of vivid, compelling extract examples, the final analysis of selected extracts, relating to the analysis to their search

question and literature, producing a scholarly report of the analysis” (Braun & Clarke, 2006: 87).

4.9.2 Content analysis

The content analysis of the qualitative data is described briefly in this section as it was not the method of analysis used in the study. Bhasin (2020) views content analysis as a research method concerned with a specific pattern of words or concepts derived within the text or set of documents. A content analysis aims to identify patterns in recorded communication, be it in written, oral, or visual text from books, magazines, speeches and interviews, photographs, and web content, to mention a few. The researcher makes assumptions based on the frequency of specific terms or words that appear or are heard. Content analysis can be used in various fields, including media studies, marketing, anthropology, psychology and many social science disciplines (Calzon, 2021). It can be used to quantify specific word’s occurrence, and in qualitative research, inferences can be made by analysing the meaning and semantic relationship of words and concepts. One main advantage of using content analysis to analyse social phenomena is its non-invasive nature (Dayyani et al;2019).

4.10 ETHICAL CONSIDERATIONS

Student researchers suffer from anxiety and a feeling of being overwhelmed and emotional when completing ethical applications (Brindley et al., 2020). Institutions of higher learning require researchers to obtain ethical clearance before embarking on the data collection stage. Brindley (2021) states that this set-up exists in every research university. The procedure for ethical consideration is discussed in the subsequent sections.

The Head of Department of the Department of Economic Development, Tourism and Environmental Affairs granted a gatekeeper’s letter to a student researcher, permitting him to collect data about state-owned enterprises in KwaZulu-Natal (see Appendix 1). A copy of the gatekeeper’s letter was also furnished to the board chairpersons and chief executive officers of the state-owned enterprises in KwaZulu-Natal, informing them about the study and requesting board members and chief executive’s full cooperation. The

gatekeeper's letter facilitated access to study participants in their places of work across different sites and assured reluctant participants that the government had approved the research and that credible permission had been granted to the researcher to conduct the study.

Upon receipt of the gatekeeper's letter, the researcher successfully applied to the University of KwaZulu-Natal Research Ethics Committee of the University of KwaZulu-Natal to obtain ethical clearance and permission to commence the data collection process (see Appendix 6). The University of KwaZulu-Natal Ethics Committee granted the Ethical Clearance Certificate, which provided guidelines for ethical standards and adherence during the data collection stage.

In any research, participation in the study is voluntary (Arifin, 2018). Before the commencement of the interviews, participants were briefed on the purpose of the study and informed that participation is voluntary and that the participants can withdraw at any time during the interview process (see Apppedix 3). The participants were asked to sign the consent form (see Appendix 2), which assured participants of anonymity and confidentiality and that their identities would not be revealed during data analysis and reporting of the findings; instead, a participant number was assigned to refer to specific participants. The participants were assured that their consent forms would be stored in the University library strongroom for five years; after that, the forms would be shredded.

The participants were provided sufficient time before the commencement of interviews (see Appendix 4) to ask any questions of concern to them. Interviews were conducted in the participant's natural settings, in their offices, and audio recorded to minimise disturbances and maintain connection with the researcher. After the conclusion of the interviews, the researcher debriefed the participants and thanked them for their participation. Saunders et al. (2016) assert that anonymity refers to the researcher's effort not to divulge the identity of research participants and ensuring that the findings cannot be traced back to the individual who actually mentioned them. In reporting the findings of the current study, names of participants are not revealed such that the views cannot be traced back to the source. Anonymity in this study was about not collecting any identifying information of individual persons (e.g. name, address, email address, etc.), or the

researcher ensuring there is no link of individual responses with participants' identities. Given the above, it is clear that the study met the various issues of research ethics, namely (1) voluntary participation as all study participants were free to choose to participate without any pressure or coercion; (2) anonymity of research participants; (3) informed consent ; (4) confidentiality as a condition in which the researcher knows the identity of a research subject, but takes steps to protect that identity from being discovered by others; (6) ensuring no harm but benefits as interviewees stand a chance to benefit from the findings which will be communicated to them (e.g. given a copy of thesis on request)

4.11 CHAPTER SUMMARY

This chapter presented a detailed account of the research methodology employed by the researcher. The concept of research paradigm and philosophy was unpacked, with the different types of paradigms explained. The constructivist paradigm was chosen. The qualitative exploratory research design and its benefits to the research were also presented. The semi-structured interviews were used to glean information concerning the subject matter. A total of 30 participants were purposively selected for the study, and ultimately 29 participants were interviewed. The thematic analysis method was used for data analysis. The next chapter will present results of the study .

CHAPTER 5:

PRESENTATION OF RESULTS

5.1 INTRODUCTION

This chapter presents the study's findings on exploring enablers and barriers of strategy alignment within state-owned enterprises (SOEs) in KwaZulu-Natal (KZN) and the results of the research objectives. The chapter will first present key themes on the role of strategic leadership in strategy alignment within state-owned enterprises to achieve the research objectives. Second, the chapter will focus on themes of the board of directors' effectiveness in achieving strategy alignment within state-owned enterprises. Third, the chapter will focus on themes of corporate governance in promoting strategy alignment within state-owned enterprises. Last, the chapter will present themes on the role of performance management in securing strategy alignment within state-owned enterprises.

5.2 DEMOGRAPHICS OF THE STUDY PARTICIPANTS

The study had a sample size of thirty participants purposively selected. The demographics of the sample size consisted of eighteen executive directors and twelve chief executives. Eventually eighteen directors and eleven chief executives participated in the study, starting with 24 participants (17 directors and 7 chief executives) and a further follow-up interviews (1 director and 4 chief executives). During the study the chief executives were the most difficult participants to secure for the sit-down interview with due to their busy schedule and the operations nature of their duties. The demographics of the participants according to leadership position, gender, age, education and experience are depicted in **Figure 5.1**.

The breakdown of the study participants according to leadership position was 18 directors and 11 CEOs. The gender profile of the study participants reveal that 10 females participants were interviewed and 19 males participated in the face-to-face interviews.

The age profile of the participants show 8 participants in the age group of 34-45 years, 17 participants in the age group 45-55 years and only four participants over the age of 55 years old.

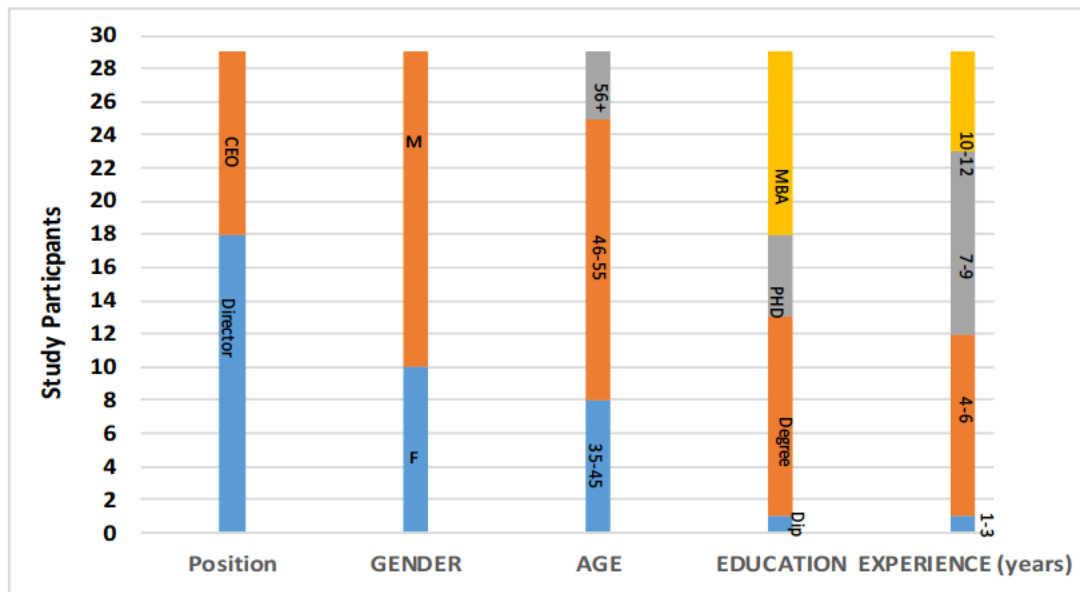


Figure 5.1: Demographics profile of the study participants

The education profile of participants revealed that 1 participant had a Diploma, 12 participants had a Degree, 11 participants had a Masters qualification notably MBA and only 5 participants had Doctoral qualifications. The number of years experience at the strategic leadership position show 1 participant who had experience between 1-3 years, 11 participants were in their positions for between 4-6 years and another 11 participants had between 7-9 years experience and lastly 6 participants had 10-12 years experience in the positions.

5.3 SUMMARY THEMES FOR THE STUDY

The study generated several themes as per objectives of the research. Some objectives had more themes compared to other objectives. The summary of the themes for the study are reported in **Table 5.1**. The Table 5.1 presents all themes which were generated from data analysis as per study objectives. The full presentation of results in the form of themes and quotations from the study participants is presented in the subsequent sections.

Study Objectives	Themes
The role of strategic leadership in influencing strategy alignment within SOEs in KZN.	CEO as the enabler of strategy alignment
	Strategy alignment is initiated at the board level
SOE board influence on strategy alignment within SOEs in KZN.	Oversight and continuous monitoring
	Alignment with compliance and the organisation goals.
	Maintaining alignment with the stakeholders
	Strategy formulation and approval
Corporate governance related enablers or barriers of strategy alignment within SOEs in KZN	Robust strategic planning and formulation process
	Strong relationships with stakeholders
	Capacity enabling leadership and relevant expertise
	Financial resources
	Effective corporate governance
	Board committees and strategy alignment
Corporate governance-related barriers of strategy alignment within SOEs in KZN	Insufficient clarity regarding operational intricacies
	Influence from political and external sources
	Bureaucracy and legislative misalignment
	Internal politics and misalignment between Board and CEO
	Resource constraints
The performance management factors that support strategy alignment within SOEs in KZN.	Performance management as a monitoring tool
	Performance agreements and reviews.
The performance management factors that impede strategy alignment within SOEs in KZN	Political orientation, complex and compromised relations
	Manipulation of targets and focus on superficial measures.
	Inadequate performance measures

Table 0.1: Summary for overall themes of the study

The next section presents the results of the themes related to the strategy leadership and strategy alignment.

5.4 STRATEGIC LEADERSHIP AND STRATEGY ALIGNMENT

The findings of this study reveal various themes on how strategic leadership influences strategy alignment within the state-owned enterprises in KwaZulu-Natal. It also presents the variety of enablers and barriers to strategic alignment faced by state-owned enterprises in strategic alignment in KwaZulu-Natal.

The first objective of this study was to evaluate the role of strategic leadership in influencing the nature of strategy alignment within state-owned enterprises in KwaZulu-Natal, according to chief executives and board members. The research objective sought to gather insights from key decision-makers responsible for setting the strategic direction by focusing on the perspectives of chief executives and board members. It sought to understand how strategic leadership practices, decisions, and actions influence the nature and effectiveness of strategy alignment within these organisations.

By gathering the perspectives of chief executives and board members, the research objective sought to provide valuable insights into the influence and effectiveness of strategic leadership in shaping strategy alignment within state-owned enterprises in KwaZulu-Natal.

The themes on the role of strategic leadership in strategy alignment are reported in Table 5.2. Table 5.2 shows two themes regarding strategic leadership and strategy alignment within state-owned enterprises in KwaZulu-Natal.

Table 0.2: Themes on the Role of Strategic Leadership

Themes	
The role of strategic leadership in influencing strategy alignment within SOEs in KZN, according to chief executive and board members of SOEs	CEO as the enabler of strategy alignment.
	Strategy alignment is initiated at the board level.

5.4.1 Chief executive officer as the enabler of strategy alignment

According to the study participants' responses, the chief executive emerged as the enabler of strategy alignment. This theme emphasises the pivotal and central role of the chief executive in driving and implementing the organisation's strategic goals. Most participants expressed that the chief executive acts as a catalyst and driver of strategy implementation, ensuring that the aligned strategies approved by the board are effectively executed throughout the organisation. In addition, all participants viewed the chief executive as a key figure responsible for translating the board-approved strategy into action. The chief executive plays a leading role in developing and formulating the strategy for approval, drives its implementation, and ensures that it aligns with the organisation's broader vision and mission and that the organisation's capabilities are truly reflected in the strategy. According to Participant 24, a Director

"I think that the CEO is, first and foremost, the most critical player in ensuring that there is a strategy because although the formulation and development of the strategy is overall the responsibility of the board. The person that leads the development thereof with the executive management and the rest of the team in the organisation becomes the chief executive officer. So as the chief executive officer, the quality of strategy is the reflection of the quality of work of the CEO that is put into the structure. So that is very critical but does not end with the development; all the processes that relate to the alignment from implementation, monitoring and reporting becomes the responsibility of the CEO, Participant 24, Director"

All study participants concur on the importance of the chief executive officer as a bridge between the board and the organisation, ultimately driving the strategy's implementation. Participant 11 mentions that the chief executive officer is responsible for the day-to-day running of the organisation, while Participant 8 states that the chief executive becomes the enabler of the strategy after it is approved. These observations highlight the chief executive's operational responsibility to translate the strategy into tangible actions, allocate resources, and ensure that the organisation moves forward in alignment with the strategic goals. The participants' views provide valuable insights into this theme.

Participant 5, a CEO, highlights that after the approval of the strategy by the board, perfect alignment occurs when the CEO and the top management team successfully implement the strategy. This view underscores the CEO's responsibility to translate the strategic direction set by the board into actionable plans and initiatives.

“The role of the CEO, in my understanding, is facilitating this strategic direction of the entity at the executive management level, executive meaning senior management and middle management level. As you would understand that the executive management is the level managed by CEO, and then the executive managers manages the middle management. So, it helps us to direct the strategic alignment by management, both executive and middle management. Participant 5, Director”

Participant 12 also emphasises the CEO’s role in executing the decisions made by the board. They state that the CEO is accountable for the organisation’s day-to-day operations, indicating that the CEO is responsible for implementing the strategy.

The CEO is the link between the board and management. He is the one who takes responsibility for ensuring that whatever was put in the strategy document is implemented. He gets the budget, and he gets the resources to do it and to deliver. In delivering that strategy, he then makes sure that he stays within the framework and then, of course, there are those checks and balances. Boards are supposed to meet every quarter and review operations. Are we still operating in terms of the strategy? If not, what is going on? (Participant 12, Director)

Another participant expressed the role of the chief executive as follows:

“So the CEO is a key person that is driving a strategy for the organisation; he reports to the board on the strategy where the organisation is at on the strategy. Most of them do have people who are assisting them, but overall, he is responsible for the strategy. So, his role is to make sure that the strategy is aligned. All the departments are aligned to strategy, and strategy is aligned to the mandate of the entity. (Participant, Chief Executive 6)”

Participant 23, a CEO, reinforces the idea that the CEO is crucial in aligning the strategy with the vision and mission of the organisation. They describe the CEO as the one who provides insight into the inner workings of the entity and implements the decisions made by the board. The CEO is seen as the bridge between the board’s strategic vision and the practical execution of that vision.

“The CEO is a leader, is the main person, who must make, make sure that everyone in the organisation is accountable for the objectives that have been set by the board. And to that all the resources that exist in the organisation, human beings or human capital, budgets and so on. All of those are utilized for the benefit of the fulfilment of the mission or the objectives why the organisation exists in the first instance. The CEO becomes a leader as well in ensuring that the vision of the organisation the mission of the organisation is shared and cascaded with all the internal and external participants, but also that everybody works towards those common objectives. And you do that through making sure that their performance management systems in place, the reward systems as well are aligned in such a way that they all encourage or enable the achievement of the objectives. Participant 23, Chief Executive)”

Participant 17, a Director, emphasises that the CEO is responsible for the operational aspects of the entity and plays a crucial role in strategy alignment. The CEO’s role includes developing and implementing strategies, ensuring compliance with relevant

legislation, and developing business policies. However, the board's approval is necessary to ensure the strategy aligns with the entity's mandate and to approve the budget required to support its implementation.

"The CEO, by and large, is responsible for the operations of the entity... But the board then becomes responsible to approve that particular strategy because part of the responsibility of the board is to make sure that it approves the budget that will be able to operationalise the strategy that you've actually developed. Participant 17, Director"

The participants' views suggest that the CEO plays a central role in enabling strategy alignment within the organisation. The CEO is responsible for formulating the proposed strategy, overseeing its implementation, and providing expertise on the internal workings of the entity. The CEO serves as a key link between the board and the operational aspects of the organisation, ensuring that strategic decisions are translated into effective actions. In the words of Participant 13, a Director:

"A CEO is a driver of the business. As a board, you're not operational, the CEO implements the strategy with the executive. So, as a board, we align, we push the strategy, and the CEO implements it because the board is a non-exec. They are more in terms of strategic, they're not involved on a daily basis in the business. Participant, Director"

The CEO's authority, accountability, expertise, communication skills, and coordination with the board are all crucial factors in ensuring successful strategy alignment. Effective leadership from the CEO is essential for creating a cohesive and aligned organisational culture focused on achieving strategic objectives. This view was expressed by Participant 17, a Director, as follows:

"The CEO, by and large, is responsible for the operations of the entity. He or she's the head of an entity as far as the development of the strategies is concerned, making sure that there's full compliance with the relevant legislation, making sure that the business policies are developed, and so on. But the board then becomes responsible to approve that particular strategy because part of the responsibility of the board is to make sure that it approves the budget that will be able to operationalise the strategy that you've actually developed, so that is the role of the CEO. Participant, Director"

This analysis underscores the importance of solid leadership at the executive level to drive strategy alignment. The CEO's ability to communicate, coordinate, and execute the strategic vision is critical for achieving successful alignment throughout the organisation. Effective collaboration between the CEO and the board is crucial to ensure the strategy is implemented to support the organisation's overall objectives. In the words of Participant 3, a Director:

“The chief executive drives and captains the development of the strategy, champions and captains the risk-based alignment; I prefer to call it that way. The CEO’s job is to sell to the board, supported by his management team the risk-base aligned strategy because they understand the market and the business on an intimate level. But usually, our terms of reference say the board should develop the strategy, but I was just giving you the practical responsibility of the accounting officer. When the CEO comes with the strategy he has developed with the team, the board must interrogate it, unpack it and workshop it. The board role is to amend, challenge, interrogate the strategy prior [to] approval. Participant 3, Director”

The theme of the CEO as the enabler of strategy alignment emphasises the crucial role of the CEO in ensuring that the organisation’s strategies are effectively implemented and aligned with the overarching goals.

5.4.2. Strategy alignment initiated at the board level

The theme “strategy alignment initiated at the board level” refers to aligning the strategy of state-owned enterprises (SOEs) with their mandates, objectives, capabilities and government priorities. Strategic alignment starts with management, who develop a draft document that the board later reviews and approves. The board is critical in monitoring and ensuring alignment throughout the organisation. As the head of the organisation and the co-owner of the strategy with the board, the CEO has a key role in driving and implementing the strategy. The CEO’s responsibilities include aligning all departments and stakeholders with the strategy, reflecting on the strategy’s effectiveness, and making necessary adjustments. Strategy is considered a living document that requires regular review and adaptation. Enablers of strategic alignment include effective management, a proactive and strategic CEO, an engaged and supportive board, and the involvement of key stakeholders such as the chairperson and treasury. On the other hand, barriers to strategy alignment can include budget cuts, conflicts between the board and management, lack of board unity, short board tenures, political influences, and limited flexibility in salary structures and performance bonuses.

The participants’ responses regarding the theme of strategy alignment initiated at the board level highlight the importance of aligning the strategies of state-owned enterprises (SOEs) with their mandates, objectives, and government priorities. They emphasise the role of management, the board, and key stakeholders in driving and monitoring strategic alignment throughout the organisation. The participants also listed and discussed barriers

to alignment, such as budget cuts, conflicts between the board and management, and political influences.

Participant 17's response emphasises the need for strategy alignment with the entity's mandate and the objectives set by the government. They highlight that all role players and departments must align their strategies with the business's objectives. Participant 17, a Director, states,

"Strategy alignment occurs at various levels because when you develop a strategy for the entity, it must actually be aligned with the business unit, strategy objectives. It must also be aligned with the overall mandate of the board. And it must also be aligned with overall expectations and deliverables from the shareholder department. So, the annual performance plan essentially is a triparted relationship between a shareholder department, the board, and the executive. And it is at that level where you then be able to align these strategic deliverables of the entity, the APP, which is your operationalisation plan when you do a handshake when the CEO or entity does a handshake with the board. Also, that handshake is similar because the board is representing the executive authority. This is what you want, this is what your entity was meant for and we're confident in you that in these tactics through your APP, you will deliver the budget. Participant 17, Director"

Participant 6, a CEO, provides several insights into the theme. They stress that as a CEO, every action and decision should be aligned with the organisation's strategy. They also emphasise that strategy is a living document that requires regular review and adaptation. Participant 6 mentions that the board owns the strategy and is critical in ensuring alignment. They highlight the chairperson and managements' importance in monitoring alignment and addressing any conflicts or misalignments that may arise.

"As a CEO, every action and decision should be aligned with the organisation's strategy. Strategy is a living document that requires regular review and adaptation. The board owns the strategy and plays a critical role in ensuring alignment. The chairperson and management are responsible for monitoring alignment and addressing conflicts or misalignments. Participant 6, Chief Executive"

Participant 23 discusses the importance of strategic alignment and the board's role in formulating and reviewing the strategy. They highlight that the board's key responsibility is identifying priorities and strategic objectives. In the words of Participant 23, a Director,

"The role of the board, principally, they are strategy leaders. Is to craft and then adopt a strategy for the organisation, is also to review the risks now that would either affect the strategy or assist in terms of the strategy from an opportunity point of view, and even to map out what the risk appetite is going to be for that organisation. But they also must appoint, for example, the CEO, but also provide guidance in terms of how the people who are appointed or report to the CEO are supposed to be appointed, how they're going to be remunerated. And they also establish the governance in other words, the auditing and risk, the financing of the organisation. They would do that really through establishing board committees like your HR committee, I would say even corporate social investment committee for a specific organisation. They will look into the financial management of

the organisation. As well as really the performance overview of the organisation. But the board also liaises with the shareholder, the liaises with the MEC will represent the shareholder, but also in relation to other stakeholders that entity is responsible for. They have to map out really who their stakeholders are and how they manage varied interest of those stakeholders. Participant, Chief Executive”

Participant 12, a Director, emphasises the importance of strategy alignment at the board level. They believe it is the board member’s responsibility to align with the organisation’s vision. According to Participant 12, the board members have a broader perspective and understanding of the organisation’s strategic direction. They compare the CEO’s role to that of a secretary, suggesting that the CEO’s role is to effectively communicate and implement the thoughts and decisions of the board. This implies that the CEO translates the board’s collective thinking into coordinated actions.

“I believe strategy alignment should be done at board level. They’re the ones who need to align with the vision, the board members. The board has got a bigger picture, which the CEO puts into a frame. The CEO is like the secretary of a board. He presents our thoughts as the board, then that’s how we say that it’s not his thoughts, but it is put together and is a coordinated function. Participant 12, Director”

Participant 12’s viewpoint underscores the significance of the board in setting the strategic agenda and guiding the organisation’s activities. They acknowledge the board’s role as the driving force behind strategy alignment and highlight the CEO’s role in executing the board’s decisions. This perspective supports the notion that strategy alignment should originate from the board level and be effectively communicated and implemented throughout the organisation.

Participant 8, a Director, focuses on the potential barriers to strategy alignment, emphasising that conflicts between the board and management can hinder alignment. In addition, participants highlight the importance of continuity and stability, as frequent changes in the board or leadership can disrupt the alignment process. Political influences and changes in government administration are also identified as barriers to stability and alignment.

“Conflicts between the board and management can hinder alignment. Continuity and stability are important, as frequent changes in the board or leadership can disrupt the alignment process. Political influences and changes in government staff are barriers to stability and alignment. Participant 8, Director”

Overall, the participants' responses amplify the significance of strategy alignment initiated at the board level and the involvement of key stakeholders in driving and monitoring alignment. They also shed light on potential barriers to alignment, including conflicts, lack of continuity, political influences, and budget constraints.

5.5 SOE BOARD INFLUENCE ON STRATEGY ALIGNMENT WITHIN SOEs IN KZN

The study's second objective was to analyse the influence of state-owned enterprises' boards on strategy alignment within state-owned enterprises in KwaZulu-Natal, according to chief executives and board members of state-owned enterprises. This study's second objective is to reveal themes depicting how the SOE board influences alignment within SOEs in KZN. Therefore, the findings about these broad issues are presented in the sections below.

Three themes emerge from the study's responses that indicate SOE boards' influence on strategy alignment within the SOEs in KZN. These themes include oversight and continuous monitoring, board appointment processes, alignment with compliance and organisational goals, decision-making and stakeholder engagement. A board's role is to collaborate with executives in reviewing and finalising the strategy while ensuring alignment with government planning processes, and board members operate at a higher level than the CEO and the HODs in the organisational structure. The themes regarding the role of the SOE boards in strategy alignment are reported in Table 5.3.

5.5.1 Oversight and continuous monitoring

The theme of oversight and continuous monitoring by the board refers to the duties and responsibilities of the board to supervise, evaluate and ensure the effective management and performance of the organisation. This role involves monitoring the organisation's activities, strategic direction, and adherence to policies and regulations. The study participants describe the board's role as an oversight body that understands the organisation well and oversees and continuously monitors the business. The following section presents some participants' descriptions of the board's oversight and continuous monitoring role and its influence on SOEs in KZN.

Table 0.3: Themes on SOE Boards' Influence on Strategic Alignment within SOEs in KZN

<u>SOE boards' influence on strategy alignment in SOEs in KZN</u>	<u>Themes</u>
	Oversight and continuous monitoring.
	Alignment with compliance and the organisation's goals.
	Maintaining alignment with the stakeholders.
	Strategy formulation and approval.

Participants emphasise that the board's input is essential in aligning the strategy with government planning processes. The participants emphasise that the board's role in strategy alignment is to review and consider the drafts of the strategy, along with the executives, and collaborate to produce the final document. The strategy formulation process involves workshops or strategy sessions at the management level, followed by drafts that the executives fine-tune before reaching the board. Another participant put it as:

"At the management level then you would have the first draft of the strategy. After that, you must then have the executives fine-tune that. Once the executives are done, then it becomes the second draft, which must then go to the board. Then the board may consider it, then in terms of government planning processes. (Participant 15, Director)"

In addition, Participant 15 noted that the role of the board in strategy alignment within a public entity is to provide oversight and to set the policy and strategic direction of the entity and further states,

"The board is able to set its targets at the beginning of its term, and then be in a position to evaluate how far it has gone. At the end of a 12-month period and then see if that has been achieved. If not, work on that, and then set the way forward. And the officials do not go over and beyond, stick to your targets, and ensure that, which is important, you do not budget for a deficit, that is very important. (Participant 15, Director)"

The board plays a role in periodically reviewing and renewing the organisation's strategy, which ensures the strategy remains relevant and adaptable to changing market conditions and stakeholder expectations.

"The board holds meetings where the CEO presents the status report the entity. And then the board knowing and understanding the strategic direction of the entity will then, through these reports, be

able to see whether the CEO and the team are really moving in that direction. The board, of course, cannot be operational. There is always that line that the board cannot cross. If the board realises that no, there are shortcomings here or there, the board then has the responsibility to ensure that every unit within the entity is moving towards achievement of the strategy. So, for me, that will be the real main responsibility. (Participant 7, Director)”

A majority of participants highlight that the board plays a crucial role in monitoring performance and alignment through regular meetings, with one participant stating:

“The board members will come to meetings, which have even more time to engage on the documents. The board regularly meets to monitor and assess the performance and alignment of the entity with its strategic objectives. (Participant 6, Chief Executive)”

In addition, Participant 6 indicates that the board’s role is to oversee the alignment of strategies and objectives within the organisation. This participant states that the board is responsible for ensuring that the strategies of different departments and role players align with the entity’s overall strategy. The board monitors and oversees the CEO’s role in driving the strategy and ensuring its alignment throughout the organisation.

“It’s important that the strategies are aligned in terms of all the role players and all the objectives of the business. The CEO is a key person that is driving a strategy for the organisation; he reports to the board on the strategy where the organisation is at on the strategy. The board members will come to meetings, and have more time to engage on the documents. (Participant 6, Chief Executive)”

Another participant highlights that the board reviews reports presented by the CEO, which provide updates on the status and progress of the entity’s activities. Through these reports, the board assesses whether the CEO and the organisation are effectively implementing the aligned strategy, and the participant presents it as follows:

“They are meant to really to check exactly that performance against the strategy, develop the strategy, look at the strategy, you monitor it, report it, review it, et cetera. So, that’s, basically what it’s about, but I don’t think that we do that all the time. We get to be distracted and do a lot of many other things that are easier to do because look, developing strategy is not easy. If you want to put a strategy up and put a strategy where you, you spend time on, you know, when people that are religious say, we fast, go to the mountain. Actually, in the development of a strategy for any committed administrator and or board member is the kind of in you ought to do. You literally spend all of your time thinking about what is it that we are about? And how would we see when we’ve achieved that which we are about. What impact will it have in the lives of the people for whom we are doing what we are doing? Therefore, what must we do in order to achieve that. It cannot be a casual job that you do one afternoon between one and four o’clock, and then you go out have beers and whiskey and think you’ve done your job. But that’s how we perceive strategy, unfortunately. (Participant 7, Director)”

Participant 10 indicated that the board’s role is to provide governance, ensure proper structures, and make decisions based on information from the executive; in their words:

“The role of the board is to, obviously, on behalf of the executive the board is driving a strategy of the organisation of the SOE. You are not there full time because the management is there full time, but they’re providing that guidance to management, bringing those ideas in driving the organisation to the intended direction. There’s a strategy, you’re driving the strategy and you’re also responsible for governance. Remember a governance committee, you have to make sure things are done in terms of corporate governance. The policies, as a board, you are responsible for the policies of the organisation, basically, you provide leadership non-executive. Because we have got executive management. You are non-executive in your role, but providing the leadership to make sure the organisation going in the right direction. The board should make sure that there is proper governance, proper committees, proper structures, and the CEO who accounts to the board. (Participant 10, Director)”

Further, participants mention that the board conducts strategy workshops and annual monitoring to ensure alignment between the strategy and the organisation’s goals.

“We meet, we’ve got a strategy workshop we look at the alignment. That will be short-term; the strategy can be five years, but we have to monitor every year. (Participant 13, Director)”

Another participant explains that the CEO’s role is to implement the plans aligned with the strategy, as outlined in the Annual Performance Plans (APPs) and performance plans. The board monitors the implementation of these plans. The participant emphasises the collaborative nature of strategy alignment, where the board provides oversight through regular reports.

“Once we’ve developed a strategy, we also put together the performance plans that we are going to monitor or oversee as the board in terms of implementation. So, the role of the CEO is to implement the plans that are there in the APPs, which have been aligned with the provincial plan as well. Everyone, it’s a team effort. The CEO leads the team, and the team would have to do the work. The CEO monitors on behalf of the board; we then come and play oversight over the work that he would’ve done with his administration through these quarterly reports that they would do to the board. (Participant 14, Director)”

In addition, another participant asserted that the board’s influence on strategy alignment lies in its oversight role. The board ensures that the strategy aligns with the entity’s objectives, the interests of the shareholder department, and the overall deliverables of the entity. This oversight is facilitated through various board committees, such as finance, audit, Human Resources, and risk committees. The board’s responsibilities include reviewing and approving strategies, monitoring compliance, and ensuring the executive’s accountability.

“The board’s role is oversight, ensuring the executive is accountable and that the entity’s deliverables are realised. The oversight happens through committees such as finance, audit, HR, and risk committees. The board takes decisions in the best interest of the entity and its existence. (Participant 17, Director)”

Participant 18 maintains that the board holds the CEO accountable for strategy implementation. The board monitors progress through performance reviews, KPI assessments, and regular meetings. The board's role is to approve, ratify, and discuss strategic outputs, and they also ensure that the CEO can execute their duties.

"The board monitors the implementation through a scorecard system and key performance indicators (KPIs), which hold the CEO accountable. (Participant 18, Director)"

The board's role in strategy alignment includes setting targets, evaluating progress, providing oversight, ensuring financial sustainability, and aligning the CEO's and SOE's interests. However, barriers such as budget constraints, provincial treasury interference, and political interference can impede strategy alignment in public entities. The board's role in strategy alignment in SOEs involves defining objectives, aligning policies, overseeing management, conducting strategy sessions, maintaining alignment with shareholders, managing bureaucratic interference, ensuring long-term planning, and facilitating strategy renewal.

5.5.2 Theme on alignment with compliance and organisational goals

The theme of alignment with compliance and organisational goals emphasises the importance of ensuring that the strategies and actions of state-owned enterprises (SOEs) align with regulatory compliance and the organisation's overall objectives. Participants highlighted the role of the board in overseeing and facilitating this alignment. For instance, participants emphasised the need for compliance with regulations, such as the Companies Act, Public Finance Management Act (PFMA), King Code IV (2017) and industry-specific regulations. They stressed that board appointments should adhere to these regulations, and compliance matters should be addressed through consultations, public participation and stakeholder engagement. The organisation's success is seen as interconnected with compliance and industry changes. The section below presents the participants' responses that illustrate the above assertion.

A participant stresses that the board ensures the appointments are in sync and comply with the regulations in the selection process. The participant emphasises the need for independence and compliance with the Companies Act. Participant 8, a Director, expressed as below:

“And then we, obviously, have to have a consultative process with our shareholder which since we are owned by government, and that entity reports to the MEC, so we must do this consultative process because the Companies Act allows for it, but the consultative process is not a case of yes or no because they cannot tell us. But obviously would not want a situation whereby you are sitting at an AGM and then the shareholder says no, I do not know this person or I do not want this person. (Participant 8, Director)”

Participant 12, a Director, emphasises boards in SOEs ensuring compliance with industry regulations and seeking success for the organisation and industry players. Compliance matters and industry changes are addressed through consultations, public participation, and stakeholder engagement.

“We’ve got a lot of compliance matters that they need to give so that we keep up with the industry, and their success is our success. (Participant 12, Director)”

According to Participant 16, a Director, the board’s role in strategic alignment is to ensure that the state-owned enterprise (SOE) functions properly, adheres to legislation, and has necessary measures for its proper functioning.

“The role of the board is to ensure that the SOE functions properly, and that it has the necessary measures in place for it to function. Well, they work with the accounting officer, the CEO or the administrator. They also work with the subcommittees to ensure the proper function. It’s the institution itself, the MEC’s office and the director’s office. If there’s a director or the CEO, but all those stakeholders, they need to make sure that they are always appraised of what is going on. (Participant 16, Director)”

Participant 2, an SP2, states that the board is responsible for aligning policy decisions with the strategic direction of the SOE, which ensures that the organisation operates within the framework set by the strategy.

“Strategy alignment is a question of getting the board objectives correct, number one. Two, it could even be policy that needs to be aligned with the strategy basically looking at where you have implemented the strategy, where are we going? You can’t proceed with a misaligned situation where your stakeholders expect something different from what you are putting up, especially if you’ve got stakeholders and shareholders in the case of SOEs. (Participant 2, Director)”

Moreover, Participant 5, a CEO, highlights that the board’s role in strategic alignment in SOEs is to approve and align the organisation’s strategy, ensuring it is in line with the mandate and purpose of the organisation. Here are the direct quotes in support of this assertion.

“We normally look at the mandate of the organisation, then that informs the strategy of the organisation for the year. And then gets discussed, debated, and until it is approved by the executive authority, which is the board. The role of the CEO in my understanding is facilitating this strategic direction of the entity at the executive management level, senior management and middle

management level. So it helps us to direct the strategic alignment by management, both executive and middle management. (Participant 5, Chief Executive)”

Participant 6, a CEO, notes that the board plays a crucial role in ensuring that the entity’s strategy is aligned with its mandate and the objectives set by the government. According to Participant 6, the board oversee the alignment of strategies and objectives within and beyond the organisation.

“It’s important that the strategies aligned in terms of all the role players and all the objectives of the business. Is it aligned to its mandate? Is it aligned to the objectives that have been set by the government for the entity? (Participant 6, Chief Executive)”

Participant 12, a Director, hinted that the board is responsible for ensuring that the strategies of different departments and role players within the organisation are aligned with the overall strategy of the entity.

“The strategy of that entity actually has got to align with the bigger picture of where the stakeholder is going. That’s where you come in as board members to work out the way in which the vision of the entity is going to be aligned with the bigger vision and the mission. (Participant, Director)”

Other participants emphasises the importance of aligning the SOE’s strategy with the strategic documents and vision of the province and department. The board plays a role in ensuring this alignment; Participant 14, a Director, stated as follows:

“You would have to look into the provincial strategic documents. The so-called PGD provincial plans. And the vision of the province, also the vision of the department. In terms of its mandate, then align your strategy with that of the department. (Participant 14, Director)”

Participant 18, a Director, underscores that the strategy of an SOE should align with its mandate, which includes creating employment, contributing to the economy (GDP), and delivering services. The board plays a crucial role in ensuring that the strategy falls within this paradigm; they summed up their view as follows:

“The role of the board is to make sure that the mandate of the SOE is delivered, which includes employment creation, service delivery, and contribution to the GDP of the country. (Participant, Director)”

From the findings presented above, the conclusion is that the board plays a crucial role in ensuring alignment between various elements within state-owned enterprises (SOEs). This alignment includes compliance with regulations, strategic direction, organisational objectives, and stakeholder expectations.

5.5.3 Theme on maintaining alignment with the stakeholders

The theme of “maintaining alignment with the stakeholders” highlights the importance of stakeholder engagement in achieving strategy alignment within state-owned enterprises (SOEs). Participants emphasise the need for the board to engage with various stakeholders, including shareholders, staff, clients, government departments, legislative committees, traditional leaders, and the broader society. Stakeholder engagement is crucial for aligning the SOE’s strategy with the needs and expectations of various stakeholders. By involving stakeholders in the decision-making process, the board ensures that the organisation’s strategic direction considers their perspectives and addresses their concerns. This alignment is important for maintaining accountability, gaining support, and avoiding discrepancies between the organisation’s actions and stakeholder expectations. Below are examples that capture the essence of “maintaining alignment with the stakeholders”.

Participant 8, a Director, expressed the importance of engaging with stakeholders as meeting with stakeholders is critical to aligning the SOE strategy with the broader needs of the society. The participant identifies various stakeholders, including the shareholders (Department of Economic Development Tourism Environmental Affairs), staff, clients, legislative committees (portfolio committee and SCOPA), government departments (such as the Treasury), and traditional leaders. The participant desires to engage more with traditional leaders and the communities they represent.

“And then we obviously have to have a consultative process with our shareholder, which since we are owned by an entity and that entity reports to the MEC, so we must do this consultative process because the Companies Act allows for it but the consultative process is not a case of yes or no because they cannot tell us. But obviously would not want a situation whereby you are sitting at an AGM and then the shareholder says no, I do not know this person or I do not want this person.” (Participant 8, Director)

According to Participant 15, a Director, the board must keep various stakeholders apprised of the entity’s strategy and activities. These stakeholders include the executive, the MEC (Member of the Executive Council) responsible for oversight, players in the industry (such as gamblers), owners of the facilities, and the employees. Participant 15 stressed that stakeholders are apprised through various methods, such as meetings between the board chairman and the executive operator, stakeholder participation in audit

committees, internal communication with staff, and public participation meetings with external industry players. Personal visits, consultations, and participation in legislation changes are also mentioned as forms of stakeholder engagement.

Participant 15 accentuates the role of the board in engaging with the stakeholders that they report to as follows:

“At the top, it happens at the board level, but now in terms of legislation, SOEs are accountable to executive authorities, who will be your MEC in terms of the province or the Premier. But in some departments, heads of departments do not understand this; they tend to want to play a role when they should not because their role is to support the MEC. Not that the entities must report to them.(Participant 15, Director)”

Another participant emphasised that the board is responsible and accountable to various stakeholders and must keep them apprised of the institution's activities. The participant captures it as follows:

“Well, they work with the accounting officer, the CEO or the administrator. They also work with the subcommittees to ensure the proper function. It's the institution itself, the MEC's office and the director's office. If there's a director or the CEO, but all those stakeholders, they need to make sure that they are always apprised of what is going on. Because, at the end of the day, it's all about accountability. And also, because they're funders. (Participant 16, Director)”

Another participant states that the board ensures that the strategic objectives of the SOE align with the expectations and mandates of the shareholders. This alignment prevents discrepancies between the organisation's actions and the expectations of stakeholders and shareholders. The participants expressed their views as follows:

“You can't proceed with a misaligned situation where your stakeholders expect something different from what you are putting up. (Participant 2, Director)”

According to Participant 7, a Director, the board keeps various stakeholders apprised of the entity's activities and progress. These stakeholders include the private sector, tourism participants, municipalities, and the funding entity (shareholder). Participant 7 mentions,

“Our main responsibility is to market the province. Now if you're marketing the province, then you've got a number of stakeholders. Our shareholder is our number one stakeholder.(Participant 7, Director)”

Another participant asserts that the board should appraise the shareholder (MEC), the community, staff, and donors/sponsors to maintain strategy alignment. Furthermore, the participant mentions the importance of engaging these stakeholders. The MEC (Member

of the Executive Council) responsible for the entity's department has a role in aligning the strategy. Participant 10, a Director, explains as follows:

"Maybe with entities belonging to the government, it's different the board should be allowed to develop the strategy and then maybe check with the MEC responsible for that entity whether it is in line with the vision.(Participant 10, Director)"

Another participant states that the board engages with various stakeholders to maintain strategy alignment by inviting the government shareholder representatives to attend board meetings and involving auditors (internal and external) to ensure compliance with legislative frameworks and good governance practices. The Participant 11 notes,

"Stakeholders involved in maintaining strategy alignment include the government shareholder, auditors, and internal auditors who ensure compliance with relevant acts and guide the board.(Participant 11, Director)"

The findings above highlight that stakeholder engagement is vital to strategy alignment in SOEs, ensuring that the organisation's actions and objectives align with stakeholders' expectations, mandates and needs. It promotes transparency, accountability, and solid stakeholder relationships, contributing to the organisation's success.

5.5.4 The theme of strategy formulation and approval

The theme of "strategy formulation and approval" refers to the role played by the board in SOEs in KZN in formulating the strategy and the approval of the strategy. Participants highlight that the board plays a crucial role in developing and providing direction for the organisation's strategy, ensuring its alignment with the overall objectives and mandate of the entity. The board's responsibilities include approving the strategy, overseeing the implementation of the strategy, monitoring progress, and making decisions to keep the organisation on track. The essence of the theme is captured by the participants' responses below.

Participant 10, a Director, indicates that the board develops the strategy and guides its implementation in the SOEs. Participant 10 states,

"Once you talk of strategy, it means first it's up to the board members to develop the strategy. I would say it's not clear for all entities, but for most entities, ideally, it's a board that must develop a strategy, and the CEO, CFO, and executives should be involved. While the strategy is owned by the board, surely it must be implemented by the CEO and the board can only provide support and guidance and monitor whether it's being implemented effectively.(Participant 10, Director)"

Another participant asserts that the board approves and guides the entire strategy development and implementation process. Participant 6, a CEO, reflected as follows:

“The board will sit and look at a strategy. What are our priorities? What are the strategic objectives? The board is involved in the approval process of the strategy and provides guidance on the entity’s priorities and strategic objectives. (Participant 6, Chief Executive)”

Participant 8, a Director, emphasises that the board’s primary role is to provide direction to the entity and ensure it stays on course with its strategic objectives. The board members contribute their informed and independent perspectives to protect the integrity of the organisation and steer its activities, in the participant’s words:

“So our oversight role becomes a fuzzy operation because we need to really be hands-on. The questions that they ask there, the IT manager, IT committee Chairperson will need to provide clarity. So you can’t just say no, I’m just the chairperson it’s not in my duties to know that information, no we almost get operational rules, and I think, at some point, we really need to check ourselves because it’s such an intricate organisation, we really need to know what’s going on.(Participant 8, Director)”

According to Participant 12, A Director, the board’s key role in strategy alignment is to give direction to the entity and ensure that it stays on course with the established strategy. This participant emphasises that the board is responsible for aligning people with the strategy and ensuring that the entity’s actions are consistent with the strategic goals. This role is performed through continuous monitoring and decision-making during board meetings, where resolutions are passed to keep the entity on track. Participant 12 highlights the board’s responsibility to ensure the entity remains aligned with its purpose and stays on track, and in their words, relay the following:

“The board must give direction to the entity. Their main role is to make sure that the entity stays on course, always staying on course for what the entity is for.(Participant 12, Director)”

The above view is reinforced by another participant who states that the board is responsible for providing strategic direction and oversight to ensure that the entity executes its mandate in alignment with the strategy. Participant 7, a Director, mentions,

“The board provides strategic direction and oversight of everything that is happening within the entity to ensure that the entity is able to execute its mandate. (Participant 7, Director)”

Another participant states that the board is crucial for defining the organisation’s objectives and ensuring they align with the overall strategy. The board oversees the CEO

and ensures that the strategy is effectively implemented by providing the necessary resources and budget, summing the role up as

“The CEO is the link between the board and management. Strategy alignment is a question of getting the board objectives correct. The board also conducts regular reviews to assess the alignment of operations with the strategy. The board, along with senior executives and stakeholders, participates in strategy sessions where the strategic direction is discussed, formulated, and reviewed. These sessions involve collaboration and input from different levels of the organisation. (Participant 2, Director)”

According to Participant 5, a CEO, the board is the executive authority and plays a crucial role in approving and directing the organisation’s strategic alignment. They ensure that the strategy aligns with the organisation’s mandate and purpose. Here are some other relevant quotes from the provided conversation:

“To achieve the mandates that are assigned to the organisation by the provincial leadership in particular the NPI... is to achieve the purpose of the organisation as intended by the shareholders. The internal enablers will start from stability in the CEO’s office. And stability in the EXCO, I’m talking about the CEO as the head of EXCO then EXCO. So I’m separating you the two because, without a stable, efficient CEO, EXCO cannot be efficient because of stable leadership, stable EXCO, then stable ManCo, stable CEO. So it’s workshopping, clear communication of the strategy. Communicating the strategy, communicating in the case of the entity that I am currently serving. It’s the strategy that would inform or be informed by the APP, which is the annual performance plan. (Participant 5, Chief Executive)”

Participant 13, a Director, emphasises that the board drives the strategy alignment process and serves as the organisation’s foundation.

“Strategy alignment is the direction of the organisation. It’s driven by the board and then implemented by the CEO. So, for me, it’s the backbone of the organisation. (Participant 13, Director)”

Another participant describes creating a strategy, which includes conducting risk assessments. The board considers the risks and incorporates them into the strategic planning process.

“We normally start with the risk assessments because we’ve got to determine the risks that are there in the organisation in order for us to have a risk-driven strategy. It’s either you combine your planning for your risk assessment with the strategic planning or you can separate it. (Participant 14, Director)”

Participant 17, a Director, suggests that strategy development starts before the performance cycle or the financial year ends. Strategy development is a bottom-up approach driven by the CEO’s understanding of the entity’s challenges, goals, risks, and

mandate. Once the strategy is developed, it goes through the approval process involving the board and concurrent approval from the shareholder department.

“Ordinarily, the strategy should be developed from the bottom up. Then once the strategy has been developed, having taken all those things into consideration, it goes to the board for final consideration and approval.(Participant 17, Director)”

Participant 18, a Director, in agreement with the previous assertion, states that the board and the executive team formulate the strategy for the SOE. They review the current plan of medium-term and long-term goals to determine the business’s direction. Once formulated, the strategy is approved by the board.

“The board formulates the strategy, approves it, and guides its implementation through the CEO. The board members, including the CEO and CFO, go through a strategy session where they review the current plan, medium-term, and long-term plans to formulate the direction of the business.(Participant 18, Director)”

The board’s role in strategy formulation and approval encompasses developing the strategy, providing direction, overseeing implementation, monitoring progress, and ensuring alignment with the organisation’s objectives. The board collaborates with executive management through the CEO, conducts reviews, and makes decisions to steer the organisation towards its strategic goals.

5.6 CORPORATE GOVERNANCE RELATED ENABLERS OR BARRIERS OF STRATEGY ALIGNMENT WITHIN SOEs IN KZN

According to chief executives and board members, the fourth objective of the study was to examine the impact of performance management on strategy alignment within state-owned enterprises in KwaZulu-Natal.

Based on chief executives’ and board members’ views, the study revealed four critical corporate governance-related enablers and four themes on strategy alignment barriers within KZN’s SOEs. The key enablers include robust strategic planning and formulation processes, strong relationships with stakeholders, capacity enabling leadership and relevant expertise, financial resources, and effective corporate governance board committees. The key barriers include insufficient clarity regarding operational intricacies, influence from political and external sources, bureaucracy and legislative misalignment,

internal politics and misalignment between board and CEO, and resource constraints. The themes related to corporate governance are reported in Table 5.4.

Table 0.4: Themes on Corporate Governance-related Enablers of Strategy Alignment with SOEs in KZN

<u>Corporate governance-related enablers of strategy alignment within SOEs in KZN.</u>	<u>Themes</u>
	Robust strategic planning and formulation process
	Strong relationships with stakeholders
	Capacity enabling leadership and relevant expertise
	Financial resources
	Effective corporate governance
	Board committees and strategy alignment

5.6.1 Robust strategic planning and formulation process

The study findings reveal that clarity of the strategy during formulation is one key enabler of strategy alignment within SOEs in KZN. The theme “robust strategic planning and formulation process” refers to the importance of having a clear and well-defined process for developing and formulating a strategy within state-owned enterprises (SOEs). It emphasises the role of the CEO, board, and executive team in collaboratively crafting the strategy and ensuring alignment. Participants highlight the role of the CEO in facilitating strategy alignment through organising strategy sessions with the board. The CEO and executive team formulate the proposed strategy based on the inputs and challenges received during these sessions.

Participants highlight the role of the CEO in facilitating strategy alignment by organising strategy sessions with the board. This collaborative process ensures that the board understands and approves the strategy, fostering alignment. Participant 8, a Director, captures it as follows:

“So after that interactive session which can last a couple of days sometimes, the CEO becomes the enabler because from then on, he/she is the one that formulates the proposed strategy for approval with his team. (Participant 8, Director)”

Another participant concurs that a clear and well-defined strategy formulation process is essential for strategy alignment. This participant emphasises the importance of having a process that enables the organisation to determine its goals and objectives, understand the different parts of the organisation, and establish a coherent strategy. In his words, the participant states,

“Now, if you’re going to give me three years, it means half the time I must learn what the organisation is about. Just when I’m starting to actually put in place things in year two and year three, I must think about leaving. (Participant 24, Director)”

Participant 18, a Director, highlights that a well-defined and inclusive strategy development process is an enabler of strategy alignment. The involvement of board members, executives, and senior management in formulating the strategy ensures a shared understanding and commitment. Participant 18 explained as follows:

“The management takes a lead in developing the strategy, after which, once strategy is challenged and the board is satisfied, the board then approves the strategy for the CEO and executive management to implement. (Participant 18, Director)”

The participant perspectives captured above highlight the significance of a robust strategic planning and formulation process, which involves collaborative sessions, understanding the organisation’s complexities, and ensuring involvement from key stakeholders. The clarity of strategy formulation and objectives sets the solid foundation for strategy alignment within SOEs.

5.6.2 Strong relationships with stakeholders

The theme “strong relationships with stakeholders” emphasises the significance of building and nurturing positive and sustainable relationships to drive strategy alignment in state-owned enterprises (SOEs) in KZN. It underscores the importance of alignment between the CEO, board, political office bearers, and other external stakeholders in achieving strategy alignment within SOEs. This study reveals that forging and creating good and sustainable relations with SOE stakeholders is one driver for good strategy alignment. The participants suggest that when the CEO, the board, political office bearers and other external stakeholders are aligned, strategy alignment in the SOEs becomes easy and less strenuous.

Participant 8, a Director, emphasises the importance of building solid relationships with stakeholders, including shareholders (political principals) and the executive team. For this participant, a CEO with a good relationship with all stakeholders, including political principals and the board, creates an environment conducive to strategy alignment and organisational success.

“A CEO as an enabler needs to have a decent relationship with all stakeholders, namely, shareholders in a form of a political principal and obviously the people that you work with, you need to have a great relationship with your board and executive, otherwise, the entity is not going to succeed.(Participant 8, Director)”

Furthermore, Participant 6, a CEO, identifies excellent relationships and stakeholder support as great enablers of strategy alignment in SOEs. He explains as follows:

“If the shareholder is not really in support of what the entity is trying to do, no matter how good the strategy, it cannot be easily implemented.(Participant 6,Chief Executive)”

Participant 24, a Director, supports the notion of solid stakeholder relationships and argues that effective engagement with stakeholders enhances the alignment of the SOE’s vision or program to that of the stakeholder. In contrast, inadequate stakeholder engagement can lead to misalignment between the organisation’s goals and the needs of its stakeholders. Participant 24 explains as follows:

“The critical thing to look at first is what our mandate is and therefore who are we working for? The most important point for me is what is it that I’m delivering for the people for whom I am appointed? Stakeholder management means you look at each stakeholder and manage it accordingly.(Participant 24, Director)”

Participant 23, a Director, emphasises the importance of engaging with stakeholders, such as shareholders and parliamentary committees, to maintain strategy alignment. For Participant 23, regular communication and reporting ensure stakeholders are informed about the organisation’s activities and provide feedback to shape its direction.

“Shareholders and stakeholders are important as the way they receive your reports and even adopt the annual reports and disseminate those can create or destroy alignment. Since they play oversight in relation to how well you are functioning as an entity, it is important to keep them apprised of all developments.(Participant 23, Chief Executive)”

Participant 20, a director, emphasises the need to understand the objectives of the shareholder (government) under which the SOE falls. The SOE can ensure strategic

congruence for this participant by aligning with the shareholder's goals. Participant 20 explains,

"We must fully and comprehensively understand what is it that they are wanting to do as an SOE that fall under them. That's what I understand an alignment has to be. (Participant 20, Director)"

Another participant highlights that stakeholder consultation is a critical enabler. For this participant, engaging with various stakeholders, including the public, licensees and other relevant parties, helps to maintain strategy alignment by considering their perspectives and needs.

"We bring certain types of products to society, so we have to consult society. Then you have the licensees who are stakeholders, direct stakeholders, you have religious groups, then you have business people all of whom need to be managed carefully to maintain and sustain alignment. (Participant 19, Chief Executive)"

Participant 18, a Director, states that the alignment of the shareholder, in this case, the government, with the strategy of the SOE is a vital enabler; in the participant's words:

"The enablers are to have a shareholder who may have a representative on the board being aligned, attuned and alive to the strategy. (Participant 18, Director)"

The participants' perspectives highlight the significance of fostering strong relationships with stakeholders, including political office bearers, executives, shareholders, and other relevant parties. SOEs can enhance strategy alignment and overall performance by engaging with stakeholders, understanding their claim in the SOE, and ensuring their support and alignment with the organisation's strategy.

5.6.3 Theme on capacity enabling leadership and relevant expertise

The participant responses reveal that for effective strategy alignment, SOEs need skilled and capable personnel in the form of both board level and chief executive level including top management teams. Capacity enabling leadership refers to the ability of leaders to effectively manage and guide an organisation by leveraging their skills, knowledge, and experience as well as developing others. It encompasses the capacity to make informed decisions, communicate effectively, motivate teams, and drive strategic initiatives. Evidence from the participants shows that board members and CEOs with relevant skills are crucial for the effective operation of SOEs and, ultimately, strategy alignment.

SP8 mentions the importance of selecting board members with banking expertise and experience, given the nature of the organisation. Ensuring and enabling the board to have the right skills and knowledge enhances their ability to contribute to strategy alignment and oversight.

“My board, due to regulation by the Prudential Authority, it’s imperative that you have banking experience. So, our oversight role becomes a fuzzy operation because we need to really be hands-on. (Participant 8, Director)”

Participant 10, a Director, believes that the selection process and composition of the board are important for strategy alignment. Participant 10 mentions the need for a fair board selection process involving experts even if it is a politicians overall responsibility, saying,

“The process leading up to the appointment is a fair process, maybe the MEC is not capacitated, but it is his or her responsibility to make sure he gets someone to assist. Board appointment is a politician’s responsibility (Participant 10, Director)”

Another participant mentions the need for the right people in SOEs and their role in ensuring effective strategy alignment. For Participant 11, a Director, having a talented and skilled workforce enables the organisation to align strategy, which involves recruiting, developing and retaining employees with the expertise and capabilities required for strategy execution.

“Right people with good skills to execute the strategy. Good leadership to execute the strategy is key to align and re-align activities, plans and actions. As times, political administration and the environment changes, people with right capabilities are helpful in adapting to new changes in political direction and system for example when a new MEC introduces new directions ”.(Participant 11, Director)”

Participant 12, a Director, mentions that having the right people with the necessary skills and commitment is crucial for adaptive as well as proactive strategy alignment. The barrier of emphasizing more on political rather than technical expertise and experience highlights the importance of having competent individuals who can effectively drive and implement the strategy; as Participant 12 states,

“The availability of the right people to drive the entity, in terms of skills and commitment, that’s what I mean. Competent people can sense the future and reflect on the past to use hindsight and drill implementation diligently which speaks to day-to-day operational realities (Participant 12, Director)”

Participant 24, a Director, supports the notion of efficient board members where he reasoned that effective board selection and composition are crucial to effective strategy alignment. It is essential to select board members based on their expertise, skills, and suitability for the position. The participant mentions that boards should consist of sector and industry specialists who can contribute effectively to strategy alignment. Participant 24 explains,

“In the main, its proximity to power. we are not going to go out and look for people that are most effective and efficient. The running of boards has not been made attractive enough for real quality people. We would need to do a lot of restructuring of the way we are thinking about how we do the boards and ensure that we really go out and find quality.” (Participant 24, Director)”

Furthermore, another participant emphasises the significance of skills development and learning from successful private sector boards. By acquiring knowledge and exposing board members to best practices, organisations can enhance their governance capabilities and improve strategy alignment.

“You go and say, we want to visit a private sector board that is known for achieving great things in terms of governance; go and learn there. What are they doing? (Participant 23, Chief Executive)”

Participant 18, a Director, states that having a competent and qualified board is essential for strategy alignment. Board members should possess the necessary skills and expertise to guide and support the CEO in implementing the strategy. The participant highlighted the importance of board members' qualifications, stating,

“We need someone with a strong IT, someone who's got a legal background, someone who has general management skills in their overview and who could contribute to the bottom line and the top line of the business.” (Participant 18, Director)”

The responses from participants underscore the significance of selecting board members with relevant expertise and skills and ensuring a fair selection process. The right people with the necessary skills, commitment, and qualifications are crucial for strategy alignment and successful implementation. The participants emphasise the need for sector and industry specialists on the board, skill development and learning from successful private sector boards, and a competent and qualified board to guide and support the CEO in executing the strategy. Overall, capacity enabling leadership and relevant expertise are vital enablers of strategy alignment in SOEs.

5.6.4 Theme on effective corporate governance

The theme of effective corporate governance highlights its crucial role in promoting strategy alignment within state-owned enterprises (SOEs) in KZN. Participants emphasise that effective corporate governance practices guide how entities should be directed and controlled, ensuring that strategies are set and evaluated appropriately. Compliance with corporate governance principles and standards is essential for maintaining order, enhancing value, managing risks, and safeguarding the organisation's reputation. Adopting corporate governance principles, such as those outlined in the King Code IV and compliance with statutory regulations, such as the PFMA and Companies Act, are essential for promoting strategy alignment. Performance management processes, including financial audits and performance assessments, are effective tools for promoting accountability and ensuring alignment with strategic objectives. Below are some highlights of participants' responses.

The participant emphasises the importance of effective corporate governance in promoting strategy alignment. Corporate governance practices guide how entities should be managed, from setting strategy to evaluating effectiveness. Compliance with corporate governance principles and standards helps create order, enhance value, manage risks, and maintain the organisation's reputation. Participant 23, a CEO, states,

"It's a business imperative. Board skills are important in relating with diverse stakeholders, fellow board members, the CEO, staff and citizens. You can't manage yourself unless you are governing properly. (Participant 23, Chief Executive)"

Participant 19, a CEO, highlights that the adoption of corporate governance principles has a positive effect on strategy alignment. For this participant, SOEs can promote strategy alignment by adopting corporate governance principles, such as those outlined in the King Code, and complying with relevant statutory regulations.

"We have adopted the principles of King Code IV, and we comply with PFMA because it's statutory but as a principle, we do. These days the media and pressure groups are watchdogs of what we do all the time checking whether we are doing right, ethical and responsible things (Participant 19, Director)"

Further, Participant 19, a CEO, highlights that performance management processes and techniques, including financial audits and performance assessments, promote

accountability and help ensure that the organisation remains aligned with its strategic objectives and stakeholder expectations.

“The audit outcomes and the controls; the auditors come and they audit the performance as well as robust implementation to business objectives. Government, parliament and citizens expect us to deliver efficient and effective services. The audit reports exposes us, so we try to be careful (Participant 19, Director)”

Another participant emphasises that establishing performance management systems and holding key individuals accountable for strategy implementation are enablers, enforcing and monitoring tools of both outcomes of alignment as well as alignment as an ongoing process subject to annual evaluation. Participant 18, a Director, mentioned,

“The CEO has what we call a PMC, performance management contract, to which then the CEO is held accountable to on an annual basis in line with the outputs of the strategy. The fact that the contract is there with set performance expectations for self-checking time and again, but also board at some point is a control of output. This on its own is a source of pressure on CEOs to align to strategic objectives and expectations of the board and government agenda (Participant 18, Director)”

In closing, the participants' responses above show that effective corporate governance practices, performance control and monitoring tools are crucial for promoting strategy alignment and ensuring the successful implementation of strategies within SOEs.

5.6.5 Theme on board committees and strategy alignment

The theme of board committees and strategy alignment highlights committees' crucial role in ensuring organisational alignment. Participants emphasise that board committees delve into strategy implementation's details and operational aspects, complementing the board's focus on long-term strategy. These committees are composed of experts in specific areas and are responsible for addressing key aspects related to governance, strategy, finance, audit and risk management. SOEs can ensure effective governance and support strategy alignment by having well-structured and well-defined committees. Board committees provide a platform for in-depth discussions and reviews, allowing for thorough examination of specific issues and alignment with the organisation's goals. Regular meetings and activities these committees plan to contribute to strategy alignment by addressing specific focus areas and ensuring ongoing review and alignment with the board's expectations. Below are some thoughts from the participants.

Participant 11, a Director, highlighted the importance of functioning board committees and their influence in ensuring organisational alignment. Board committees play a crucial role in strategy alignment by delving into the details and operational aspects, complementing the board's focus on long-term strategy.

"The board committees deal with details more than the board because the board looks at the long-term feature but the committees go and look at the operational details and constraints within the organisation. (Participant 11, Director)"

Another participant emphasises that board committees are crucial in alignment as there are experts in specific areas, and committees are often composed of experts.

"Yes, I've experienced that a lot of times, you know, the good thing is that the board also works with sub-committees. Sub-committees consist of experts in those particular things, so they will clear most of items by the time they reach the board. There are structures within the entity, like I said, the board will have its own subcommittees, social and ethics committees. And the number of other committees like audit committee because through all these committees you are pushing down transparency. Social and ethics are the owners of the process, but the process must cut across the organisation. Being ethical must be something that will live in the organisation. So how it is to make corporate governance become everybody's business is through the structures, all the structures. It's through the management committees themselves and the organisation of labour, the organised labour. Everybody knows that we are running this ethical program through the labour forums that they sit in, et cetera. So, the buy-in of the labour union structures is key again for corporate governance. (Participant 12, Director)"

Similarly, another participant acknowledges the role of board committees in promoting strategy alignment. For this participant, by establishing committees focused on governance, strategy, finance, audit, and risk, an organisation can ensure that key aspects of strategy implementation are thoroughly addressed. Participant 24, a Director, suggests that if these committees are staffed with resourceful individuals and fulfil their mandates diligently, they contribute positively to strategy alignment.

"In reality, the board itself is a structure for approval and determination of what needs to be done, but do so through its own committees which are armed to perform the task diligently. If you have those committees and you staff them correctly, and you keep them unto their mandate, and they perform them well, and you get the right people in there, with the right mind, heart at the right places, properly competent and qualified, the committees ensure that governance and strategy alignment is attained. (Participant 24, Director)"

Participant 11, a Director, states that the committees deal with many specialised issues, and they are critical in strategic alignment because they are composed of individuals who are experts. Participant 11 explains,

“The board committees deal with details more than the board because the board looks at the long-term feature, but the committees go and look at the details of the document.(Participant 11, Director)”

Most participants assert that well-structured and well-defined board committees contribute to effective governance and support strategy alignment by focusing on specific areas such as auditing, risk management, sector of the SOEs operations and finance. Participant 23, a CEO, summarised as follows:

“Board committee’s composition are reviewed on a continuous basis, at least annually; we are able to go back and say the terms of reference for this or that particular committee are consistent with what the board is expecting.(Participant 23, Chief Executive)”

Another participant emphasises the importance of board committees and committee plans. For this participant, board committees can contribute to strategy alignment by addressing specific focus areas and regularly discussing relevant issues through planned meetings and activities.

“We have what you call a board plan and a committee plan. Every committee has got a term of reference as well as a board plan. (Director, Participant 19)”

Put together, the findings captured above underscore the importance of committees in strategy alignment. The involvement and expertise of board committees significantly contribute to implementing and aligning strategies within organisations.

Furthermore, participants highlighted different themes associated with barriers to corporate governance and strategy alignment. The barriers related to corporate governance are reported in Table 5.5.

5.6.6 Theme on insufficient clarity regarding operational intricacies

The study findings show that one of the barriers is the lack of alignment between the SOEs’ daily operations and the SOEs’ board. Participants expressed the view that there is a situation where the oversight authority, such as the board, does not possess a comprehensive understanding of the operational aspects of the SOEs. Such misalignment creates a barrier to strategy alignment because the board may not be unable to meaningful challenge or assess the key performance indicators (KIPIs) proposed by the CEO.

Table 0.5: Themes on Corporate Governance-related Barriers of Strategy Alignment within SOEs in KZN

<u>Corporate governance-related barriers of strategy alignment within SOEs in KZN.</u>	<u>Themes</u>
	Insufficient clarity regarding operational intricacies
	Influence from political and external sources
	Bureaucracy and legislative misalignment
	Internal politics and misalignment between Board and CEO
	Resource constraints

Some participants emphasised that, at times, the board is not abreast with the daily operations of the SOEs, which is a problem for their oversight and monitoring role. The responses below by Participant 8, a Director:

“In most cases, we do not approve, but then obviously, it’s then their job to look at themselves in the mirror and basically determine whether these KPAs are actually things that can be reached. We do have a problem that sometimes where we find that some of the KPIs are quite low, but then you find that sometimes we do not have a clear picture because, as an oversight authority, we do not understand fully the operational matters.” (Participant 8, Director)”

According to Participant 7, a Director, the challenge to strategy alignment in SOEs is the lack of board-executive alignment. To illustrate, the participant states that one challenge arises when the board and the entity’s executive are not on the same page regarding the strategy. Participant 7 states,

“When the board and the executive of the entity are not really reading from the same page... if the board has not bought into the strategy of the entity.” (Participant 7, Director)”

Another participant identified the lack of alignment between CEO and SOE interests as a barrier to strategy alignment. For this participant,

“Unlike in the private sector, where CEOs’ interests are aligned with the organisation’s interests through incentives like shares or bonuses, in SOEs, there are no such mechanisms to ensure alignment. (Participant 19, Chief Executive)”

Participants’ responses, as captured above, highlight the barrier to strategy alignment caused by a lack of alignment between the daily operations of SOEs and the board.

Participants express concerns about the oversight authority's limited understanding of the operational aspects of the organisation, which hinders their ability to effectively challenge and assess key performance indicators proposed by the CEO. This misalignment poses challenges to strategy alignment because the board may not have a comprehensive picture of the operational matters, leading to potential gaps in understanding and decision-making.

5.6.7 Theme on influence from political environment and external sources

Findings from this study reveal that political and external interferences often hamper good corporate governance in the SOEs. Participants in this study state that politicians and principals of the SOE departments often influence the CEOs and the board's decisions, particularly appointment processes. This sort of interference creates a barrier to strategy alignment and ultimately undermines the board's authority, leading to the appointment of unsuitable candidates.

Another participant states that the CEO needs to understand and resist external interference because the board appoints them. The participant words are:

"The CEO has to understand that he or she was appointed by the Board, so they officially report to the Board and no other person they may have some relationship with. The first lesson would be interference. (Participant 8, Director)"

Regarding barriers to strategy alignment, participants state that political interference is a massive barrier to strategy alignment. They mention instances where the political authority or MECs issue instructions they do not have the authority to give, such as removing the CEO. They state,

"Most entities have legislation that establishes them. According to legislation, in all of them, it is stipulated that the board is responsible for CEO appointments but must have concurrence of the MEC selection. (Participant 15, Director)"

The participant further bemoans the Treasury's interference. This participant mentions that austerity measures are often applied across the board without considering specific priority areas and the impact on the entity. They state,

"Say, for instance, if they decide that they're going to cut 7% across the board, each accounting authority will see how it reorganises the budget. They issue instructions and just direct that out of nowhere. For instance, for purposes of procurement, you must have treasury approval. Now, you

begin to ask yourself whether they are second-guessing the supply chain management processes that entities have in place. (Participant 15, Director)”

In addition, Participant 10 emphasises the impact of political government changes on the strategy and alignment in SOEs. The participant explains it as follows,

“One barrier in terms of how this is being implemented is the change of leadership in terms of the shareholders at the political level, the issue of capacity and the issue of finances .(Participant 10, Director)”

The change in political leadership and its influence on the functioning of SOEs can lead to disruptions, conflicts, and a lack of continuity in implementing strategies. In the words of Participant 24, a Director:

“There’s a massive slow down and there’s a massive bickering between the shareholder, the executive authority, and the administration. There’s defiance of the shareholder in the last nine months because people are talking, [vele] they won’t be here anymore. You lose the continuity, this stability, that you require to run institutions.(Participant 24, Director)”

The majority of participants state that the political environment may have an adverse influence on strategy alignment. A participant expressed that changes in political leadership and differing visions can disrupt the alignment process, causing challenges in implementing the organisation’s strategy. In the participant’s words:

“You have new MECs that are coming with new visions, and while you are busy trying to make sure that you align the organisation to what the MEC is doing, then there are new changes in terms of the political leadership, and then somebody else comes with an entirely different philosophy and expectations. (Participant 23, Chief Executive).

Another participant decries politicians’ influence on the selection of the board members. For this participant, the selection of board members in SOEs is influenced by political considerations rather than their alignment with the organisation’s strategy, leading to a lack of strategic expertise on the board. The participant explains as follows:

“The boards are selected by the political principles. If it aligns with the SOE strategy, it’s more coincidence than what the aim was. (Participant 19,Chief Executive)”

The above findings reveal that political and external interferences often hinder good corporate governance in SOEs. Participants highlight the influence of politicians and principals on the decision-making processes of the CEOs and the board, particularly during the appointment processes. This interference creates a barrier to strategy alignment and undermines the board’s authority. The study identifies political interference as a significant challenge, with politicians issuing instructions outside their authority and

imposing austerity measures without considering the specific priorities and impact on the entity. Political changes in government leadership are also highlighted as barriers to strategy alignment, leading to disruptions, conflicts, and a lack of continuity in implementing strategies. In addition, participants express concerns about the influence of politicians on the selection of board members, which may prioritise political considerations over alignment with the organisation's strategy. These findings underscore the importance of mitigating political interference to ensure effective corporate governance and strategy alignment in SOEs.

5.6.8 Theme on bureaucracy and legislative misalignment

The findings from this study show that bureaucracy and some legislative constraints are other barriers to good corporate governance and impact strategy alignment in SOEs in KZN. These barriers can hinder effective strategy implementation and alignment between the board and the CEO/executive team.

Most participants highlight the challenges posed by regulatory and legislative frameworks, such as the lengthy verification process with the Prudential Authority and the Public Finance Management Act (PFMA). These bureaucratic processes and legal requirements can delay decision-making, hinder agility, and limit the ability of the organisation to seize opportunities.

"The bureaucracy that happens at the Prudential Authority takes forever. We cannot raise funds unless we get permission from the treasury, particularly the National Treasury, and that will be a long process on its own. SCM process obviously being a bank needs to happen quickly, but they don't, and these are the things we miss opportunities because our peers are corporate banks. (Participant 8, Director)"

Another participant asserted that legislative barriers can arise when the legislation does not align with what the entity is supposed to do, hindering the implementation of the strategy. Participant 7, a Director, gives an example related to transformation:

"The legislation will say one thing, but when we are supposed to really implement, you realise that it's just not easy at all; it makes it difficult. (Participant 7, Director)"

Participant 11, a Director, states that legislation is a potential barrier to strategy alignment. For Participant 11, legislation that relates to the introduction of new requirements or that comes with new costs often creates challenges for SOEs in aligning their strategies.

Compliance with complex and costly regulations forces SOE leadership to divert resources and impede strategic decision-making. They state that:

“Legislation can be a barrier because it can be expensive. Government can develop new legislation that says invest in new technology, which can be a barrier to business.(Participant 11, Director)”

Other participants regret the limitations in using policies and regulations effectively as it has led to the pitfalls of misalignment in SOEs. For SP24, policies and regulations like the PFMA and King IV do not always serve the organisation’s goals and benefit stakeholders. There is a need for customisation and flexibility in their implementation to promote agility and alignment with strategic objectives. Participant 24, a Director, says,

“I don’t think they are adequately used for what they were intended for. They are being used to safeguard and look after personal interest. These two instruments are not used for the impact; they are used to advance personal interests. The implementation in the environment should be customised and allow for sufficient flexibility and agility.(Participant 24, Director)”

Participant 20, a CEO, highlights the importance of aligning SOE strategies with the government’s broader strategies. For Participant 20, failure to ensure alignment from the top down affects alignment, while alignment with broader government strategies enables a cohesive approach and shared priorities.

“There should be an alignment between all the strategies of government. It should start from the top ... It has to filter down to the governmental departments further more to the SOEs or public entities.(Participant 20, Director)”

Furthermore, according to Participant 20, good corporate governance promotes strategy alignment by ensuring compliance with laws, regulations, and guidelines. Lack of adherence to governance principles can be a barrier to strategy alignment.

“Good governance does help for any organisation, entity, or department to be doing things in accordance with the law. These helps give a structure on how things should be done.(Participant 20, Director)”

Participant 19, a CEO, argues that outdated laws and policies make it difficult for SOEs to be agile and adapt to changing market conditions. In the participant’s words:

“We’ve got legislation that was written in 1870, something, but because it’s the law. You just have to do it, and then you can’t change it. (Participant 19, Chief Executive)”

The participant bemoans the bureaucratic processes and multiple levels of approval required in SOEs, such as obtaining approvals from the Premier, MEC, and Treasury, creating delays and hindering strategic decision-making.

"It can take up to 10 years because it's an SOE. You have to change the law so you can become agile because everything we do is defined by statutes, policies, law.(Participant 10, Director)"

The findings above reveal that bureaucracy and legislative misalignment are significant barriers to good corporate governance and strategy alignment in SOEs in KZN. Bureaucratic processes, such as lengthy verification and approval procedures, can impede decision-making and hinder the organisation's agility. Legislative constraints, including outdated laws and regulations that do not align with the entity's objectives, create challenges in implementing the strategy. Compliance with complex and costly regulations diverts resources and hampers strategic decision-making. Participants highlight the need for customised and flexible implementation of policies and regulations to promote alignment and agility. In addition, multiple levels of approval and bureaucratic processes contribute to delays and hinder strategic decision-making in SOEs. The study emphasises the importance of aligning the strategies of SOEs with broader government strategies to ensure a cohesive approach and shared priorities. Addressing bureaucracy and legislative misalignment is crucial for enhancing corporate governance and promoting SOE strategy alignment.

5.6.9 Theme on internal politics and misalignment between board and CEO

Findings from this study show that internal politics and lack of teamwork, particularly between the CEO and the board, often affect strategy implementation with SOEs in KZN. According to the participants, there is often a lack of alignment between the CEO and the board regarding SOE's vision and direction; such internal politics and lack of teamwork hampers strategy alignment.

Participant 8, a Director, emphasises that lack of respect and cooperation between the CEO and the board is a barrier to strategy alignment that affects most KZN SOEs. According to the participant:

“The CEO has to understand that he or she was appointed by the Board, so they officially report to the Board and no other person they may have some relationship with. The first lesson would be interference.(Participant 8, Director)”

According to Participant 7, a Director, internal politics and a lack of teamwork within the entity can make it difficult for the CEO to implement the strategy effectively. Participant 7 mentions,

“If there is no team within the entity, those things can make it really difficult for the CEO to implement the strategy because it means internal people are just pulling in different directions.(Participant 7, Director)”

Another participant identifies a non-cohesive board as a potential barrier. For Participant 11, a Director, a lack of collaboration, unity, and effective communication among board members can hinder the alignment of strategies. Board members play a crucial role in setting the strategic direction of an organisation, and their ability to work together harmoniously is vital for successful strategy execution. Participant 11 states,

“A board that is not working together can be a barrier.(Participant 11, Director)”

A similar observation was mentioned by another participant who identified hostile relationships and lack of alignment within the organisation as a barrier to strategic alignment. For Participant 24, a Director, when there is friction and animosity among key stakeholders, it becomes difficult to work together effectively and achieve the desired goals. Participant 24 explains:

“If, as a CEO, you are going to immediately have a hostile board towards you, you’re not going to achieve what you want to achieve. If, as a board, you have a hostile relationship with the shareholder, as a chairperson of the board, then certainly you are already on the collision course. We are not focusing on the things we should be focusing on.(Participant 24, Director)”

Participant 12, a Director, identifies attitude and the lack of buy-in at all levels as a significant barrier to strategy alignment, which refers to ensuring that all organisational stakeholders understand and support the strategy. As Participant 12 states,

“Attitude, the first thing which will be the buy-in. If it’s a lacking the buy-in at all levels in stakeholders.(Participant 12, Director)”

Another participant states that the misalignment between the board and the CEO is a stumbling block to strategy alignment. For Participant 23, a CEO, if the board is an impediment when it tries to micromanage the CEO, it hampers the CEO's ability to

implement the strategy effectively, which can occur when board members overreach their authority or become influenced by the CEO's actions, even if they are detrimental to the organisation. SP23 explains,

"They become actually influenced by what the CEO is doing, whether it is good or bad, for as long as the CEO has said something, everybody works along that line.(Participant 23, Chief Executive)"

Participant 18, a Director, highlights the significance of buy-in in strategy. For this participant, the lack of buy-in is detrimental to the strategy alignment, while buy-ins are a positive vehicle for strategy alignment.

"The buy-in from the executive and management in the form of KPIs and key performance areas holding them accountable promotes strategy alignment.(Participant 18, Director)"

Overall, the findings above reveal that internal politics and misalignment between the board and the CEO are significant barriers to strategy alignment in SOEs in KZN. Participants highlight the lack of respect, cooperation, and teamwork between the CEO and the board as detrimental to strategy alignment. Internal politics, such as conflicting interests and lack of collaboration within the organisation, hinder the implementation of the strategy. A non-cohesive board and hostile relationships among key stakeholders also contribute to misalignment and hinder strategic alignment. Attitude and the lack of buy-in at all organisational levels are significant barriers. Decision-making and strategy implementation becomes challenging when the board and the CEO are not aligned. In addition, the micromanagement of the CEO by the board and the influence of the CEO's actions on board members can impede effective strategy execution. Buy-in from all stakeholders, including the executive team and management, is crucial for strategy alignment. Overcoming internal politics and fostering collaboration, respect, and buy-in are essential for improving strategy alignment in SOEs.

5.6.10 Theme on resource constraints

The theme of resource constraints in SOEs highlights the impact of insufficient funding and limited resources on strategy alignment. Participants in the study emphasise that a lack of financial resources can be a significant barrier to implementing strategic initiatives. Insufficient funds can restrict resource allocation, hinder investment in key projects, and limit the organisation's capacity to pursue its strategic objectives effectively such as

recruiting top talent timeously. Previous unsuccessful investments can also create financial burdens and risk aversion, further impeding strategy alignment. In addition to financial constraints, participants mention other resource limitations, such as human and technological resources, which can hinder strategy execution. The scarcity of resources requires organisations to find ways to do more with less and creatively address resource constraints. Overcoming resource constraints and securing adequate funding are essential for supporting strategy alignment and enabling SOEs to achieve their strategic goals—the responses from the participants captured below help to illustrate the essence of the theme on resource constraints.

Participant 11, a Director, identifies limited financial resources as a barrier to strategy alignment. Participant 11 mentions,

“Funds that are not available can be a barrier; insufficient funding can impede an SOE’s ability to implement strategic initiatives. It may restrict the allocation of resources, hinder investment in key projects, and limit the organisation’s capacity to pursue its desired strategic outcomes.(Participant 11, Director)”

Another participant acknowledges the impact of past unsuccessful investments as a potential barrier. Participant 10, a Director, states,

“Previous investments that didn’t go well can be a barrier. Failed investments can have lasting effects on an organisation, such as financial burdens, risk aversion, and reduced confidence in pursuing new strategic initiatives.(Participant 10, Director)”

Participant 12, a Director, identifies finances as a barrier to strategy alignment, which refers to limitations in budget allocation and resource availability, which can hinder the implementation of strategic initiatives; as Participant 12 states,

“It will be the factors that you have not considered, unforeseen circumstances. It will be the budget to finance the strategy.(Participant 12, Director)”

Another participant highlights the barrier of insufficient funding, which hampers the implementation of the strategy and limits the organisation’s ability to achieve its objectives.

“The most very crippling and highly disturbing factor for us to be unable to fully implement our strategy is lack of funding. We suffer ramification of budget cuts year in, year out. (Participant 20, Chief Executive)”

Another participant states that insufficient resources, such as financial, human, or technological resources, can act as a barrier to strategy alignment. Without adequate resources, it becomes challenging to implement the strategy effectively and achieve the desired outcomes. Participant 18, a Director, acknowledged the resource challenges, stating,

“Resources are always a constraint. How do you do more with less?(Participant 18, Director)

The findings of resource constraints in SOEs highlight the impact of insufficient funding and limited resources on strategy alignment. Participants in the study emphasise that a lack of financial resources can be a significant barrier to implementing strategic initiatives, restricting resource allocation and hindering investment in critical projects. Previous unsuccessful investments can create financial burdens and risk aversion, further impeding strategy alignment. In addition, inadequate resources, including human and technological resources, can impede strategy execution. Overcoming resource constraints and securing adequate funding are essential for supporting strategy alignment and enabling SOEs to achieve their strategic goals.

5.7 IMPACT OF PERFORMANCE MANAGEMENT ON STRATEGY ALIGNMENT WITHIN SOEs IN KZN

This study's fourth objective reveals how performance management supports and impedes strategy alignment with SOEs in KZN. Therefore, the findings about these broad issues are presented in the two sections below.

5.7.1 Performance management factors support strategy alignment within SOEs in KZN

Two themes emerged from the data, showing how performance management as a monitoring tool supports strategy alignment within SOEs in KZN, via performance agreements, periodic review and APP to track and evaluate individual, organisational and board level performance. These factors are indicated in Table 5.6.

Table 0.6: Themes on how Performance Management Support Strategy Alignment within SOEs in KZN

<u>The performance management factors that support strategy alignment within SOEs in KZN.</u>	<u>Themes</u>
	Performance Management as a Monitoring Tool
	Performance Agreements and reviews

5.7.2 Theme on performance management as a monitoring tool

The theme of performance management as a monitoring tool highlights the role of performance management in monitoring and aligning individual and organisational performance with strategic goals. Participants emphasise the importance of continuous feedback, development, and regular assessments in performance management. It helps individuals recognise their strengths and weaknesses, align their skills with the organisation's needs, and address shortcomings. The mechanisms used for performance management in SOEs in Kwazulu Natal also involves using scorecards and annual plans to measure performance and ensure alignment with the overall strategy. At the board level, independent performance evaluation facilitates monitoring and evaluating of board members, promoting of accountability and effective governance to control the SOEs in Kwazulu Natal. Performance management also motivates by recognising outstanding achievements and incentivising individuals to work towards organisational goals. Regular performance monitoring allows for ongoing tracking of progress, timely adjustments, and celebrating positive performance.

Participant 8, a Director, highlights the importance of continuous feedback and development in performance management. This participant emphasises the value of regular assessments in providing individuals with insights into their strengths and weaknesses. By fostering ongoing learning and development, performance management helps individuals align their skills and competencies with the organisation's strategic needs. They express,

"I mean if there was a way, I'd do it every single quarter. Just for a person to be able to understand, this is my shortfall, particularly if it's a person that is actually looking and wanting to grow. (Participant 8, Director)"

Another participant underscores how performance management helps identify individual shortcomings to which individuals may be oblivious. By bringing these deficiencies to light, performance management enables individuals to recognise and address their weaknesses, thus aligning their actions with the organisation's strategy. SP9 states,

"I think in our case; performance management has worked quite better for the executive. It assists in somehow highlighting shortfalls that can be there, but maybe the individual responsible is not aware of it. (Participant 9, Director)"

According to Participant 12, a Director, performance management supports strategy alignment by providing a system for managing performance and defining measurements. The participant discusses using scorecards and annual performance plans (APPs) to measure performance. While APPs may be derived from the organisation's strategy, scorecards are seen as a significant element and more effective in linking everyone to their specific key performance indicators (KPIs) and targets. This highlights how performance management, through scorecards and APPs, ensures that individual and enterprise performance is aligned with the overall strategy. Participant 12 states,

"Performance management is a system of managing performance ability. There's a belief that you can manage what you can measure. (Participant 12, Director)"

Another participant highlights the role of performance management in monitoring day-to-day operations and evaluating alignment with strategic goals. For this participant, proactive monitoring facilitates strategic alignment by ensuring actions align with the organisation's intended direction. Participant 15, a Director, explains,

"Performance management begins to monitor the day-to-day operations and at the same time, evaluates whether or not the entity is on track. (Participant 15, Director)"

Another participant highlights the importance of assessing performance regularly. This involves employee self-assessment and line manager assessment, considering the portfolio of evidence (POE) demonstrating the employee's performance against the agreed-upon criteria.

“Your question was about performance management, we need to enable this performance before we go to managing, before we go to testing, whether you have performed or not. (Participant 14, Director)

Participant 15, a Director, stresses that independent evaluation promotes accountability and provides insights into board performance, helping identify areas for improvement and ensuring effective governance for strategic alignment. Participant 15 explains,

“Normally, you would appoint an independent entity to do the performance evaluation of the board; they would interview board members.(Participant 15, Director)”

Another participant supports the need for independent board level performance assessments of the board members. Assessment of board members ensures that they are fulfilling their roles and responsibilities per the organisation’s strategy.

“The board also undergoes a performance assessment done by an independent entity to make sure that you do what you should do. (Participant 15, Director)”

Another participant supports conducting independent performance evaluations not only at the board level as a structure, but also the fair and authentic performance assessment process and outcomes at the level of staff, the CEO, and the board as it helps ensure multi-level alignment of individual and organisational performance with the strategy.

“The performance of the staff is evaluated by the CEO, then the performance of the CEO is evaluated by the board, and the performance of the board is ideally done by an independent person. At the level of employees, independence is more about fair and authentic process without political influence in one way or another (Participant 15, Director)”

Participant 5, a CEO, mentions the processual aspect of performance in terms of the involvement of a moderation committee that reviews and moderates the performance assessments to ensure consistency and fairness in evaluating employee performance; in the participant’s words:

“There’s a moderation committee which moderates all the performance assessment and then they keep their own score.(Participant 5, Chief Executive)”

According to another participant, regular performance monitoring, both informally and formally, helps track progress, provide feedback, and address any issues or concerns that may arise and recommended that it be done often. In the participant’s words:

“It needs to be done twice a year, but monthly is a short session called one-on-one. (Participant 13, Director)”

Another participant mentioned focused on frequency and the need for regular performance monitoring, where performance is monitored every quarter and monthly by the CEO and the board.

“It gets monitored by us on a quarterly basis, but by the CEO on a monthly basis. We understand and believe that there should be main meetings that happen, whether on a weekly basis or once or twice in a month. Each committee will have its quarterly report. Your report for IT has to go to your audit and risk committee for monitoring on a quarterly basis. And so does your finance that goes to the finance committee. There’s an annual performance or some organisations do it once in two years. It assesses me as a chair and assesses the next colleague and so forth. That assessment is presented to the board and then for all that submission to the MEC. (Participant 14, Director)”

Expressed differently by another participant, regular performance monitoring is essential. For this participant, quarterly and monthly performance monitoring allows for ongoing tracking of progress towards strategic goals. Participant 17, a Director, states,

“On a quarterly basis, the board should be appraised of those things as to how far they are in terms of those deliverables. Quarterly and monthly performance monitoring allows for ongoing tracking of progress towards strategic goals. It helps to identify any deviations or areas that require attention, allowing for timely adjustments to ensure alignment. (Participant 17, Director)”

The findings from the theme on performance management as a monitoring tool emphasise the importance of performance management in monitoring and aligning individual and organisational performance with strategic goals. Participants highlight the value of continuous feedback, development, and regular assessments in identifying strengths, weaknesses, and areas for improvement. Performance management systems, such as scorecards and annual performance plans, measure performance and ensure alignment with the overall strategy. Monitoring day-to-day operations and independent evaluations of board members contribute to accountability and effective governance. Performance management motivates by recognising outstanding achievements and incentivising individuals to work towards organisational goals. Regular performance monitoring allows for ongoing tracking of progress, timely adjustments, and celebrating positive performance. Overall, performance management is valuable in promoting alignment and driving SOE performance.

5.7.3 Theme on performance agreements and reviews as drivers of strategic alignment

The theme of performance agreements and reviews as drivers of strategic alignment highlights the importance of clear performance agreements aligning individual goals with the organisation's strategy. Participants emphasise that performance agreements should go beyond job descriptions and be based on the organisation's strategic objectives.

Participant 5, a CEO, mentions the significance of having a performance agreement or contract that clearly outlines the agreed-upon expectations and goals for the employee and ensures alignment with the organisation's strategy.

"Once we know we have a performance agreement, we need to enable this performance before we go to managing, before we go to testing whether you have performed or not. In terms of tools of trade facilities, like offices, transportation, job description both parties have agreed that it is doable. (Participant 5, Chief Executive)"

According to Participant 6, a CEO, performance agreements should be based on the organisation's strategic objectives rather than job descriptions alone. Employees' key performance indicators (KPIs) should be derived from the organisation's mandates and strategic objectives.

"Each person has a role to contribute to them, and it should be aligned to that for a better job description. (Participant 6, Chief Executive)"

A similar sentiment to that of Participant 6 is shared by Participant 7, a Director, who emphasises the need for having a performance management system that holds individuals accountable for their performance and aligns their goals with the organisation's strategy in support of strategy alignment. They state,

"It is through the performance of each and every member of the entity that the strategy is implemented accordingly. Each person has got to sign a performance agreement at the beginning of the year. (Participant 7, Director)"

In addition, Participant 7 mentions the need for regular performance reviews and identifying performance gaps to provide an opportunity to support individuals and address any issues that may hinder strategy alignment.

"Performance management is not done just once. You check whether what you agreed upon is being implemented accordingly. If there are gaps, you find out what is making this person not able to perform so that we give support. (Participant 7, Director)"

Participant 13, a Director, highlights the importance of having performance contracts that align with the organisation's strategy because it helps ensure that individuals are accountable for their performance and contribute to the overall strategic goals.

"You sign a contract that you deliver there, and your performance must be monitored.(Participant 13, Director)"

Another participant emphasises the need for a well-defined and communicated strategy and corresponding operational plans. For this participant, this helps ensure everyone understands the direction and goals they need to align.

"If we had agreed on five strategic deliverables, then must agree on the operational plan and activities that have to be undertaken. (Participant 17, Director)"

In addition, Participant 17 also states that establishing performance contracts, both at the executive level and throughout the organisation, helps align individual goals with the overall strategy. They state,

"Establishing performance contracts, both at the executive level and throughout the organisation, helps align individual goals with the overall strategy. Holding individuals accountable for their performance and linking it to rewards and incentives further supports strategic alignment.(Participant 17, Director)"

Put together, findings from the data show that regular performance reviews and monitoring help hold individuals accountable for their performance and identify any gaps or areas for improvement. It is through performance management that the organisation's strategy is implemented effectively. Establishing performance contracts at various levels of the organisation ensures the alignment of individual goals with the overall strategy and can be linked to rewards and incentives. A well-defined and communicated strategy and corresponding operational plans support strategic alignment by providing a clear direction for individuals to align their efforts.

5.7.4 Performance management factors that impede strategy alignment within SOEs in KZN

Three themes emerged from the data that show how performance management impede strategy alignment within SOEs in KZN. These factors are indicated in Table 5.7.

Table 0.7: Themes on how Performance Management Impede Strategy Alignment within SOEs in KZN

<u>The performance management factors that impede strategy alignment within SOEs in KZN.</u>	<u>Themes</u>
	Political orientation, complex and compromised relations
	Manipulation of targets and focus on superficial measures
	Inadequate Performance Measures and Targets

5.7.5 Theme on political orientation, complex and compromised relations

The theme of political orientation, complex, and compromised relations explores the influence of politics on the appointment of board members and business leaders in state-owned enterprises (SOEs). Participants highlight concerns regarding the impact of political allegiance on strategic alignment. There are indications that political appointments can occur during political administration transitions, leading to the prioritisation of political expediency over expertise. External companies appointed by the CEO may influence a board's performance evaluation, raising questions about objectivity. The presence of government appointees on boards introduces the potential for alignment with government interests rather than focusing solely on skills and expertise. Participants emphasise the importance of professionalism and expertise in board appointments and argue against political orientation as a sole criterion although not spelled out in the job advertisements.

Participant 8, a Director, acknowledges challenges related to performance management within the board context. This participant highlights the difficulty of addressing underperforming board members openly due to the complexities and relationships between the board and the shareholders. This challenge may impede strategy alignment as performance issues may go unaddressed. They mention,

"But it becomes quite difficult to say, so and so, I don't think he's a good board member because of A, B, C, D, according to what they've given me.(Participant 8, Director)"

For Participant 15, a Director, the evaluation of board performance in SOEs may be influenced by external companies appointed by the CEO, raising concerns about objectivity. P15 mentions,

“Those external companies are appointed by the CEO; they’re basically doing the job for the CEO.(Participant 15, Director)”

Most participants decry board and SOE leadership appointments during political administration changes or transitions. According to the participants, this practice prioritises political allegiance over expertise, hindering effective decision-making and strategic alignment. They state,

“If there is change of political administration, from one administration to the other though the political party in power is still the same, they’re going to want to appoint people that are aligned with their political vision. (Participants 16, Director)”

Other participants acknowledged political orientation as a factor in appointing SOE boards. Participant 2, a Director, explains that politicians prefer working with individuals they trust and are comfortable with, often prioritising trust over expertise. The participant explains:

“While there may not be a written rule requiring political party membership for board appointments, in fact, the written rule says no. Must be non-partisan, but in reality, it’s not happening. (Participant 2, Director)”

Regarding political orientation, another participant believes it should not be considered when appointing business leaders, CEOs, or board members. SP5 states,

“Well, in my view, it shouldn’t. I don’t know because I’ve never appointed a board member, and I don’t know whether those who appoint board members consider but could drawing from my personal experience, I do not believe that I’ve ever been appointed because of affiliation to a certain organisation. Because my political choices are never in my paper because I believe that’s a, a personal choice and my vote is my secret. If you’re speaking about me, I don’t think it has ever been a thing, and I’ve never been nominated by a political person. I don’t believe that it would ever be a consideration. (Participant 5, Chief Executive)”

Participant 7, a Director, weighs in on the issue of political orientation by saying this factor may introduce a level of subjectivity fuelled by political affiliations and objectives that can impede strategy alignment. SP7 states,

“For me, political orientation would be the government of the day aligned with the thinking of the government during the strategy development. While political orientation is not explicitly mentioned in board advertisements, the alignment of board members with the government’s thinking during strategy development can potentially influence board appointments.(Participant 7, Director)

In addition, Participant 7 argues that the presence of government appointees on boards may introduce individuals who pursue the government's political agenda and sacrifice skills and expertise in the process. In the participant's words:

"There are government appointees on every board, the government will then have their own criteria. The presence of government appointees on boards may introduce individuals who align with the government's interests rather than solely based on their skills and expertise.(Participant 7, Director)"

Another participant highlights the potential influence of political orientation on board appointments. The participant put it as follows:

"As a minister, I will assume that you want a board that will share your vision that you might have an influence somehow. (Participant 10, Director)"

Participant 24, a Director, acknowledges the influence of political orientation in appointing business leaders in state-owned enterprises (SOEs). The participant explains as follows:

"Political considerations may be considered when selecting CEOs and board members, potentially prioritising loyalty to a particular political party over skills and competence. This can hinder strategic alignment if appointments are made based on political affiliation rather than alignment with the organisation's goals and objectives. (Participant 24, Director)"

Another participant highlights the pitfalls of political consideration ahead of professionalism, stating that the appointment of business leaders in SOEs can be influenced more by political considerations than by expertise and experience. For this participant, such appointments can hinder strategic alignment and the focus on the organisation's mandate.

"By and large, the element of professionalisation has been missed at the altar of political expediency, where political considerations play a primary role. (Participant 23, Chief Executive)"

The responses on political orientation and complex relations in SOEs show how politics influences the appointment of board members and business leaders. The findings highlight concerns about the impact of political allegiance on strategic alignment within these organisations. It is noted that board appointments often occur during political transitions, prioritising political allegiance over expertise. External companies appointed by the CEO may influence a board's performance evaluation, raising questions about objectivity. The presence of government appointees on boards also raises concerns about alignment with government interests rather than focusing solely on skills and

expertise. Participants stress the importance of professionalism and expertise in board appointments, advocating against considering political orientation as a determining factor. Overall, the findings underscore the need for strategic alignment and the potential challenges political factors introduce within state-owned enterprises.

5.7.6 Theme on manipulation of targets and focus on superficial measures

The theme of the manipulation of targets and the focus on superficial measures examines how performance targets can be manipulated to prioritise easy wins rather than aligning with the organisation's strategic goals. Participants express concerns about the simplicity and bureaucratic nature of performance management in state-owned enterprises (SOEs), where the focus is often on meeting predefined goals without considering broader perspectives and indicators. There are criticisms of relying solely on annual performance plans (APPs) and a lack of reporting on the balanced scorecard, which hinders a comprehensive evaluation of enterprise performance. Some participants also raise concerns about the evaluation process and the potential for administrators and executive managers to prioritise personal interests over strategic alignment. Overall, the findings highlight the need for a more comprehensive and strategic approach to performance management in state-owned enterprises, focusing on measures that align with the organisation's goals and objectives.

Most participants highlighted how performance targets can be skewed to prioritise easy wins instead of aligning with the organisation's strategic goals. The participants warn about the risk of manipulated targets for convenience rather than strategic alignment. They state,

"People may choose what is easy to measure what is easy to achieve so that they can deliver what is measured. (Participant 12, Director)"

Participant 12, a Director, points out the limitations of relying solely on annual performance plans (APPs) for measuring performance. They note that APPs may not effectively link individuals to their specific key performance indicators (KPIs) and targets. SP12 states,

"The annual performance plan is lower than the scorecard because it's not linking everybody to talk to their particular KPI or their particular targets. (Participant 12, Director)"

Another participant also criticises the simplicity and bureaucratic nature of performance management in SOEs. They describe it as a “tick box” exercise, focusing on whether or not predefined goals have been achieved. Participant 2, a Director, expresses scepticism about structured evaluation criteria, stating,

“That is something which is created by consultants for bureaucrats, and that’s why we end up ticking boxes and say, “No, he’s achieved 80% of the KPIs, give him a bonus. (Participant 2)”

Participants noted that the absence of reporting on the Balanced Scorecard, which considers various perspectives and indicators beyond financial performance, may hinder strategy alignment as it limits the visibility and evaluation of all relevant factors. P7, Director, states,

“Even though I don’t think it’s something that is really reported on the board level. The reports will not include the balanced scorecard. They don’t go into that detail. (Participant 7, Director)”

Another participant mentions the shortfalls in the evaluation process, where they say that the process relies on questionnaires and may lack a more comprehensive evaluation. According to participants, this could hinder the effective evaluation and addressing of underperforming board members.

“There’s a grey area in so far as the assessment of boards to say you have that responsibility to tell us about each individual member. (Participant 14, Director)”

Participant 24, a Director, highlights that administrators and executive managers sometimes prioritise their interests over strategic alignment.

“The administrators and the executive managers having mastered the art of using strategy alignment for personal interest. They may manipulate the development of Annual Performance Plans (APPs) and performance management processes to serve their own agendas rather than focusing on measuring the right things that align with the organisation’s strategy. (Participant 24, Director)”

The findings from the theme on the manipulation of targets and the focus on superficial measures reveal concerns about the distortion of performance targets to prioritise easily achievable goals rather than aligning with the organisation’s strategic objectives. Participants criticise performance management’s simplicity and bureaucratic nature in state-owned enterprises (SOEs), highlighting a tendency to meet predefined goals without considering broader perspectives and indicators. A lack of emphasis on the Balanced Scorecard and comprehensive evaluation hinders a holistic performance

assessment. In addition, participants raise concerns about the evaluation process and the potential for administrators and executive managers to prioritise personal interests over strategic alignment. These findings underscore the need for a more comprehensive and strategic approach to performance management in SOEs, promoting measures that align with the organisation's goals and objectives.

5.7.7 Theme on inadequate performance measures and targets

The theme of inadequate performance measures and targets highlights the limitations of solely focusing on financial performance as a measure of success. Participants express the need for comprehensive performance measurement that considers other aspects of organisational performance, such as risk management, operational targets, innovation, and service delivery. They criticise the selective and simplistic nature of current performance evaluation methods and emphasise the importance of setting targets that align with strategic objectives rather than easily achievable goals. The participants advocate for a Balanced Scorecard approach considering various factors, including financial outcomes, service delivery, stakeholder expectations, and organisational learning. This holistic performance measurement and target-setting approach ensures a more comprehensive performance evaluation and supports strategic alignment in state-owned enterprises.

Participants highlight the potential limitation of solely focusing on financial performance, as it may neglect crucial aspects of organisational success and hinder strategy alignment. SP12 states,

"I believe in risk management. Tell me about an innovation that you brought in that changes SOE capacity. (Participant 12, Director)"

Another participant emphasises that performance measurement focusing solely on financial results may impede strategic alignment. This participant highlights the need for comprehensive performance measurement considering financial outcomes and operational targets. SP15 explains,

"Let me use an example of the gaming board: let's say the target was to monitor 120 licensees then 30 per quarter. The report of the licensing unit submitted to performance management must begin to say, these are the licensees that we monitored. (Participant 15, Director)"

Participant 16, a Director, states that performance evaluation often focuses on limited aspects and lacks a suitable methodology. SP16 explains,

“They do not look at the right things. It’s very selective; it’s the right tool, but given the right methodology to give its effect, it’ll work. There is a need for a more comprehensive approach that considers all elements aligned with the organisation’s values and mission.(Participant 16, Director)”

According to Participant 24, a Director, organisations often measure and set targets based on what is easy to achieve rather than what aligns with the strategic objectives.

“We’re not measuring the right thing. We measure what is easy and use it to justify why we must get bonuses. This approach may lead to low performance standards and a lack of ambition, as individuals and teams may meet easily attainable targets that do not drive significant progress or meaningful results.(Participant 24, Director)”

Another participant emphasised that a Balanced Scorecard approach is necessary, considering financial outcomes, service delivery, stakeholder expectations, and organisational learning. In the participant’s words:

“You can’t just be fixated on the financial performance of the organisation only or on audit outcomes. You also need to balance that with service delivery and how the organisation is learning. (Participant 23, Chief Executive)”

The findings from the theme on inadequate performance measures and targets in state-owned enterprises (SOEs) indicate the limitations of solely focusing on financial performance as a measure of success. Participants stress the importance of considering other aspects of organisational performance, such as risk management, operational targets, innovation, service delivery, stakeholder expectations, and organisational learning. They criticise the selective and simplistic evaluation methods and argue for a more comprehensive approach that sets targets aligned with strategic objectives rather than easily achievable goals. The need for a Balanced Scorecard approach is emphasised, considering multiple factors beyond financial outcomes and supporting strategic alignment in SOEs. These findings highlight the importance of a holistic and strategic approach to performance measurement and target-setting to drive meaningful progress and success in SOEs.

5.8 CHAPTER SUMMARY

The chapter presented the findings structured according to the four research objectives. It highlighted the role of strategic leadership in influencing strategy alignment, the

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influence of SOE boards, the corporate governance-related enablers or barriers, and the impact of performance management factors. The findings provided valuable insights into the perspectives of chief executives and board members, shedding light on the challenges and opportunities in achieving strategy alignment within SOEs in KwaZulu-Natal. The study emphasised the importance of effective strategic leadership, strong corporate governance practices, and the significance of performance management in supporting strategy alignment. The findings contribute to understanding strategy alignment dynamics in the context of state-owned enterprises and provide recommendations for enhancing alignment and organisational performance. This study serves as a foundation for further research and offers practical implications for stakeholders involved in the strategic management of SOEs.

The next chapter will discuss the research results in detail, incorporating the latest literature trends and deducting new knowledge from the study. The discussion of the results will culminate in developing a framework of strategy alignment.

CHAPTER 6

DISCUSSION OF FINDINGS

6.1 INTRODUCTION

This chapter seeks to critically discuss the key findings of this qualitative study on the nature of influence of strategic leadership and board on strategy alignment and the identified variety of enablers and impediments of strategy and strategy alignment in SOEs in KwaZulu- Natal. In this pursuit, the findings are critically examined in relation with extant research and theory from three relevant and different bodies of knowledge, namely strategic leadership theory and governance leadership, board leadership theories, and social exchange and social capital theory.

First, strategic leadership theory, and governance leadership is used to understand the roles of Chief Executive Officers on strategy alignment in SOEs as an *enabler* but also *link* between the internal and external environment and *bridge* between the board and the organisation's operational aspects in the backdrop of political interventions. Furthermore, strategic leadership theory is also useful to discuss the finding of performance management used as a monitoring tool supporting and allowing alignment of individual and organisational performance with strategic goals, but marred by inadequate and manipulated performance targets, and monitoring and evaluation process which failed to address underperformance in complex and compromising political relations.

Second, board leadership theories are explored to primarily elaborate on the board's role in shaping strategy alignment in SOEs in KwaZulu- Natal. Board theories are equally insightful to understand the key enablers and impediments of strategic alignment related to corporate governance in state-owned enterprises in KwaZulu- Natal.

Third, social exchange and social capital theory has been used to shed light on findings related to the social interactions and interrelationships which shape corporate governance and political influence, access to resources and the enhancing or value-reducing impact on social exchanges and relationships in SOE on strategy alignment. Lastly, the chapter brings the findings of this study together to present a framework of integrative strategy

alignment in SOEs in KwaZulu- Natal, depicting the roles and nature of manifested influence by strategic leadership, and boards on strategy alignment, use of performance management and the political dimension of SOEs as politicised organisations. As SOEs do not operate in a vacuum, the framework also depicts the contextual barriers and enablers of strategy alignment as evident in SOEs in KwaZulu- Natal, South Africa.

6.2. STRATEGIC LEADERSHIP THEORY AND STRATEGY ALIGNMENT

One of the key finding in this qualitative study is that the influence by strategic leaders of SOEs was manifested in various ways which include the roles of *internal-external enabler*, strategic link and strategic actor who also provided board with insights on the inner and operational workings of a SOE.

6.2.1 Internal-external Enabler, strategic link, and advisor

First, the Chief Executive Officers (CEO) of SOEs in this study were the enablers of strategy alignment, in the backdrop of political interventions in SOEs in KwaZulu -Natal, South Africa. This finding brings to the fore the notion of “Chief Enabler of the Organisation” as key for CEOs to succeed as expounded by Shekshnia, Kravchenko and Williams (2018) in the book “*CEO School: Insights from 20 Global Leaders*”. Shekshnia et al (2018) are explicit that success in an organisation requires that the CEO act as chief enabler and enforcer in an organisation. In this regard, strategic leaders who are enablers encourage collaboration and remove organisational barriers, mindful that it is effective collective action which constitutes the cornerstone of excellent performance. More importantly, strategic leaders as enablers promote not only horizontal and vertical alignment but also diagonal collaboration in SOEs by setting expectations, allocating time, establishing platforms and formats for collaborative work, and rewarding collaborative behaviour. Alignment of strategy and organisational success arises when enabled employees feel the CEO’s support to perform well, but are not allowed to relax and become complacent. It is imperative that CEO of SOEs in KwaZulu -Natal enable employees to strive constantly to become more effective, creative and productive. Shekshnia et al (2018) assert that good CEOs believe in the ability of their people and, as long as they prove effective, give them complete

support. However, while strategic leaders in SOEs in KwaZulu-Natal were enabling in terms of creating and sustaining strategic link, and pursuing vertical links between board and CEO, they were not good at setting and enforcing challenging performance targets, and removing political obstacles for the SOEs (e.g. addressing problem of underperforming board members).

Shekshnia et al (2018) highlight that the CEO as chief enabler takes the role of reducing uncertainty and also distributing leadership throughout the organisation, by increasing the number of leaders at different levels, who in turn take on the role of reducing uncertainty for their followers. A study that examined the role of strategic leadership on strategy implementation in public universities in Kenya by Sila and Gichinga (2016: 45) concur that “strategic leadership plays a critical role in the effective implementation of strategy” and clearing of the pathways for others. More importantly, good CEOs monitor the “big picture” and provides strategic direction, role model to create behaviour benchmarks for the followers; and legitimacy for the leader. An enabling strategic leader is not just a role model and an enforcer, but also tries to keep things simple and fight organisational complexity in all its forms.

Second, this study has revealed that strategic leaders of SOEs in KwaZulu-Natal in South Africa were also influencing strategy alignment by serving as a strategic link, taking cognisance of the active role of the service and product users or citizens and the organization’s response to the requirements of political actors, such as the politicians who draft political mandates, and boards of directors who are necessary in public service delivery. Barney and Hestley (2018) and Thompson et al. (2020, cited in Reed, 2021) argue that the external environment should be the first variable to be considered during strategy formulation. Three key aspects of how strategic leaders were serving as a strategic link in SOEs in KwaZulu-Natal and influencing strategy alignment were directing activities internally, defining the organisational purpose and intentions, and creating the organisational architecture and programs and services to actualise those intentions. Internally, the CEO and top management team (TMT) in the SOEs in Kwazulu Natal were developing draft strategies which were subsequently presented to the respective boards for approval. Strategy scholars such as Whittington, Angwin, Regner, Johnson and

Scholes(2020) in her book entitled "*Exploring Strategy*" elaborate that strategy and strategic decisions are typified by requirement of major resources, relate to significant organisational change, affect the whole organisation, and are broad in scope with impact felt over long time. While SOEs need an inward-looking approach, it is prudent that this is inadequate as there is also a need to focus on the external dimensions mindful that strategy alignment occurs within an ecosystem where wicked problems require cross-sectoral communication and collaboration among actors.

There are three important issues on strategy alignment which have been brought to the fore by the current study. First is the necessity of strategy scholars to thoroughly examine the variety of interfaces not as separate elements influencing strategy alignment, but rather key parts and patterns of an ecosystem in SOEs. The findings of the current study are less exhaustive and clear on the scope and variety of interfaces in the ecosystem of SOEs which are key in managing but also sustaining interdependencies driving internal and external alignment and political objectives in KwaZulu-Natal. Within the organisational perspective, Simsek et al., (2017) identifies some of the internal interfaces which may contribute to effective internal alignment or re-alignment of SOEs from the perspective of an ecosystem. These are inter-functional interfaces, Research & Development and Marketing interface, and resource interfaces which require changes and adaptations of their interdependencies to re-align strategy and its range of corresponding consequence in the organisational architecture as a system. In a slightly different vein, Turel et al. (2017) specifically examined the influence of IT-governance interface on the performance of organisations, emphasising the significance of a new aspect of strategic alignment. Rathnam et al. (2005) investigated the correlation between business and IT strategy alignment, emphasising the significance of collaborative efforts in attaining such alignment. According to Rathnam et al. (2005), it is necessary for business and IT leaders to engage in collaborative endeavours in order to achieve the alignment of business strategy with IT strategy.

Second, a more systems view of strategy alignment by strategic leaders of SOEs is vital as it emphasizes multi-dimensional aspects and interrelationships between the various elements of a SOE and strategic leaders' capabilities. Alignment understood from horizontal and internal perspectives is inadequate to capture vertical perspectives of

strategy. For example, a study conducted by Andrews et al. (2012) examined vertical alignment (e.g. across different organisational levels) and its impact on the performance of services in SOEs. A more holistic view of strategy alignment in SOEs requires not only a multi-dimensional view of an organisation but also the corresponding capabilities of strategic leaders. A report by PWC (2015) is explicit that the holistic approach of SOEs by strategic leaders is not just about establishing a clear purpose and mission, building relationships with citizens and other stakeholders, and creating and maintaining sound internal management for effective services and efficient processes. Strategic leaders also leverage external influence by co-creating value with other stakeholders. Figure 6.1 depicts the key capabilities of strategic leaders, the multi-dimensional nature of the influence and key stakeholders of SOEs which are important for strategy alignment.

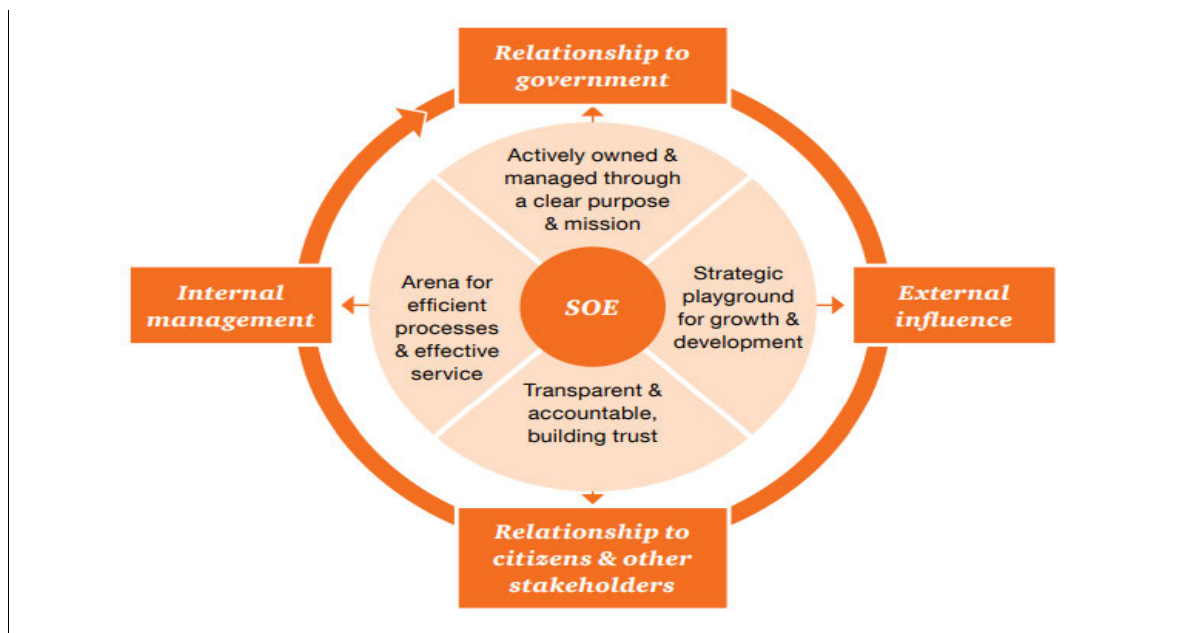


Figure 6.1: SOE of the Future and New Capabilities

Source: PWC(2015:7)

While the report by PWC (2015) and the report by the Economic Commission for Africa (2021) concur that the external relationship between SOE and government is critical, this is challenging especially when government lacks clarity of strategy for SOEs. In the current study, there was revelation that the pursuit of strategy alignment in SOEs was

predominantly regarding compliance with mandates, governance-related acts (PMFA) and laws. Vertical alignment of strategy in SOEs in South Africa is predominantly within the SOEs and regulations, but not overarching SOE strategy as there is lack of clarity on the overarching strategy of SOEs by the government (Economic Commission for Africa(2021).

Lastly, the notion of organisational alignment as a key part of strategy conception is inadequate without understanding of how alignment actually shapes the translation of strategy into day-to-day practices and results. Commonly, strategy alignment is often construed in terms of alignment as “fit” among the three ‘hard Ss’ of strategy, structure and systems, and four ‘soft Ss’ of skills, staff, style and shared values (Burger *et al.*, 2019). While the notion of alignment in the organisational architecture takes cognisance of hard and soft elements, it is noteworthy that organisational alignment is also construed *as the cooperation of all institutional elements and system as a source of benefit, effective resource allocation and adaptive culture* (Burger *et al.*, 2019). This cognitive and social view upholds the interactive dimension to the structural view of strategy alignment, asserting how alignment also relates to internal organisational role-players who are different stakeholders to achieve strategic consensus(Burger *et al.*, 2019). Strategy consensus at the micro-level day-to-day activities is pivotal to collectively shape the overall strategic outcome.

The conception of strategy alignment in terms of strategy consensus acknowledge strategic leadership as existing not in an individual but rather social and collective context. Wiersema and HERNBERGER (2021) emphasise that strategic leadership is a collection of individuals efforts, instead of a single individual, to increase the contribution to innovation and minimise risk. The collaborative aspect of strategic leadership inside an SOE put emphasis on collaborative leadership . In their scholarly work, Cäker and Siverbo (2014) delve into the notion of strategic alignment within decentralised organisations, elucidating the nature of collaboration across various units and levels of leadership to ensure cohesive strategy implementation. Cäker and Siverbo (2014: 149) argue that “in decentralised organisations, alignment is influenced by inter-unit collaboration.

Strategic leaders of SOEs in KwaZulu- Natal were also engaging in external activities of interacting with other key stakeholders(e.g treasury on budgeting and budget cuts, line ministry).The external dimension depict an outward-looking strategy work contingent on the involvement and contribution of stakeholders outside of the SOE. This upholds strategy alignment in SOEs as collective work with others which may require imposing obligations on citizens or users, seeking partnerships with other organisations, and facilitating co-creation with the citizens. This study has revealed that the external perspective of strategic leaders of SOEs is central to strategy work and re-alignment via collaboration, management of SOE-government interface, and networking in a politicised organisational context. Notably, the internal and external aspects of the organisation does not only reflect the strategic nature of effort necessary to achieve alignment, but also a critical aspect of managing strategically. Louw et al, (2019) uphold the view of strategic link between the inside-out perspective (internal) and outside-in perspective (external) as key in leading and managing an organisation. Louw et al; (2019) assert that the inside-out perspective considers the internal organisation in terms of resources and capabilities, strategic architecture, goals and values, and business intelligence as the basis of shaping and building strategy in an organisation. Alternatively, the outside-in perspective considers the external environment in terms of the macro environment, industry environment and competitive intelligence as the basis of shaping and building strategy.Louw et al; ,(2019) . In addition to the strategic link between inside and outside of the SOEs, strategic leaders also seek strategy alignment through vertical interdependencies between the board and top managent in SOEs which pronounces that external actors' contribution is the defining feature of external loci. Implementing an integrative effect of strategy alignment in SOEs occur at the organisational level and involves diverse stakeholders with competing interests. Effective strategic leaders balance the external orientation with ongoing internal alignment activities as they search for solutions to problems and challenges within the SOEs. An external orientation alone has limitations in solving the challenges of public problems.

In understanding the influence of strategic leaders as a strategic link, it is salient to illuminate that at the core of this link is the setting of long term organisational direction. One of the tasks of strategic leaders which is to integrate the internal and external

aspects of a SOE entails the ability to imagine, anticipate, assess, interpret, and challenge environmental changes; decide upon and align strategies in dealing with them; learn from their experiences; and have the ability to make sense and adapt to both the internal and external environment (Ateş et al., 2018; Amos (2010) and Samimi et al(2020).

In SOEs, good CEOs need to consider their mandate and expectations (from the board, financial resource providers, employees, and other stakeholders), the relative strengths and purpose of their organisation, a clear understanding of what enables the organisation to generate value, opportunities and trends in the environment, and their personal aspirations and values. Samimi et al. (2020) posit that strategic leaders decipher strategic changes inside and outside the organisation in order to shape firm's overall direction.

Notably, strategy alignment acknowledges that an organisation is an open system where the internal and external environments are interlinked and cannot be easily separated (Walter,2021). Institutions with limited perspective on external and internal interdependencies face challenges in achieving excellent performance as relationships with external stakeholders diminish or destroy relational value because of the lack of deliberate effort to manage the interface. With the idea of interfaces applied to the external context of SOEs, it is prudent to underscore the political interface of SOEs and its implications on strategy alignment. The CEO faces the challenges of leading not only upwards in the formal authorising environment of the board, but also leading the entire operational capacity of SOEs as well as outwards to the public and other stakeholders to deliver efficient and effective service.

While mindful of alignment in terms of political “fit”, it is key to remember of the capacity to align strategy with internal and external political realities, and expectation to achieve vision of SOEs, and providing line of sight of all employees on strategic objectives and priorities in a SOE. Politically motivated appointments of members of the Upper echelon in SOEs in this study were occurring especially during the transition of political administration. These appointments placed primacy on political trust and self-interests of political powerholders above capability, and relevant experience which often resulted in ingratiated CEOs and boards as well as misalignments. A recent report by the Zondo commission in SOEs in South Africa, highlighted evidence of improper political influence

over appointments and removals of CEOs and boards of SOEs in order to facilitate corrupt advantage, support and protect illicit gains. To address this nature of political influence in SOEs, the Commission recommended the establishment of a body tasked with the identification, recruitment and selection of SOE board members, Chief Executive Officers and Chief Financial Officers (Pienaar & Bohler-Muller, 2023).

Given the political nature of influence in SOEs in South Africa, Burger *et al.* (2019) caution scholars to understand the complexity of the structural, political and social nature of strategy alignment. In a study of organisational alignment in mining organisations in South Africa, Burger *et al.* (2019) acknowledge that organisations are perceived as structures that take place within a transforming and sensitive environment to translate inputs into outputs.

For example, there are views of strategy alignment related to resource allocation, capabilities and systems. A study on public sector organisations in Pakistan (Sial *et al.*, 2013) found that the challenges with strategy implementation was due to misaligned operational factors which included resource limitations to support strategy; poor capabilities of management and staff to drive systems and monitor processes; and lack of integration amongst departments to create shared culture.

There are six key nuances of alignment, namely “fit”, “strategy consensus”, “strategy consistency”, “congruence” and “link” as reported in **Table 6.1** below.

Table 0.1: Different Meaning and Complexity of Organisational Alignment

Author	Concept	Description or explanation
Porter (2008)	Fit	“Working together” of all organisational systems activities as a source of competitive advantage
Meier et al (2010), Thompson and Strickland (1993); Hillman et al (2009)	Fit	Strategy needs to be aligned with internal and external realities
Doty et al, (1999)	Fit	Consistency required between structure and contextual factors

Park et al, (2011), Fry and Smith (1987); Cunningham and Kempling (2011)	Fit	Micro-fit strategy structure, Micro-fit organisation environment
Drazin and Van den Ven (1985)	Fit	Fit between strategy and structure
Meilich (2006)	Fit	Fit between environment, strategy and structure
Sousa and Tan (2015) citing Venkatraman & Camillus	Fit	Fit between internal business unit's strategies
Powell (1992)	Alignment	Structure alignment with strategy
Burton and Moran (1995)	Alignment	Alignment of business and strategic plans
Patten (2015)	Alignment	"Aligned" implies informed staff, adaptive culture and effective resource allocation
Hammal and Prahalad (1993)	Alignment	Alignment related to the environment, resource allocation and long-term perspective
Roca-Puig and Bou-Llusar (2006); Beehr et al.(2009)	Alignment	Alignment of internal and external variables
Boswell (2006)	Alignment	Line -of-sight of all employees on strategic objectives
Collins and Porras (2005)	Alignment	Organisational elements 'work together'in context of the organisation 's core ideology and strategic picture
Iselin et al. (2008)	Alignment	Competitive strategy needs to match operational capabilities
Joshi et al. (2003) citing Skinner	Strategic consensus	Alignment of priorities right through the organisation
Tarigan (2005) citing Boyer and McDermont	Strategic consensus	Agreement on organisational priorities

Kellermanns et al. (2011)	Strategic consensus	Collective appreciation of the reasons behind strategic decisions
Lamberg (2009)	Strategic consistency	Actions are consistent with the organisation's history and external realities
Lillis and Sweeney (2013)	Strategic consistency	Competitive strategy needs to match organisational capabilities
Nadler and Tushman (1980;1989)	Congruence	Organisation components need to fit each other, as well as the environment
Vancouver et al. (1994)	Congruence	Goal agreement between supervisors and subordinates
Colbert et al. (2008) citing Boswell et al. (2006)	Congruence	Dyadic goal importance congruence
Dignum and Dignum (2007)	Congruence	Congruence required between strategy, structure and environment
Nightingale and Toulouse (1977)	Congruence	Congruence required between the organisation's environment, management's values and interpersonal and intergroup processes
Williams (2002)	Link	'Link' required between strategy and culture

Source : Burger F (2017: 94-97)

While there is effort to enhance conceptual clarity of strategy alignment, there are few gaps which require scholarly attention. First, we know little about the sociological nature of manifested strategy alignment or misalignment in organisations such as SOEs. There is a need for more scholarly research on strategy alignment as a social practice by diverse strategy actors (e.g TMT, CEOs, middle managers, supervisors at the coalface) to add insights into the structural and systems view of strategy alignment. This gap calls for more clarity on both the meaning, complexity of social interactions, dynamic practice of strategy actors and the consequences of alignment or misalignment to an organisation from the

micro-level social perspectives of strategy alignment in a politically exposed organisation such as SOE.

Second, the finding that CEOs serve as strategic link draws attention to systems thinking which calls for identifying inter-relationships and also identifying patterns of change at various levels and layers of the organisation instead of focusing on discrete and structural elements in SOEs. The current study has given insights into the social nature of activities which create and reinforce misalignment in the course of internal and external strategy alignment in the SOEs. Strategic misalignment is the inconsistency or tension between the various elements constitutive of the internal environment in the organisational architecture. Misalignment in outcomes and quality of service provision is sometimes evident if leaders choose to re-allocate or thinly spread resources for various processes. Misalignments also arise when resource allocation only considers the needs of powerful holders of political power rather than absolute performance measures set in the plans.

The combination of structural and social aspects of strategic alignment calls for the coherence and collaboration between the external context, the strategy and its key pillars, and organisational factors as alluded to by organisational architecture models such as McKinsey (7-S) and Higgins 8S frameworks. Kaplan and Norton (2005: 1) are explicit that synergy enhances cooperation in a highly complex institution promoting the ability to identify and achieve alignments.

The study supports the view that CEOs are accountable for all the work of their organisations in a multifaceted environment with various forms of intra and inter organisational boundaries. Influencing alignment of organisational strategy involves reaching beyond these internal boundaries to create connections and partnerships to leverage the interdependence between various stakeholders, both internal and external, and to streamline the innovation process and drive growth.

Given the results of the current study, it is meaningful to pronounce the broader internal-external interfaces which play a key part in realising or pursuit of strategy alignment by facilitating communication, building bridges between silos within the SOEs, and create a common ground for the board and CEO for productive collaboration. Drawing from the

sociological perspective of strategy alignment, future research needs to unravel micro-level practices in the strong partnership model of board and TMT, especially in SOEs. In a SOE, the CEO is crucial in aligning the strategy with the vision and mission of the organisation as they provide the board with insight into the inner workings of the entity and implements the decisions made by the board. In this way, the CEO is seen as a source of advice and key operational information as input for boards decisions, but often not as a strategic partner. It is also noteworthy that some participants viewed the CEO as playing the role of a secretary, suggesting that the CEO's role is to effectively communicate and implement the thoughts and decisions of the board. However, it is inadequate to elaborate the influence on strategy alignment in SOEs in South Africa by focusing on strategic leadership without grappling with the political aspects of SOEs. According to the recent report entitled *“Governance of State-owned enterprises: enhancing performance, efficiency and service delivery in South Africa”* by the Economic Commission for Africa (2021), the core of problems suffered by SOEs relate to political interference and poor corporate governance.

6.2.2 Upper echelon and external political lens and influence on strategy alignment

This study has revealed that party politics and powerholders such as the MEC influence strategy work and alignment in SOEs in KwaZulu -Natal where strategic leaders work with different stakeholders (e.g. relate upwards with politicians, downwards with TMT and employees, outwards with auditors, citizens) upholding competing interest in the SOEs in KwaZulu -Natal. Thus, organisational level and conventional politics are very important in influencing strategy alignment in SOEs as these organisations are owned by the state. Consequently, strategic leaders in SOEs were engaging in strategic and political thinking to drive political adaptation which necessitated re-prioritisation of political direction and re-allocation of resources to new priorities of political powerholders especially during change of political administration (e.g. new MEC with new strategy and political direction of strategy in SOEs).

Strategic leaders of SOEs in KwaZulu -Natal are facing and dealing with the challenges of meeting the needs and expectations of the multiple priorities of diverse stakeholders

internally (e.g. employees, TMT, union) and externally (e.g. board, service users, government, political party) to the SOEs. In South Africa, it is common for stakeholders of SOEs to express their dissatisfaction with service delivery in various forms of protests which are often violent (e.g.burning tyres, destroying infrastructure, blocking traffic) (Mamokhere, 2019).

Strategic leaders as the architects and leaders of strategy execution within the SOEs are expected to create and execute plans consistent with the political powerholders, making consequential decisions in a VUCA and politically exposed organisational environment. In this way, the influence on strategy by the CEO, TMT and board as the upper echelon depict external influence for adaptation. As such, it is prudent to examine the nature of influence of strategic leaders on strategy alignment from the viewpoint of organisational politics.

6.2.2.1 The Four Types of Organisational Politics

One of the political lens which may shed some light on the findings in this study on influence of strategic leaders on strategy alignment in a politicised SOEs is the notion of organisational politics which also exhibit the need to balance individual and organisational level dimensions of political behaviour in an organisational setting. In the article entitled, *The 4 Types of Organisational Politics*, Jarrett (2017) provides an insight into a number of metaphors which are helpful in understanding the different forms of organisational politics and individual and organisational level influence tactics. In the current study, external stakeholders (e.g. MEC appointing board members on political trust especially board chairpersons rather than merit) were using influence tactics, formal bases of power to pursue their self-interests in ways which were ultimately compromising capacity of SOEs to perform well. SOE boards of directors lack independence from politicians especially that they are selected not based on merit. Clarity of where political activity takes place and the nature of the source of power in an organisational context reveals the nature of political behaviour of MEC, boards and TMTs and also the various stakeholders who were interacting in the course of compromising internal and external service in the SOEs. Jarrett (2017) asserts that organisational politics outlines a diversity of actions pertaining to influencing strategies to advance individual or institutional benefits. This form of

behaviour is utilised to take advantage of certain conditions and also exchanging favours with others in the powerful political spheres for mutual benefits. In an organisational context, the political behaviour of stakeholders is often increased as a result of the absence of other systems of influence or increased perceptions of inequality and unfairness in the process and outcomes (Baah, 2022).

As political activity in the SOEs occurred at the individual level, it is cardinal to understand a variety of factors and timing when activities are likely to enhance or impede the political behaviour of individuals in SOEs. Employees and managers with political skills have a greater influence on organisational outcomes. Some organisations are including political astuteness or political skill as part of the leadership competence framework. The degree to which the basis of power is informal or formal is key in shaping the political behaviour of an individual in an organisation (Kitanova, 2020). More precisely, informal power is unspoken, and exerts influence, relations, and customs. The formal power relates to the role of structured mandate, knowledge, incentives, and management mechanisms which was common with the paradigm of board as a monitor of SOE . The complexity and multi-dimensional nature of organisational politics based on the formal and informal nature of the source of power but also the contextual level of the political behaviour in SOEs may be understood in terms of metaphors of wood, the higher ground, weeds and rocks. According to **Figure 6.2** below, four metaphors of organisational politics are illuminated to reveal the nature of organisational politics.

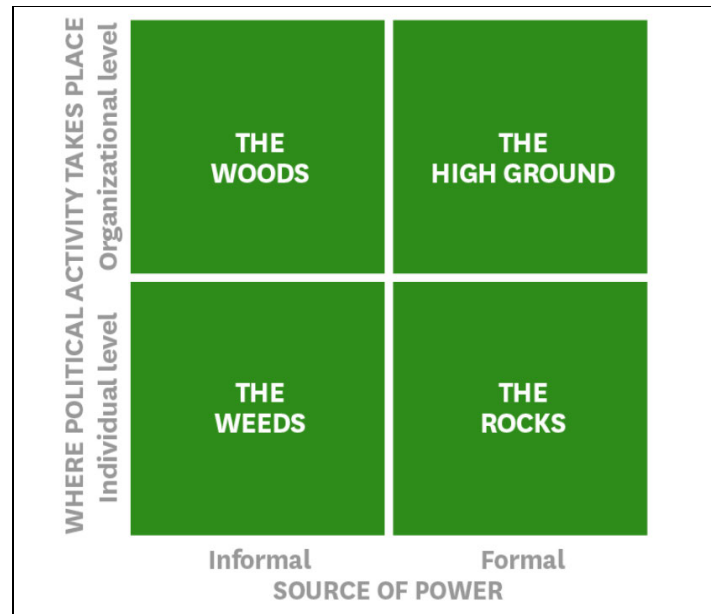


Figure 6.2: Four Metaphors of Organisational Politics

Source: Adapted from Akarika and Ubah-Chika (2022: 155)

(a) Individual-level organisational politics

It is pivotal to bear in mind that the individual level of using both formal and informal power in political behaviours is labelled in two distinct metaphors by Jarrett (2017), namely the weeds and the rocks as follows:

(i) “The Weeds”

To understand the political behaviour of stakeholders at the individual level, it is fruitful to understand the type of organisational politics in the metaphor of the weed. In a nutshell, the weed represents the type of organisational politics at the individual level where power base and control resides in social networks. The key feature of weeds is that, not only do they grow naturally without any maintenance, but they are also dynamic in nature (Jarrett, 2017). Thus, this is a type of organisational politics which involves informal groups which regularly meet to cover up misdeed or poor handling of situations, or use informal networks or informal coalition to exercise influence against the leaders, or to protect the organisation’s reputation.

As alluded to earlier, the way some SOEs CEOs, TMT and board members were appointed hinge on political trust and willingness to pursue political objectives of the powerholders. However, it is pivotal to underscore that the findings in this study are silent on the tacit political skills of the politically appointed people when dealing with circumstances in which power brokers in the board were causing more harm than good in the SOE. It is sound to understand that organisational politics of the weed may be insightful in strengthening connections if they have constructive and progressive value of informal networks and brokers in addressing impasses and conflicts which negatively affect activities in SOEs.

(ii) “The Rocks”

Formal officials as well as politicians use their powers to thwart legitimate change. In typifying organisational politics, Jarrett (2017) takes cognisance of organisational politics occurring at the individual level where power is inherent in personal interfaces and structured bases of power such as knowledge, skills, availability of resources. This type of organisational politics is termed as 'the rocks' and was evident in this study of micro-level practices and processes in SOEs. There were instances when external stakeholders were using political capital to impose self-interest, especially when there was transition of political administration to deviate from norms. Political power holders such as MEC and politically-aligned board exercise their political power which arise from membership or association with the ruling party and roles in the liberation struggle. In the words of Jarrett (2017), it is critical to pronounce that the organisational politics defined by the metaphor of 'the rocks' essentially represents a strong organisation that can withstand tough times. Equally, it is very instructive to realise the need to balance when the sharp edges of hard power which actually wreck the way the SOEs seek to pursue strategy and alignment in the organisational architecture. In this study, MEC and politically-aligned board members were using formal power to meet their personal agendas over the SOEs vision in the eyes of stakeholders. One of the key insights in this study is that individual-level political behaviour by boards and MEC requires not only understanding the informal and formal sources of power, but also balancing the enabling, positive aspects with the disruptive and constraining effects in a politicised context of SOEs. As organisations are 'political

containers' which include single and shared emotions and behaviours, it is important to elucidate the need of balancing and integrating both the organisational and individual level aspects of political behaviour in the pursuit of strategy alignment in SOEs.

(b) Organisational-level politics

Jarrett (2017) is cognisant that organisational politics is collective in nature where participation happens within a group. This occurs in a form of coalitions and informal groupings within the workplace. Organisational politics assert that the degree of political tactics increases as the subject affected is recognised as peculiar from the affected group in an organisation such as the SOE (Sellers and Scharff, 2020). The results in this research highlight the existence of multiple groupings which consisted of different role players or committees in SOEs. For example, there is diversity of groups of stakeholders who are affected when there are changes of political direction at provincial level, SOE TMT and board composition.

At the organisational level, it is prudent to underscore that organisational politics is typified in two ways which are labelled as the 'high ground' evident in the formal context while the 'wood' refers to organisational politics situated in the informal domain (Jarrett, 2017). The metaphors of 'the high ground' and 'the wood' which describe types of organisational level politics are elaborated below as follows:

(i) ***The organisational-formal sources of power dimensions labelled as 'The high ground'***

At the organisational level, the 'high ground' depicts organisational politics which combines formal authority with institutional systems (Jarrett, 2017). At the centre of organisational politics in the 'high ground' are the rules, arrangements, policies that form the foundation of political tactics. The advantages of these include the provision of an evaluation at personal level, appealing or oppressive actors in their interactions with stakeholders within (e.g. employees, CEOs, TMT) and outside the SOEs (e.g. board members, citizens, leaders of civil society organisations). While the current study is explicit that there were official guidelines on the functional and political processes, and that a variety of methods were used by management and board to ensure that the SOEs were compliant, there were social processes which undermined the structural system and

nurtured a culture of non-compliance, a lack of accountability and irregular processes. On the contrary, the findings in this research uncovered instances where performance measures and targets set were deliberately easy to attain e.g achieving the number of set meetings with stakeholders as opposed to evaluating the impact of meetings with stakeholders. Commonly, the misuse of internal processes was noticeable from the different scenarios (e.g. appointment of unqualified and inexperienced board members) . Within the SOE organisational setting, politics not only constrained activities in terms of inappropriate human capital, but also promoted inter-departmental conflicts and employee frustrations.

Drawing from the results of this study regarding politics at the organisational level and use of formal authority, it is imperative that SOEs improve both internal and external service quality by taking feedback seriously and promote a performance and feedback culture if they are to provide public value in the eyes of many service end users. This study is valuable as it underscores that organisational politics should not undermine the necessity of meritocracy, transparent and fair appointment of credible and capable people in the upper echelon of SOEs.

Ideally, the macro-level and legitimate guidelines, processes and institutional arrangements are created to produce the enabling foundation of political actions to deliver public value in a SOEs. However, this study has revealed the challenges which arise from increasing bureaucracy and politicisation in the use of rules, procedures and processes. Malpractices and irregular processes in the SOEs are nurtured if the negative bureaucratic practices are not undermined or corrected. The powerful actors “get away with wrong processes, activities and appointment” while compromising organisational capability, internal service to employees, line departments and service to external users.

(b) The organisational- informal sources of power dimensions labelled as ‘The Wood’

Jarrett (2017) asserts that while organisational politics is about formal processes and guidelines, it is salient to understand that institutions need to have customs, hidden traditions, and unspoken customs that constitute the metaphor of ‘the woods’. The type

of organisational politics labelled as 'woods' does not only provide cover and safety for people in an organisation, it also creates a puzzling context where innovations and required changes are ignored. In understanding the various components of the political behaviours and strategies to achieve or safeguard self-interest, it is important to not only focus on the symptoms, but also delve into the hidden barriers to strategy alignment in SOEs in KwaZulu-Natal. This study asserts that there were assumptions which were driving strategic thinking and acting of strategic leaders of SOE which predominantly was influenced with the necessity of meeting the political objectives of powerholders and sustenance of trust. The activities of political appointments carried hidden cues of political orientation and how to behave to safe guard self-interest as a CEO or board member and also how to avoid collusions or conflict with political leaders or power brokers at various levels in the politically exposed SOEs in KwaZulu- Natal. This is not far from the findings of the the Zondo Comission which concluded that a network of persons outside and inside SOEs acted illegally and unethically in the deliberate effort to undermine or render ineffectual oversight bodies and to exploit regulatory weaknesses so as to avoid accountability for wrongdoing (Pienaar & Bohler-Muller, 2023).

(c) Antecedent of organisational and individual level political behaviour

It is pivotal to underline that the findings on the subtle role of political influence on strategy alignment resonate with the notion of organisational politics as easy-going, unsanctioned, and at times off-the-record interventions to sway activities and processes in an organisation, increase power and influence which ultimately yield compromised service. The notion of political balancing organisational and self-interest by actors in SOEs and boards calls for clarity in the variety of antecedents for both organisational and individual level politics. At the individual level of political behaviour, there are four key antecedents, namely political skill, internal locus of control, investment in the organisation and expectations of success. There are five organisational antecedents which include scarcity of resources, role ambiguity, performance evaluations and democratic decision-making as shown in **Figure 6.3**.

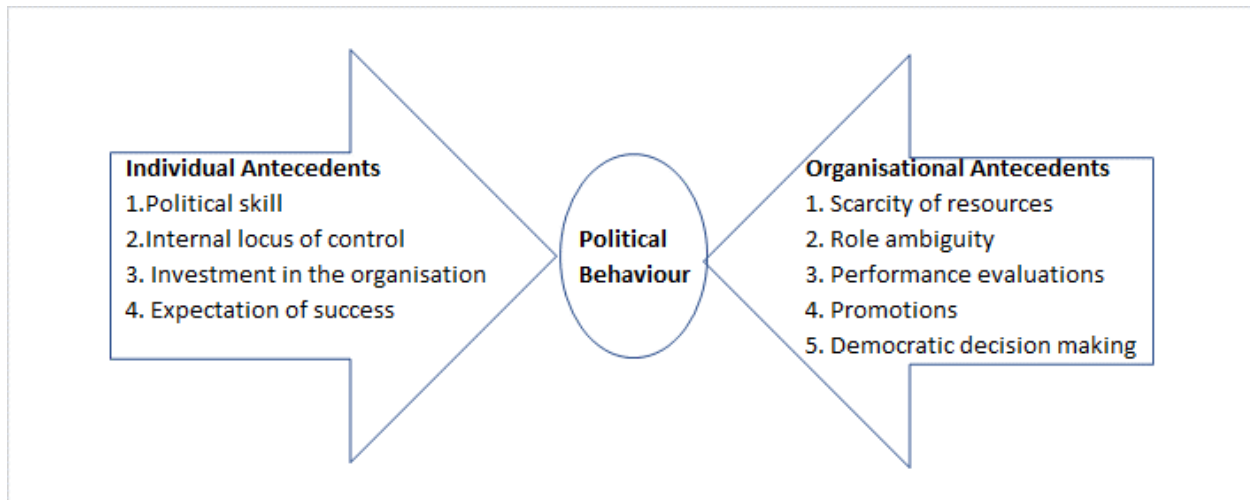


Figure 6.3: Individual and Organisational Level Antecedents of Political Behaviours

Source: Bauer and Erdogan (2012,650)

As alluded earlier on in this chapter, political skill is key when a strategic leader is operating in a pluralist environment characterised by different people pursuing their respective self-interests (Busaidi,2020). Concisely, a political skillset entails how an individual relates to others, personal control, the ability to change their responses depending on their context, and the ability to motivate others (Jovanovic, 2019). People who possess a high level of political skill often perform better in the workplace and can persuade others. In this study, strategic leaders of SOEs were demonstrating a political skillset based on their capability to relate to others within the TMT and organisation, to engage and persuade others (e.g. board to approve the strategy,set performance targets) to behave in a manner that was vital to attain both individual and institutional goals. It is arguable that political skill can be a resource that CEOs and TMT in SOEs can utilise to minimise the uncertainty experienced in political work environments while also empowering them to reduce threats and improve positive outcomes (Hochwarter *et al.*,2020). The results in this study have shown that strategic leaders engage in strategy work and seeks strategy consensus building to get board approval. It is critical to underscore that internal locus of control is a key antecedent of political behaviours by individuals, especially when they face uncertainty and ambiguity. The notion of internal locus of control may provide insights into how some stakeholders such as CEOs, TMTs and the board members pursue accountability in strategy alignment.

Political behaviour is related to the level of investment in an organisation. Lastly, the climate of political behaviour is nourished by the expectations of success upheld by a stakeholder (Mintron and Rogers, 2022). When an individual anticipates their ability to change the results, they are more prone to partake in political behaviour.

At the organisational level of politics, it is *scarcity of resources* which generally fuels political behaviours (Lucas, 2021). In the SOEs, resources such as finance and human resources in some units are limited so the employees view the organisation as highly political with common fights for resources among actors (e.g. employees, managers). Another key element in the organisational context which influences organisational political behaviour is role ambiguity (Nambisan and Baron, 2021). For example, the lack of clarity on the roles and boundary of the board and politicians to avoid political intrusion and interventions in strategy work and alignment in SOEs.

In the current study, *role ambiguity* for board members was evident, especially when some board members were not clear on who should develop strategic plan in SOE. Commonly, when the board does not clearly understand their duties, they regard the institution as more political (Thompson & Alleyne, 2023). In the SOEs, the findings also exhibit that ambiguity is prevalent on matters of performance target and evaluations to drive performance and improvement and growth rather than for conformance to board expectations. As these performance processes are prone to political influences, it is not surprising that impression management becomes a key strategy in the political behaviour of many CEOs and TMT in the SOEs (Lucas, 2021). Given the above issues, it is essential for strategic leaders of SOEs to fully comprehend that organisational politics is considered either as an indication of societal influence procedures that looks out for the institutions interests, or as the self-serving impact that opposes institutional goals. Thus, political behaviour is legitimate when used in both ethical and necessary ways that do not directly harm anyone else (Katta, Zolin and Muhammad, 2021). The need to balance legitimate and illegitimate political behaviours is vital, especially because organisational politics is an essential element that has a social influence which can be either efficient or dysfunctional for all members of the SOEs. Political interference in SOE operations is institutionalised, rationalised, and socialised to organisational members in many

countries. Despite the manifested influence of politics on SOEs, it is surprising that political skill is not yet included as part of the competence framework of strategic leaders in SOEs. Navigating the politics of SOEs demands political skills (e.g. social astuteness, interpersonal influence, networking ability, and apparent sincerity) to understand others effectively and use such knowledge to influence stakeholders to enhance personal or organisational objectives. The intersection of government, the ruling political party, and organisational politics form a political arena for strategic leaders to navigate authentically or inauthentically. A negative political approach to navigating the politics of SOE arises when strategic leaders use power and political advantage to gain or protect self-interest or group interest rather than organisational outcomes (Apriliyanti, Dieleman & Randoy, 2023). At its worst, organisational politics manifest as outright manipulation and sabotage for one's upward mobility, power, or success. Self-serving behaviour and consequences put an individual's or group's interests ahead of others, which harms the cohesion and interest of SOEs. However, a positive political approach (e.g., persuasion, negotiation) embraces various views on critical issues helpful for strategic leaders and SOEs to accomplish organisational objectives and encourage teamwork (Kaur & Kang 2023).

6.2.3 Strategy alignment through managing performance with rigor

Findings in this study reveal that performance management in SOEs was used as a monitoring tool in the hope of supporting and allowing alignment of individual and organisational performance with strategic goals through performance contracts, but was marred by inadequate and manipulated performance targets, and monitoring and evaluation process which failed to address underperformance in complex and compromising political relations.

As performance management is very critical in an organisation, it is very important that every effort is utilized to improve the measurement, monitoring, developing and rewarding of performance to achieve overall objective of an organisation. Performance monitoring at the individual or organisational level is the practice of tracking the work of employees including the quality, quantity, and efficiency of work (Pfister, Peda & Otley,

2022). It highlights the areas that need to be improved. Concisely, performance monitoring involves the measurement of performance over time against indicators of performance or key performance indicators. If used effectively, performance monitoring is used to stimulate good performance outcomes (Andra-Teodara & Dumitru , 2023). This entails consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals. Unacceptable performance can be identified at any time during the appraisal period and assistance provided to address such performance rather than waiting until the end of the period when summary rating levels are assigned.

In the current study, there was lack of clear connection of performance contracts and reviews with development of employees and board members. Notably, employee developmental needs are evaluated and addressed as part of managing performance. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or using other developmental methods (Rivaldo & Nabella, 2023). Organizations need to know who their best performers as well as the underperformers and take appropriate actions to drive performance.

However, the use of performance agreements and reviews as part of ,monitoring performance in the current study are critical aspects in pursuit of strategy and strategy alignment in SOEs in KwaZulu-Natal. As pointed out by Joshi et al. (2003), performance agreements are instrumental in harmonising individual objectives with the overarching strategic priorities of the organisation, ensuring that employee's goals directly contribute to the strategic plan. Swiatczak et al. (2015) further highlight the significance of performance measurement systems, including agreements and reviews, in empowering managers by establishing accountability for their decisions and actions. Performance reviews of the agreed performance contracts, as underscored by Thomas and Ramaswamy (1996), offer a structured feedback mechanism, enabling employees to identify strengths and development opportunities and foster continuous improvement, a process vital in strategic alignment. In this case, views serve as a means to promptly detect deviations from strategic goals, and pursuit of enabling timely corrective actions.

Performance reviews also contribute to organisational learning, recognising areas that require adjustment or improvement within the strategic alignment process (Melnyk et al., 2014). In this regard, performance agreements and reviews in SOEs are indispensable tools not only for aligning individual performance with strategic objectives, but also cultivating accountability, and facilitating a culture of continuous improvement and organisational learning in the complex realm of SOEs. For instance, Glaister (2018) argues that performance contracts, when well-structured, serve as a mechanism to align individual goals with the strategic objectives of state-owned enterprises. The implementation of performance contracts and associated incentives can act as potent drivers for strategic alignment within state-owned enterprises in KwaZulu-Natal. However, this study's findings reveal complaints regarding the inadequacy of performance incentives at the strategic level of some SOEs which has the potential of watering down the effect of these contracts on performance of individuals. Nonetheless, using incentives and prices linked to performance contracts can significantly enhance employee motivation within SOEs.

Parnell (2018), when highlighting the role of incentives in driving performance, emphasises that when individuals see a direct correlation between their efforts and rewards, they are more likely to align their actions with organisational strategy.

If SOEs in KwaZulu- Natal are to gain the full and effective benefits of performance management, performance monitoring without performance development and coaching are inadequate to influence strategy and employee work in executing and aligning strategy. While the monitoring of *symptoms of underperformance quickly and* responding timely is important, this is not strategically important if there are no rewards for performers, remedial action for underperformers and development of employees and the organisations. In this study performance monitoring was not only an executive function, but also responsibility of managers and board and independent agencies. In this study, performance monitoring occurred at various levels (e.g board through external and independent agencies, monitoring of CEO by the board and internal performance monitoring of TMT and employees). Multi-level and shared responsibility between the board and management of SOEs is salient to monitor performance in SOEs. However,

the application of performance contract was not robust and raised a variety of questions which reveal not only the questionable practice of setting performance targets by strategic leaders, but also lack of understanding of the development potential of performance target or an experience for an individual. For example, evidence in this study is explicit that performance target setting, contracting and review at the CEO and TMT levels were informed by target set to be easy to achieve, and less challenging. Achievement of performance targets set in this way is not significant to drive excellence in strategic performance of individuals but also fail to develop people in an organisation. Evidence from this study's finding reveals pervasive manipulation of performance targets to give prominence to easy wins and superficial measures instead of aligning with the organisation's broader strategic goals.

Second, the finding further revealed that a bureaucratic and simplistic performance management approach within SOEs favours focusing on predefined goals without paying careful attention to comprehensive indicators. Focusing on superficial measures can potentially compromise the ability of SOEs to pursue their strategic goals effectively, leading to the misalignment between individual and organisational objectives.

If the erroneous performance management practices works (e.g. manipulation of performance targets, simplistic and bureaucratic styles, inadequate rewards, tolerance of underperformers, lack of clear consequence for underperformers) for those the in the upper echelon and employees, these practices are likely to permeate the entire SOE and become part of the way we do things around here or what is termed as organisational culture.

Before elaborating the importance of culture creation, maintenance and change by strategic leaders, it is prudent to acknowledge that some scholars assert that employees of SOEs are overpaid as these organisations are seen as vehicles of income redistribution. SOE's in South Africa and many developing countries suffer from chronic losses given the high wages they pay and the surplus labour with which they operate.

In an organisation, culture plays a crucial role in shaping the behavior, values, and practices of people at various levels which influences strategy alignment (Gore & Kanyangale, 2022).

In the words of Edgar Schein(1994:9), a reknown scholar of organisation, it is more insightful to understand culture as "a pattern of basic assumptions-invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration-that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" . Leaders play a key role in shaping culture through the various issues they pay attention to, what they punish and what they reward. This study is clear that the rewards for performance in SOEs in KwaZulu- Natal were considered as inadequate especially at the CEO level. Equally notable is the challenge of addressing the problem of underperformers not only within the organisation, but also at board level in SOEs as reported in this study.

Clearly, the procedure and type of performance targets set, inadequate performance rewards, tolerance of underperformance and lack of consequences, and political interruptions in recruitment and appointment processes in SOEs in KwaZulu -Natal were shaping a culture which was not conducive to performance excellence. Leaders and employees in an organisation are both constrained by cultural norms and assumptions which guides constant interaction of people as they seek to achieve internal intergration and external adaptation in an organisation. However, strategic leaders are key in shaping, changing and sustaining of organisation culture which is complex and multifaceted in nature.

It is imperative that strategic leaders with the support of the board, develop and promote a performance culture in SOEs grounded in proper and effective performance management practices and system. Mindful of the growing corporate scandals and maldministration in SOEs, it is arguable that strategic leaders who are authentic are considered as key in not only creating, shaping and sustaining an ethical organisation culture, but also being a potential solution to problems in organisations such as SOEs. In South Africa, SOEs such as South African Airways and ESKOM have created negative consequences for the South African economy and have been viewed as driving nepotism, corruption and non-aligned state agendas as revealed by the Zondo Commission which investigated a number of SOEs (Pillay, Chitunhu & Chivandire, 2023). Judge Zondo has asserted that Parliament of South

Africa failed to take steps to expose and stop state capture timeously, causing South Africa to lose over R58 billion through the SOEs (Pillay, Chitunhu & Chivandire, 2023).

Gardner, Karam, Alvesson and Einola (2021) and practitioners in organisations are calling for authentic strategic leadership as key to solve dysfunctional leadership in SOEs and the private sector. In a nutshell, an authentic strategic leader builds genuine relationships with employees by inspiring trust, influencing follower-work-related behaviours to perform well and fostering a positive work environment in an organisation. However, it is prudent to emphasize that critics assert that a reflection of the 'true self' is impossible as leaders are forced to “sacrifice their subjectivity to that of the organisational collective— privileging their collective or organisational self over their individual self” (Ford and Harding, 2011: 464).

In the words of Välikangas and Tienari (2018:1), “CEOs and Top Management Teams (TMT) cannot be “authentic in the strict sense of the word—embracing who they “truly” are—due to the many conflicting demands on their work and due to their public role, where expression of their inner-ness would be deemed inappropriate”. In many organisations, authenticity comes at a high price, paid not only by leaders but also by their followers (e.g., reduction in team engagement and tensions due to hurtful but true comments on team members' performance) especially when expectations of powerholders and brokers are violated or undermined (Chamorro-Premuzic, 2020:1).

Nonetheless, proponents of authentic leadership are optimistic that authenticity exhibited by leaders in an organisation such as SOEs is the path to organisational success, longevity and process of addressing the ethical crises in organisations (Iszatt-White, Carroll, Gardiner and Kempste, 2021). However, there is a lacuna in the dynamic interplay of strategic leadership and authenticity in organisations such as SOEs and its outcomes at the micro-level (the individual stakeholder), meso (groups and organisations) and macro-level (institutions, culture and society).

In a different vein, it is insightful to critically understand the opposite of strategy alignment. Papke-Shields and Malhotra (2001) emphasised strategic alignment's impact on business performance, suggesting that a misalignment between performance measures

and strategic goals can hinder organisational success. When performance targets are strategically aligned, they drive the organisation towards its strategic objectives.

It is arguable that manipulation of performance targets or poor setting of performance targets arise from lack of capability by strategic leaders and managers or deliberate intention to manage positive impressions which exposes a serious problem of focusing on less impactful measures which hinders strategy alignment and development of employees through challenging stretched targets.

6.2.3.1 Pursuit of innovation supportive of strategy alignment

The implementation of aligned plans and re-alignment of strategies requires an innovation process carried out by SOEs, bringing into the fore ideas for continuous improvement to deliver efficient and effective service to meet customer needs, improve relationships with external stakeholders and government . In short, innovation is key for the success of implementing creative ideas and sustain strategy alignment in dynamic organizations such as the SOEs.

In the current study, there was lack of clarity on long-term orientation and connection of innovation within the activities in the SOEs which shaped strategy alignment. To be effective, strategic leaders in SOEs also consider and prioritise innovation and innovation capabilities as key in aligning the internal components of SOEs which drive performance. In this regard, innovation is the ability to apply creative solutions to a problem as well as opportunities to improve or create change and processes for efficient and effective services. In terms of strategy alignment, innovation is the introduction and deliberate application in a work, work team or organisation of product process ideas or new procedures with the aim of benefiting work, work teams or organisation. Innovation adds something new to an existing product or process of combining ideas and knowledge into new values. SOEs adapt to the environment by involving the use of resources both people,time, and money in creating and developing new products, services, or work methods in the organization.

Innovation focus in SOEs may occur in the domain of strategy, capacity, and operations revealing an innovation locus which is either internal (i.e. on dimensions internal to the

organisation boundary) or external (i.e. on dimensions external to the organisation). By classifying innovation via the three innovation foci (strategy, capacity, operation) and two innovation loci, there are new typology that consists of six types of innovation: relevant to SOEs which include mission innovation (the introduction of a new worldview, mission or purpose for the organisation as a whole), policy innovation (the introduction to the stakeholders of new benefits and obligations for the organisation as a whole to solve societal problems), management innovation (the introduction of new management practice, process, structure, or technique to improve the organisation's ability to further organisational goals), partner innovation (the establishment of new partnerships to improve the organisation's ability to further organisational goals), service innovation (the introduction and delivery of new services to achieve organisational goals), and citizen innovation (the establishment of new platforms to facilitate citizen collaboration to achieve organisational goals).

Drawing from the domain of public value, it is insightful to understand that the internal orientation of strategy alignment may be understood in terms of three innovation foci relevant to SOEs: strategy, capacity, and operations as shown in **Figure 6.4**

	Innovation locus	
	Internal	External
Strategy	Mission innovation	Policy innovation
Capacity	Management innovation	Partner innovation
Operation	Service innovation	Citizen innovation

Figure 6.4: Innovation Locus of SOEs

Source: Adapted from (Chen, Sawhney & Walker, 2019: 38)

At the strategy level, the innovation focus involves the authorising process for an organization in defining its domain, mission, and guiding principles working with stakeholders (Poister, Pitts and Edwards 2010). The authorising process can be distinguished into the internal and external process. To innovate internally in the SOEs, this process focuses on the organisation's response to the requirements of political actors, such as the politicians who draft political mandates, and boards of directors that specify the organisational mission. To innovate externally, an organisation has to engage multiple stakeholders in the ecosystem to accommodate their needs and obligations (Bryson, Crosby and Bloomberg 2014). Externally, innovation in strategy focus develops policy that embody the benefits and obligations of the stakeholders. Implementing such an innovation means reaching an agreement among the various stakeholders in the ecosystem and documenting the agreement. Innovation in strategy focus is the creative solution to organisations' entrepreneurial problems.

The typology distils the multi-faceted phenomenon of innovation into discrete, memorable building blocks which provide insights and guides in different internal and external ways of shaping strategy, capacity and operations in an organisation. The typology is helpful for strategic leaders of SOEs to identify innovation opportunities systematically, paying more attention to understudied innovation types such as citizen innovation, examine the effects of environmental, organisational and innovation features on the adoption and diffusion of different types of innovation and the effects of innovation on organisational design and alignment which affects performance, and governance.

In this study, there is focus on the authorisation process which ensured that a SOE's mission is pursued through strategic plans that reflect the desires of legitimate political authority, board expectations and defined the type of services offered to users and citizens in KwaZulu- Natal. Notably, strategic leaders of SOEs were seeking to improve administrative procedures, strategy consensus and approval of strategic plans by the board and also relationships with political powerholders. As mission in SOEs is determined by government mandates, there is very limited space for innovation, however the focus is to ensure mission effectiveness.

At the capacity level, the focus on innovation embrace management innovation and partner innovation. Internally, capacity innovation involves instituting a process that provides an organisation with the administration, structure, expertise, management, technology, and resources necessary to accomplish politically mandated mission (Poister, Pitts and Edwards 2010). Resource reallocation is not just a bold strategic move on its own as it is also an essential enabler of the other strategic moves and innovation. Excellent strategic leaders re-allocate resources frequently to focus resources on priorities.

To ensure that resources are swiftly reallocated to where they will deliver the most value rather than spread thinly across businesses and operations, excellent CEOs institute an ongoing (not annual) stage-gate process. Such a process takes a granular view, makes comparisons using quantitative metrics, prompts when to stop funding and when to continue it, and is backed by the CEO's personal resolve to continually optimise the company's allocation of resources.

From an external point of view, capacity related innovation also involve innovation in partnership facilitation, development and sustenance to enjoy collaborative benefits at various levels of the organisation. The capacity of an organisation such as SOE is "rooted in its ability to adapt its specific methods to new aspects of environmental change and its ability to produce new things potentially valuable to its key stakeholders. To maintain operating capacity, strategic leaders seek to improve internal organisational procedures and external relationships of SOEs with partners. Innovation in capacity focus is the creative solution to organisations' administrative problems.

Lastly, *operations focus* involves the process that an organisation uses to put its strategic decisions and policies into action in pursuit of service provision and its mission. A SOE can launch new programs or services or can reorganise elements in its organisational architecture to improve existing performance. The operations focus can be solely focused on service innovation or may require other stakeholder involvement in citizen innovation. Notably, innovation in this area by SOE includes the offering of new services that better facilitate the political mandate represented by the SOE's mission statement or promises by policies of the organisation. In the case of citizen innovation, managers can develop

collaborative platforms to invite citizen engagement in service delivery, in which citizen transition from a passive recipient of services to an active co-creator of services. Innovation focus and locus are key organisational behaviours that capture decisions on where SOE will innovate operationally with an external focus or strategically with an internal focus necessary for strategic alignment.

An ecosystem which is a network of actors including numerous stakeholders such as citizens, civil society, public partners, private partners, users, and internal members is very important to deliver services and resolve wicked problems through collaborative work or working together with others. This entails that strategic leaders shift their mind-set and practices to be receptive to the organisation as an open system tolerant to open and collaborative innovation and benefits.

In the effort to ensure strategy alignment, it is important that innovation must be seen as an ongoing capability in SOEs, rather than as a resource to be drawn upon without prior effort in SOEs. However, strategy alignment and innovation in the SOEs in KwaZulu-Natal was suffering from budget cuts, conflicts between the board and management, lack of board unity, short board tenures, political interferences, and limited flexibility in salary structures and performance bonuses which are key for improved performance.

The finding points to the urgent need for a holistic approach to performance measurements and target-setting that ensures a more wide-ranging evaluation of performance and better support of strategic alignment within the SOEs. For example, the balanced scorecard concept encompasses the evaluation of various performance characteristics, including customer satisfaction (the public being served by the SOEs), internal processes, learning, innovation and growth. This comprehensive approach encompasses the evaluation of non-financial indicators, such as customer satisfaction, innovation and operational efficiency.

The previous studies by scholars such as Papke-Shields and Malhotra (2001) emphasises that performance indicators should align with an organisation's strategic goals when there is a holistic approach, integrating both non-financial and financial

metrics for successful performance measurement and evaluation of organisational performance.

Ojogiwa (2021) examined the features, responsibilities and critical roles of strategic leadership in improving the quality of performance delivered by public institutions in Nigeria. The results of this study indicate that strategic leadership is a dimension of strategic management that has a positive connection with organisational effectiveness. This study contributes to existing albeit scarce literature on strategic leadership theory and practice in the context of the Nigerian public sector.

The best CEOs take special care to ensure their management team performs strongly on key performance drivers and excel as a unit. CEOs swiftly adjust the team's composition (size, diversity, and capability), which can involve hard calls on removing likeable low performers and disagreeable high performers and on elevating people with high potential. However, the best CEOs put equal rigor and discipline into achieving greatness on both strategy and talent. Many CEOs regret leaving adequate performers in key positions and failing to realise the full potential of their roles. The best CEOs think systematically about their people: which roles they play, what they can achieve, and how the organisation should operate to increase people's impact.

Instead of the practice of avoiding high standards and stretching target with development potential, it is prudent for strategic leaders of SOEs and the board to set challenging targets but also take care to develop the skills needed by individuals and the teams to reach them. A stretch target or task is the one which is currently beyond the level of knowledge or skill and develop a person by placing him or her in a challenging position or stretch zone in order to learn and grow. Alternatively, the comfort zone is where a person is confident with what he or she does, uses day-to-day routine as work is easy and within the comfort and existing competence of an individual. In the SOEs of KwaZulu-Natal, target setting and performance monitoring was done within the comfort zone. It is also important to underscore that in terms of individual and organisational development, very little learning or innovation takes place in the comfort zone, and there is a risk that individuals become unmotivated, bored and disengaged.

In pursuit of organisational alignment through managing performance with rigor, there are five key components, namely the processes of planning, monitoring, developing, rating, and rewarding which needs to work together and support each other, resulting in effective performance management coherent and consistent with strategy. It is critical for strategic leaders of SOEs to engage in effective performance planning which means setting relevant and adequate performance expectations and goals for groups and individuals to channel their efforts toward achieving organisational objectives in SOEs.

Getting employees involved in the performance planning process helps them understand the goals of the organisation, what needs to be done, why it needs to be done, and the level of effort or responsibility required. If performance management is to be more useful, SOEs need to address the questionable and erroneous practices of setting targets and monitoring of performance as evident in the SOEs in KwaZulu- Natal. It is fundamental to avoid less challenging targets, but rather involve people in setting stretch targets where work serves to expand people's knowledge and understanding, and entails looking for creative ways of working within the SOEs in KwaZulu- Natal. Kizilos (2012) assert that a stretch zone is where learning or re-learning takes place and individuals develop the motivation to make a change, challenge themselves, take a risk, and become ready to deal with some uncertainty.

Kizilos (2012) focuses on developmental potential of experience along two fundamental dimensions: Intensity (increased performance demands) and Stretch (different performance demands). Given these two different aspects of performance, the act or process of increasing one's level of achievement at the same task or activity is different from the demand to perform new activities. According to Kizilos (2012), combining the intensity and stretch dimensions creates the FrameBreaking experience model, characterised by four distinct types of experience: Delivering, Mastering, Broadening, and FrameBreaking. First delivering is about work which is low in intensity but also stretch as it does not increase or entail different performance demands. Second, mastering is about work which is high in intensity, but has limited new performance demands. Third broadening occurs when work has new performance demands but low intensity. Lastly,

frame breaking is when work has high intensity but also high stretch, characterised by demand for increased performance and different performance demands.

Work or experience which is frame breaking has high developmental potential while delivering has very limited developmental opportunities. Each experience type offers different value to the individual at different points in their career. The experience model fills a real void in current talent development practice. Without a useful lens for thinking about experiences, it is too easy for people to miss critical learning from “great development opportunities.” **Figure 6.5** indicate the frame breaking model which provide a simple way to think differently about work experiences, so people can learn and achieve more, faster.

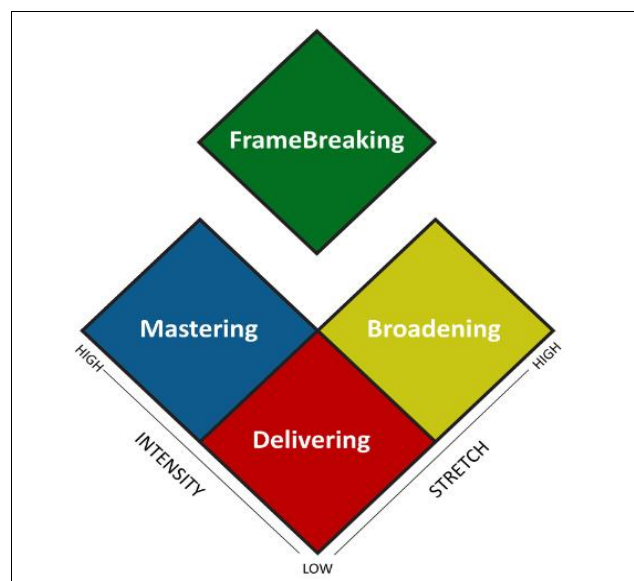


Figure 6.5: Frame Breaking Model Source: Kizilos (2012:1)

Frame breaking model focus on leadership development activities which are both high-risk and outside of participants current leadership skill set. Performance management is a crucial process for any organization that wants to achieve its goals, motivate its employees and board, and foster a positive culture of developing self and others. However, not all performance management systems are created equal. Some are outdated, ineffective, or even counterproductive.

Kanyangale and Chikandiwa (2022) advises that the annual or biannual performance appraisal promotes “saving up” of feedback for the formal appraisal meeting. Feedback at the moment where the receiver's impact would be most significant is essential for revising goals and progressive actions towards the SOE organisational and employee-oriented goals. With high volatility, the pursuit of annual goals and year-end performance reviews risks a gap growing between desired performance and actual performance (Chowdhury and Wil-liams, 2020). Check-ins which involve regular conversations focusing on individual and organizational goals, development and changing priorities are very important not only to give timely feed back but also ensure that the feedback is actionable to correct and improve performance (Ledford and Schneider, 2018).

It is advisable for strategic leaders of SOEs in KwaZulu- Natal to set near-term goals which rely on timely feedback, mindful that feedback has little impact on employees and the organisation when too much time passes between the event and the feedback being given. Agile near-term goals are a solution to inflexible goal setting in many organisations and allows for regular re-alignment of activities in a dynamic environment.

The urgency to engage in ongoing check-in arises because of the need for timely and forward-looking conversations, which are vital for planning performance goals to keep pace with environmental change. In this way, check-in is critical to avoid drifting of goals.

Agile performance goal planning and review are essential as these forces line managers and employees to engage in ongoing forward-looking conversations that examine relevance, validity, and alignment between near-term and annual goals. Given the limited or lack of flexibility in the SOE yearly performance goals, the solution is to promote the practice of regular updates of near-term goals. Regular check-in focusing on goals forms the foundation for effective coaching premised on regular, two-way feedback. Employees have the opportunity to learn what they are doing well and where they might be missing towards their near-term goals. In the SOE, there is a need for the CEO and board to model agile performance planning. Thus, the CEO and board need to continuously develop and attain successive near-goal alignment and review CEO-oriented outcomes and ensure that such practice is cascaded to all organisational levels. The pitfall identified

in the SOEs is the predominant reliance on the rear-view of employee performance. Performance appraisal or formal performance review relies on hindsight and infrequent feed-back (Murphy, 2020). More importantly, the SOEs used backwards-looking feedback which does not serve to drive current and future performance. Performance appraisal “looks in the rear-view mirror instead of through the windshield and plans for a brighter future” (Zenger, 2017:1).

In a nutshell, SOEs in KwaZulu- Natal needs to ensure goal alignment, energise, and empower employees based on continuous and future-oriented performance conversations. The use of annual performance reviews by line managers impeded the development of people using timely, ongoing forward-looking discussions in SOEs.

Managers and employees in SOEs in KwaZulu- Natal must not think of feedback as a tool for special occasions but instead runs through everything they do (Korn, 2021). Holistic feedback shapes purposeful collaboration, enabling more employee and organisational agility. Close collaboration between CEO and board, CEO and TMT , manager and employee as feedback giver and feedback receiver is a critical element of performance feedback culture.

Lastly, it is critical to underscore that strategy alignment also involves changes by offering coaching and development opportunities to people in an organisation. Coaching is a form of feedback that focuses on helping employees develop their skills, knowledge, and potential key to play a part in the transalation of strategy into actions. In the current study, there is lack of evidence of linking performance management to not only development opportunities, but also coaching activities that enable employees to learn new things, acquire new competencies, or enhance their performance. It is very important that strategic leaders of SOEs in KwaZulu- Natal also influence strategy alignment by providing coaching and development opportunities which foster a culture of learning and growth, and empower employees to achieve their goals. Coaching and development opportunities are the launchpad to success.

6.3 BOARD LEADERSHIP THEORY AND STRATEGY ALIGNMENT

This qualitative study has revealed four key findings which asserts that the board plays various key monitoring, and compliance functions in state-owned enterprises which influences the internal and external focus of strategy alignment in the short and long term. These findings will be critically discussed in relation with three different types of relevant board theories, namely agency theory, resource dependences and stakeholder theory to understand the board's role and nature of influence on strategy alignment in SOEs in KwaZulu-Natal. In **Table 6.2**, below Chambers, Harvey, Mannion, Bond & Marshall (2013:24) have crystalised the key contextual assumptions, mechanisms and intended outcomes inherent in the board theories insightful to guide the discussion of how the boards of SOEs in KwaZulu-Natal influenced strategy alignment.

Table 0.2: Interpretation Framework of Board Theories

Theory	Contextual assumptions	Mechanism	Intended outcomes
Agency	Low trust and high challenge and low appetite for risk	Monitoring and control	Minimisation of risk for owners
Stewardship	High trust and less challenge and greater appetite for risk	Partnership between managers and owners	Excellence in performance
Resource dependency	Importance of social capital of board	Boundary spanning	Inward investment and greater reputation
Stakeholder	Importance of collective effort, risk is shared by many	Collaboration	Long-term add value
Board power	Power relations foregrounded, rests on human desire for control	Use of power differentials	Equilibrium

Source: Chambers, Harvey, Mannion, Bond & Marshall (2013:24).

6.3.1 Board as monitor and less of a strategic partner in strategy alignment

First, the nature and scope of board's influence on strategy alignment was predominantly in terms of the board performing as a monitor and controller of the CEO and organisation. The monitoring and compliance aspect of the board role was prominent as a cornerstone

of board work in SOEs which influenced strategy. The monitoring function was characterised by board oversight, continuous monitoring of not only the CEO, but also the organisation's activities, review and adherence to policies and regulations in SOEs in KwaZulu Natal. In this way, the task of continual monitoring is essential to guarantee that the strategy remains in alignment with the goals of the organisation and adheres to regulatory restrictions (Langan et al., 2022).

This finding resonates with the theory of agency of board governance. According to the early seminal work by Jensen and Meckling (1976) and Ross (1973), the agency theory focuses on the relationship between the owners (principal) and management of the firm as agents who cannot be trusted to manage the firm properly and must be policed because they are always acting in their own interests instead of serving the interests of the owners (shareholders). Agency theory is predicated on the notion that the shareholders' and managers' interests are likely to be different and that the behaviours of both sets of actors are characterised by self-interested opportunism. Unless scrutinised, the CEO and staff as agents in SOEs will seek to pursue their own interests rather than wider organisational objectives. In efforts to influence strategy alignment, the board in most SOEs were serving as a monitoring device set up to ensure compliance by developing systems of checking, monitoring and controlling to hold staff accountable for their actions. In the current study, the agency theory illuminates board work of monitoring through a variety of strategy practices and mechanisms such as strategy workshops, Annual Performance Plans (APPs) and annual monitoring and various board committee work (e.g. finance, audit, Human Resources, and risk committees) to ensure alignment between the strategy and the organisation's goals. Within the organisational architecture, the monitoring and compliance aspects of board role gives primacy to *aligning* structure, skills, systems, resources, strategy, and staff with the beliefs of addressing the challenges of non-compliance and self-interested opportunism of managers in SOEs.

In this study there were instances which revealed lack of clear understanding of the operations of the SOE by the board. Additionally, there were also instances where some of the boards lacked clarity about whether it is the board or management task to develop strategy in SOEs in KwaZulu-Natal. This finding resonates with the recent conclusion by

Economic Commission for Africa (2021) that lack of well-defined development mandates and strategic priorities; poor understanding of corporate governance on the part of the shareholder (government ministries) and suboptimal boards in South Africa impedes performance of SOEs.

Notably, these issues poses questions on the quality and effectiveness of the board in directing, as well as controlling and ensuring accountability in influencing strategy work and alignment of the different constitutive internal elements of the organisational architecture of a SOE in KwaZulu- Natal. Efforts to address problems in SOEs in South Africa have focused on replacing individuals on boards and management committees. With this superficial approach in mind, it is clear that there has been lack of much-needed institutional reforms by the government as a owner that would place the Sout African SOEs on a sound and sustainable footing (Economic Commission for Africa, 2021). More importantly, there is no overarching strategy objective for SOEs in Southh Africa as such the strategy efforts are similar to an exercise in which “the damaged furniture inside the house is constantly replaced, but the structural faults are always left untouched” (Economic Commission for Africa, 2021:1).

If board work of monitoring, controlling but also identifying long term strategic priorities and objectives of SOEs in KwaZulu -Natal is to be realised, it is fundamental to develop the strategic competence and quality of board members to understand the organisation’s business and the industry sector they govern, which includes knowing the business model at play, target audiences for services and the flow of products, programs, services, and money related to clients, members, competitors and collaborative suppliers/researchers and partners. Board members need strategic capabilities of regularly scanning for insights into how their organisation inter-relates to other elements of the global marketplace. The Economic Commission for Africa (2021) is explicit that boards and TMTs in SOEs may not excel and meet the expectations of government as there is currently lack of clarity on the strategy on state-owned enterprises by South African government.

Boards were commonly using monitoring, control and compliance mechanism to influence activities of CEO and change in the organisational architecture of the SOEs in this study. In understanding how the board of SOEs influence strategy and strategy

alignment, it is prudent to understand what is the essence of the agency problem. Ross (1973) and Mitnick (1975) constructed the agency theory using two approaches. Ross's (1973) view was that the agency problem was the problem of incentives and rewards, whilst Mitnick (1975) described the agency problem as a challenge of the institution and the theory was extended to understand the agency problem in real-world settings beyond the business corridors.

There are two key implications of agency problem in terms of strategy alignment in organisations. First, the agency problem leads to parties working for their own interests, giving rise to agency conflict and strategy misalignment. In this regard, monitoring mechanisms seek to control the agency's costs and limit the agent's harmful activities and strategy drift as a form of misalignment. To reduce problems of management pursuing their own interests, performing poorly or problems stemming from use of managerial discretion, strategic leaders in SOEs as agents must be controlled through incentives to align their interests with the interests of the principal.

In the current study, the board was setting targets for the CEO, but also its own target at the beginning of its term, and then evaluate how far it has gone. The monitoring activities were at the individual level of the CEO using scorecard (e.g. the board holding regular meetings for the CEO to present the status report for the board to know and understand the strategic direction of the entity, and able to see whether the CEO and the team are really moving in the set direction), and also focus on multi-level internal alignment in the SOE (e.g. board monitoring CEO to ensure that the strategies of different departments and role players align with the entity's overall strategy, policies, political objectives). Outside the SOEs, the monitoring, control and compliance activities which manifest board influence on strategy included aligning the strategies and actions of SOEs with its political, and regulatory objectives and requirements (e.g. Companies Act, Public Finance Management Act (PFMA), King Code IV (2017) and aligning activities and policy decisions with mandates to ensure that SOE has necessary measures for its proper functioning.

Second, there are different types of costs associated with monitoring of performance in the agency theory. Jensen and Meckling (19176) elaborate on the three sources of

agency costs: monitoring expenditure, bonding costs (to tie the agent in) and residual loss (the costs of agents' decisions which diverge from those that are in the best interests of principals).

Thompson and Alleyne (2023) emphasise the importance of the board in setting the strategy and overseeing its administration as one of the core monitoring and control duties of the board. Daye et al. (2022) added that the duty of monitoring and overseeing the strategy implementation also had to do with low trust and risk minimisation for the state. Whitler, Lee and Young (2022) concur that the role of the board of directors is to lead the organisation and oversee the implementation of strategy by the top management team.

6.3.1.1 Level of trust and nature of working relationship in strategy work

Second, the findings of the current study have also revealed that the boards in SOEs in KwaZulu- Natal interacted with the CEO and managers premised by low trust-based interrelationships, agency problem of self-interest, and emphasis of board control through rituals of strategy formulation, review of draft strategic plan prepared by management and approval by the board which resonates with agency theory of board governance.

As alluded earlier, agency theory for understanding board governance and strategy alignment uphold that boards have a responsibility to mitigate the risks inherent in the separation of ownership from management. Managers may not always act in the interests of the organisation either as a result of self-seeking behaviour or because of incompetence.

Thus, agency theory is concerned with resolving principal-agent' (shareholder-management or shareholder-society) problems of conflicts due to unaligned goals (Lu, Ntim, Zhang & Li, 2023). . The strategy endorsement practices, low-trust and low-risk appetite working relationship, control-oriented decisional and monitoring powers of the board were evident in the current study. This contrast with the stewardship theory of board governance which upholds the idea that shareholder interest can be protected by a high level of trust partnership style of working between the principal and agent in pursuit of excellent performance, high appetite for risk and mutually shared working relationship

(Donaldson & Davies 1991). Stewardship theory developed as a challenge to beliefs that managers are always self-interested rational maximisers, but rather pursues organisational interest. Stewardship theory is generally a competing view of agency theory, upholding that managers are self-regulated and hardworking (Lu, Ntim, Zhang & Li, 2023). The assumption that goals of the board and their managers are aligned, with the latter being intrinsically motivated to act in the best interests of the organisation and to focus on intangible rewards such as opportunities for personal growth and achievement are central to the stewardship theory (Lu, Ntim, Zhang & Li, 2023). While the agency theory is premised on transactional relationship with low trust, it is arguable that the stewardship theory relates to a very different type of human relations perspective typified by high-trust which. From the human relations perspective, it is decipherable that stewardship theory starts from the view that managers and owners share a common agenda and work 'side by side' as the emphasis is on the board's role in developing strategy rather than on monitoring performance (Lu, Ntim, Zhang & Li, 2023). The current study invokes questions on the nature and conditions in the SOE which may enable the board of SOEs to interact with CEO and influence strategy alignment on the basis of strong trust, strategic partnership and mutually shared working relationship with a common agenda in SOEs as illuminated in the stewardship theory.

With the board theories in mind, it is clear that boards of SOEs in KwaZulu- Natal have the option of influencing strategy alignment as active partners with management, positioning themselves as a strategic asset to the organisation. Influencing strategy alignment informed by the view that managers on the whole direct their efforts to the well-being of the organisation that they are serving, and that managers and owner representatives (outsider directors, non-executive directors, lay members or governors) on boards work together to develop strategy and to monitor performance calls for co-operative role consistent with stewardship theory and entails closer ties of the board with management. There are several criticisms levelled against the partnership role of the board in influencing strategy alignment. Some critics observe the potential risk of an oversight vacuum, risk of governance failure, strategic drift, inertia or danger of 'groupthink in the upper echelon which may erode independent thought to challenge the boards. Furthermore, there is also potential for role conflict in having the CEOs serve the

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interests of shareholders while at the same time maintaining camaraderie on the board of SOEs.

There are also specific criticisms of agency theory which are relevant to strategy alignment in SOEs. First, agency theory is criticised for the concentration on the agent side of the principal-agent conflict, yet the principal's side is equally important. The principals and agents are both human beings and can find a noble work partnership for the SOEs benefit. Stewardship theory hold that agents can be trusted and advocate for good teamwork between the principal and agents. Second, agency theory is not only criticised for considering agents as self-interested opportunists, but also ignoring the skills and competencies of agents in SOEs. This study, has revealed that political patronage rather than emphasis on industry and board skill was predominant in the selection of people to do board work in SOEs in KwaZulu-Natal. The Zondo Commission which investigated maladministration in state-owned enterprises reveal that political disturbance of strategic and board leadership in SOEs in South Africa was systemic as those that were part of a network organising to improperly benefit from SOE contracts were placed in strategic positions, while governance rules and structures were changed to centralise power in their hands and bypass checks and balances intended to ensure fair process (Pienaar & Bohler-Muller, 2023). Employees in SOEs who speak up against improper conduct are disempowered, marginalised, and even victimised.

Kanyangale (2023) concur that in Malawi there is little regard accorded to merit-based selection criteria of boards, as emphasis is not on the necessary knowledge, experience, integrity and corporate governance skills, but rather political affiliation and network when selecting the Chairperson and Board of Directors in Malawian SOEs. This politically influenced practice results in an ingratiated, unethical board and politicised governance culture, compromising ethical role modelling by the Board and ethical corporate decision-making in the SOEs in Malawi.

Hlobo et al., (2022) concur that in state-owned enterprises in South Africa retired parliament members are recycled to lead boards without any corporate experience at all. According to Zhu and Wang (2014), political appointments are the source of board instability because political leaders appoint like-minded individuals to power and trigger

the replacement of board members prematurely. A study by Tladi and Madue (2022) listed ineffective board sub-committees, inadequate diligence during board appointments, corruption, greed, maladministration and political patronage as causes for weak board leadership. Although the executive authority (government through a Member of the Executive Committee) appoints the board in South African SOEs, the minister's appointment of the board chairperson and deputy chairperson creates mistrust among other board members. In this regard, the Institute of Directors South Africa (2018) recommends board members appoint their own chairpersons and deputy chairpersons based on their leadership capacities. Appointing a chairperson before the first board sitting leads to suspicions of the political agenda by the other board members.

It is posit that boards populated by directors who lack functional sector experience are unlikely to assist with decision-making during contingency periods of instability and unpredictability (Sidiki, Boerger & Boll, 2023). Boards that lack capital (human, social and intellectual) and resources do not assist managers in executing the strategy (Boevie, 2021). In this study, there were also instances when boards accepted and approved performance measures and targets based on what is easy to achieve rather than what is strategic, appropriate and aligns with the efforts necessary to achieve strategic objectives of SOEs. Notably, the setting of easy to win performance targets may lead to low performance standards and a lack of ambition, as individuals and teams in SOEs may meet the targets that do not drive significant progress or align to meaningful results necessary for organisational success. If SOEs are busy with easy to achieve and unchallenging performance targets, it is possible that the CEO and TMT may be easily out of touch with reality and fail to identify real performance problems with their teams and the organisation.

While agency theory assists us in understanding the monitoring role of boards in supervising and controlling management actions, it is arguable that multi-theoretical explanation is necessary and beneficial, and allowing us to better understand board governance roles in relation to influence on strategy work and strategy alignment (Lu, Ntim, Zhang & Li, 2023). One can posit that the influence of strategy alignment premised on the positioning of board as strategic partner of management, combined with

monitoring, offers the potential to produce more effective efforts to support strategy alignment on SOEs.

Excellent CEOs reinforce partnership with the board, and promote a board agenda that goes beyond traditional responsibilities to cover a broad range of topics, such as strategy, technology, talent, and resilience. Excellent CEOs take useful steps to boost the quality of the board's advice to management. To get the most from their time with the board, excellent CEOs collaborate with board chairs on developing a forward-looking board agenda. Excellent CEOs promote connections and collaboration between the board and top executives, which keeps the board informed about the organisation and engaged in supporting its priorities. The provision of the board with insights into the inner operation by the CEO is one of the ways of helping their boards to give quality advice for strategic decision making. Additionally, CEOs can also help in board development to improve the board's effectiveness by ensuring that new members complete a thorough onboarding program and creating opportunities for the board to learn and unlearn.

6.3.1.2 Conformance and performance dimensions of board's role

In this study, there is evidence that the boards in SOEs in KwaZulu -Natal were relying on the traditional roles of board governance characterised by low trust, ensuring conformance to the system of rules of directing and controlling SOEs. It is noteworthy that the agency theory and stewardship theory are inadequate to exhaustively elaborate the nature of influence of board on strategy alignment in SOEs. For example, the agency and stewardship theories are criticised for only illuminating particular aspects of board governance and board roles and lacking combined insights of different theories required to provide explanatory of complementary insights.

In the light of this criticism, Garratt (1997) has developed a model that helps integrate the insights of the agency theory and the stewardship theory to define two main dimensions of the boards role, namely 'conformance' and 'performance' which may partly explain the findings on board's influence on strategy alignment in this study. First, Garratt (1997) define conformance in terms of accountability, focusing on external or internal aspects of an organisation. The SOEs' boards are custodians of ensuring that the organisation's

strategies are aligned with regulatory compliance and the broader goals and mandates of the organisation. For example, Kamaludin and Ibrahim (2022) noted the increased director responsibility towards the environment regarding sustainability and governance to align with stakeholder and shareholder interests. Conformance in this regard is about compliance with relevant regulations like the Companies Act and Auditor General and aligning with industry-specific regulations. Boards facilitate alignment by ensuring that the organisation's strategies are directly aligned with the regulatory frameworks and are in sync with the organisation's goals. The board actively engages with the various stakeholders to address compliance issues and industry changes

The conformance dimension links most closely to agency theory approaches to understanding governance which emphasizes monitoring and compliance as prominent aspects of board work. Parades (2017) argues that the most significant limitation of the Agency theory is that it considers agents as opportunists who cannot be trusted and ignores their skills and competencies. The agency theory grapples with risk and challenges of co-operative effort. Tricker (1994) exemplified the significant emphasis placed on the board's role in ongoing evaluation strategy. Tricker (1994) observes that governing boards are not inert entities but have an active role in overseeing and assessing the operational and strategic aspects of the organisation. This observation is consistent with the discovery that boards of SOEs actively participate in continuous monitoring to ensure compliance with policies and political agenda.

Conformance in terms of compliance and supervision involves two main functions. There is external accountability, including compliance with legal and regulatory requirements and accountability to shareholders or other stakeholders. In addition, there is supervision of management through oversight, monitoring performance and making sure that there are adequate internal controls. Conformance dimension matches monitor and control oriented relationship propagated in the agency theory perspective on governance. As such, conformance dimension is very different from the performance dimension which is about driving the organisation forward to better achieve its mission and goals. Chambers, Harvey, Mannion, Bond and Marshall (2013) posit that the monitoring role of the board emphasises conformance, supported by processes such as external audit and reporting

requirements. It is this practice of board influence for conformance which was prevalent in the boards of SOEs in KwaZulu- Natal in this study.

In terms of the external, short term conformance in the SOEs in KwaZulu- Natal, alignment was through actions of accountability and compliance, ensuring external accountabilities met the requirements of stakeholders, citizens, regulators, audit, inspection and reporting requirements. In a nutshell, board influence was evident in efforts to align to external stakeholder needs and expectations, deal with Board- CEO conflicts and meet political objectives of SOEs in KwaZulu- Natal.

The internal dimension of conformance and performance offer insights into board practices and influence on strategy alignment. The internal focus of board work relates to local bureaucratic and management controls. In the domain of short term conformance, the findings of the current study are explicit that the board was playing the traditional supervisory role in appointing and rewarding senior management, overseeing management performance, monitoring key performance indicators, financial and budgetary controls and also monitoring political risks. From a regulatory perspective, scholars are concerned more about the laws and rules related to the governance mechanism. Firms seeking continuous operation must act within the bounds of what society recognises as acceptable behaviour within the society's regulatory and legal boundaries (Lu, Ntim, Zhang & Li, 2023). In this qualitative study, the compliance influence of the board on strategy alignment was evident in reviewing and reinforcing of adherence to policies and regulations in SOEs in KwaZulu- Natal.

Performance as the second dimension of board attention relates to overall organisational improvement and driving the organisation forward towards its mission and goals. According to Garratt (1997), performance in terms of board work comprises two main functions, namely policy formulation and strategic thinking. The performance dimension is linked more closely to the stewardship theory of board governance, emphasizing on improving long-term performance by the board working with management to develop appropriate policies and strategies.

In this study, there was external compromising influence of politics on the appointment of board members and business leaders in SOEs to meet political objective. Politics can be seen as a tool for gaining and maintaining power in organisations. Notably, politics involve coalitions, alliances, and negotiations between individuals and groups seeking to further their own interests. There are instances when politics is used to achieve positive outcomes, such as promoting innovation or challenging the status quo, but it can also lead to negative outcomes, such as unethical behavior or the suppression of dissent. Those with more power may be motivated by self-interest, rather than the interests of the organisation, leading to decisions that benefit themselves but harm the organization. Additionally, politics can lead to the marginalization of certain groups or individuals, reducing the diversity of perspectives and limiting organizational effectiveness. Wang et al. (2021) examine the influence of political connections on executive corruption, emphasising the potential effects of political affiliations on organisational decision-making processes. Their findings suggest a substantial positive correlation between political connections and the probability of executive corruption. Moreover, the findings reveal that political interference obstructs the alignment of strategies and diminishes the board's power in SOEs. Dragomir, Dumitru and Feleagă (2021) investigate political interventions' impact on a European airline, explicitly focusing on the resulting corporate governance failures. They shed light on the detrimental outcomes of political interference in corporate affairs. Their findings demonstrate that political involvement result in corporate governance deficiencies and adverse outcomes.

Inoue (2020) investigated the impact of politics on the behaviour and performance of state-owned entities, revealing that political variables exert impacts on the operations and strategy of state-owned enterprises.

In the current study, the performance dimension was evident in two key ways of setting strategic direction and strategic and political thinking by the board and politician. Concisely, board members engaged not only in strategic thinking (e.g agreeing strategic direction, shaping and agreeing long-term plans, reviewing and deciding major resource decisions) but also political thinking (e.g. shaping and reinforcing political objectives, safeguarding political orientation of principal). Moridi (2023) highlights the board's role in

shaping strategic direction on the management of important stakeholders to gain trust and influence long term operation sustainability. In addition, the board aligns policy decisions within the SOEs and the strategic directions initiated by the chief executive officer.

The original framework of four functions of board by Garrat (1997) include short term focus on conformance through accountability and supervision while long term focus on performance involve policy formulation and strategic thinking. However, this study has manifested few changes evident in the board function of short term external conformance by not only embracing accountability, but also compliance, dealing with Board-CEO conflict and meeting political objectives. This study has also added the task of monitoring political risks (in red) as part of supervisory function for short term, internal conformance. This study found the need for internal supervisory function of board to manage internal politics such as conflicting interests and lack of collaboration within the organisation which hinder the implementation of strategy. In the long term performance function, there is an external focus related to the the alignment and approval of strategic plans by the board while there is an extra task of shaping and reinforcing political objectives (in red) as part of the function of strategic thinking and political direction in SOEs. Given these new insights and additional elements, the current study assert that the relevant framework of conformance and performance evident in the SOEs in KwaZulu- Natal is summarised below in **Table 6.3**

In the current study, the presence of government appointees on boards introduced the potential for alignment with government interests and ruling political party orientation rather than focusing solely on skills and expertise. The problems arising from political influence on people were evident in the difficulty of addressing underperforming board members openly due to the political complexities and relationships between the politicised boards and the shareholders

The political dimension of board work in influencing strategy alignment is positive when based on a good understanding by the board of what stakeholders they serve, and exercise of the responsibility of maintaining positive relationships with various stakeholders.

Table 0.3: Framework for Conformance and Performance

Focus	Short-term focus on conformance	Long term focus on performance
External focus	<i>Aligning for accountability and compliance</i> - Ensuring external accountabilities are met, e.g. to stakeholders, citizens, regulators - Meeting audit, inspection and reporting requirements - Alignment to external stakeholder needs and expectations - Dealing with Board- CEO conflicts Meeting Political objectives	<i>Setting and approving long term direction</i> - Setting organisation's tone, mission and values - Deciding long-term goals - Ensuring appropriate policies and systems are in place
Internal focus	<i>Supervisory role</i> - Appointing and rewarding senior management - Overseeing management performance - Monitoring key performance indicators - Monitoring key financial and budgetary controls Monitoring political risks	<i>Strategic thinking and political direction</i> - Agreeing strategic direction - Shaping and agreeing long-term plans - Reviewing and deciding major resource decisions Shaping and reinforcing political objectives

Adapted from Garratt (1997: 45-7)

Political orientation as a factor in appointing SOE board, CEOs and senior managers in SOEs is fuelled by the need and preference of politicians to work with individuals they trust and are comfortable with, often prioritising political trust over expertise, and experience. Overall, the findings underscore the need for strategic alignment and the challenges political factors introduce within SOEs where there are competing and multiple interests.

Drawing from the above critical discussion, it is prudent to suggest that both conformance and performance dimensions are important aspects of board overall direction, control and accountability of an SOE in KwaZulu- Natal. Blended perspectives of agency and stewardship theory may be necessary to enhance not just compliance but also progressive performance of strategy and strategy alignment work by the board. In the discussion above, the agency theory has offered various explanations for the findings on the low-trust working style encapsulated in beliefs of self-interested behaviours of management as agents which deserves controlling and monitoring. In this way, board serves as monitor and controller in a SOE. The boards in the SOEs rarely

shifted to the role of board as strategic partner and asset as proposed in stewardship theory.

In this study, the findings are also clear that board played a key role as a mediator between internal and external coalitions, facing in to management and out to government in pursuit long-term relationships with key external constituencies. The mediator role resonates with resource dependency theory of the board which uphold organisation as a collection and integration of diverse tangible and intangible resources and capabilities for organisational survival. It is key to elaborate that resource dependency theory places importance on leveraging and managing external relationships. Board members may bring benefits such as advice, access to information, preferential access to resources and legitimacy arising from a network of other powerful people who exercise control and impose political worldview on the SOEs. The resource dependency theory maintains that the board is an important channel through which an organisation can tap the resources that are needed by the organisation to achieve its goal of maximizing firm performance (Pfeffer, 1972). Song, Lee, and Kang (2021) examined the impact of board interlocks on business performance and underscored the importance of board network and participation of various stakeholders in strategy work and strategy alignment. Members of the board tap resources by being members of other boards and also political network. The theory also assert that through co-operation of directors, the organisation stand to benefit some essential services from the members and socializing members of the resource provider or by exchanging other valuable goods, such as status, political trust, friendship, or information.

While resource dependency theory seeks to offer explanation on how external resources are essential to the organisation, it is unclear how board members used their social capital to bring resources other than political connections to enhance operational excellence of the SOEs in this study.

Stakeholder theory of board governance is another theory with explanatory power on the capability of managing multi-stakeholder relationships in influencing strategy of SOEs. The broad definition of 'stakeholders' emphasises that the organisation requires to take more responsibility for not only their shareholders, but also their stakeholders (Lu, Ntim,

Zhang and Li, 2023). In the current study, strategic leaders were interacting with internal (e.g. TMT, staff, union) and external stakeholders (e.g treasury, politicians, service users, citizens, regulators, auditors). Stakeholder theory differs from agency theory in that it focuses on the interests of different groups rather than concentrating on the conflicts of interests between principals and agents. Stakeholder theory emphasise the value of long-term sustainable development.

Effective CEOs and TMT reinforce and act on granular approach to prioritizing stakeholder interactions, capitalising on new opportunities, minimising the SOE's exposure to visible results which matter to stakeholders; and customers and stakeholder-related risks. Efforts to maintain alignment with the relevant stakeholders resonates with stakeholder theory of board governance with implications for strategy alignment. It is important to underline that's takeholder theory assumes a multiplicity of competing and cooperative interests within organisations and focuses on how various stakeholder interests can be addressed, integrated and balanced (Mahajan et al; 2023). The role of board members is then to understand and represent the views of all those with a stake in the organisation and it is recognised that the board may need to manage complex trade-offs between stakeholders, including staff, politicians and the public. Second, stakeholder theory of board governance pronounces the importance of collective effort and mechanism of collaboration as risk is spread over many people (DesJardine, Zhang & Shi, 2023). In the current study, some of the boards failed to address the problems of underperformers within the upper echelons (e.g. TMT, board) which harmed the collective interests in SOEs but served political interests of the few.

The assumption that only shareholders are capable of effective monitoring of organisations looks increasingly flawed (Lu, Ntim, Zhang & Li, 2023). It is advisable that boards identify the critical stakeholders (e.g. key staff groups) whose commitment is essential for long-term value creation. Other stakeholder groups such as regulators, politicians, advocacy groups, and community organizations may also require a portion of the CEO's time. However, there is need for clarity about the complexity of trade-offs if a variety of different and critical stakeholder interests are to be taken into account in shaping and re-aligning strategy in SOEs.

Excellent CEOs systematically prioritise, proactively schedule, and use interactions with their SOEs' important external stakeholders to motivate action. The efficacy of stakeholder interactions should not be left to chance or just political good will. Excellent CEOs know what they want to accomplish, prepare well, communicate tailored messages, and seek win-win solutions where possible. Black et al. (2023) concur about the need to prioritise stakeholders and manage the increasing complexity of stakeholder management and the regulatory environment in SOEs but also the value of inclusive processes of strategy alignment.

Lastly, the dominant theory of board power has been managerial hegemony theory, which relates back to the thesis of Berle and Means (1932) that although shareholders may legally own large corporations they no longer effectively control them, that control is effectively ceded to a new professional managerial class. This theory suggests that managers, through their professional knowledge and control of key power sources such as information and other organisational resources, are able to exert most influence over key organisational decisions. There are instances when boards of organisations are not involved in strategy except in crises, and that control rest with the CEO rather than the board. Herman (1981) came to similar conclusions but argued that the board ends up as little more than a 'rubber stamp' for management's decisions. This study has provided insights on the subtle power of CEOs over boards as the evaluation of board performance in SOEs may be influenced by external companies appointed by the CEO, raising concerns about objectivity. It is noted that there are instances when the external companies appointed by the CEO to evaluate the board basically doing the job for the CEO.

Another key issues is that when board members lack experience or expertise, their function becomes essentially symbolic to give legitimacy to managerial decisions. This is the risk of people recruited for whom they represent (e.g. political affiliation) rather than for their board-level skills. Notably, agency theory and stewardship theory highlight some of the different ways in which boards may attempt to influence management and subsequently organisational performance. However, the theories of board power suggest this influence cannot be taken for granted, but will be dependent on a range of contextual,

and situational factors such as the skill and will of board members to develop and use various power resources(e.g expert power, political power). Board power theory reflect models of board behaviour, source and exercise of power and power relations grounded in the human desire to control. Power on boards often rests with managers not with outsider or non-executive directors or lay members or governors. The theory suggests that top management in organisations is inherently political, characterised by shifting coalitions and continual power struggles. **Table 6.2** depicted a realist interpretation framework of the various board theories, contextual assumptions, mechanisms and intended outcomes used to shed light on the findings of this study regarding board influence on strategy alignment

Given the scope and variety of board theories, it is inadequate for boards of SOEs in KwaZulu- Natal to operate exclusively based on the agency theory and control-oriented relationship guided by the view that the shareholders' and managers' interests are likely to be different as the behaviours of both sets of actors are fuelled by self-interested opportunism. Instead, it is prudent that boards embrace stewardship theory and enjoy the benefits of participative, empowered and involved working style which is part of partnership between managers and board, while accessing external resources and long term, benefits of collaboration with different stakeholders of SOEs. While the resource dependency theory of board governance predominantly focuses on external resources, it is notable that the Resource Based View (RBV) pioneered by Jay Barney (1986) states that an organisation's internal resources and capabilities are critical for competitive advantage and organisational success not only in the private but also in the public sector. The RBV is equally important in building the operating capacity necessary for SOEs to deliver efficient and effective service. Brown et al. (2021) raise the question on whether it is possible to create efficient and effective services when there are so many competing demands such as political and SOEs interests, fixed budgets and resources.

6.3.1.3 *Three modes of governance as strategic leadership*

In this study, there were challenges in dealing with underperformance at various levels including the board due to the complex political relations and political patronage underpinning the appointment of boards of SOEs in KwaZulu- Natal . Kanyangale (2023)

and Kaunda (2021) concur that poor strategic leadership and incompetent boards are blamed for the depressing performance and lack of financial sustainability of state-owned enterprises in many developing countries, including Malawi. Consequently, the poor performance of SOEs is worrisome as it derails the government agenda of using these organisations for driving economic, social and commercial objectives (Kanyangale, 2023). In understanding governance as leadership, it is salient to first understand the notion of governance. There are views that governance is primarily a system or framework of rules, relationships, systems and processes within an organisation or society and by which authority is exercised and controlled, and the mechanisms by which it, and its people, are held to account (Van Vuuren, Mans-Kemp & Viviers, 2022). The word governance is derived from Greek verb “kubernaein” which means to “steer” while leadership is generally about social influence (Van Gils, 2023). Arguably, three common elements in the conception of governance are decision-making, rule-setting, and enforcement mechanisms to guide the functioning of an organization or society. Effective governance is essential not only for maintaining order and achieving objectives, but also addressing the needs of members within the organization, and ensuring the organization is responsive and resilient in achieving its goals (Ansell et al, 2022).

Martinelli(nd) brings into the fore the notion of governance as leadership which embraces three interesting components of board work, namely the fiduciary, strategic and generative which reframes the role of the boards in new ways.

First, traditional fiduciary roles of the board relates to the responsibility to take care of someone else's affairs and property on trust (Ansell et al, 2022). In a nutshell, fiduciary duty is the legal responsibility to act solely in the best interest of another party. “Fiduciary” means trust. Thus, a person with a fiduciary duty has a legal obligation to maintain that trust. Fiduciary duties embrace care, obedience and loyalty. If board members understand and embrace these responsibilities, they can fulfill those duties and hold their fellow board members accountable to do the same. In a SOEs, the responsibility is on behalf of the public and include financial oversight, legal responsibility and accountability to members, governments and stakeholders, liability and risk management, and trustee role on behalf of the public, ensuring effective use of resources. *Fiduciary* duties relate to

the legal responsibilities of trustees or boards and to the agency theory of governance. In terms of the agency theory which conceives a low-trust working relationship of a trustee with agents, fiduciary duties and activities embrace the familiar “board work” of ensuring compliance and evaluating the CEO and the organisation. However, board can take fiduciary governing and stewardship to new and higher levels of strategic thought and practice once ground level basic board functioning is in place. In this study, the boards of SOEs were predominantly working as sentinels, guarding and looking out to ensure effective and efficient use of resources and fiscal accountability. However, as boards were politically appointed, they had to demonstrate political trust, alignment and commitment to objectives of political powerholders which posed a challenge in the authenticity of their guarding roles in SOEs as they were ingratiating and politically compromised boards. Predominantly, the problem in South Africa is that the political appointments are mechanisms for serving political advantage and gains rather than for strategy alignment in SOEs. There is compelling evidence from the Zondo Commission that sometimes the political appointment of people without board experience and skills serves to deliberately weaken the oversight system and operational weaknesses to facilitate improper activities not aligned to the SOEs (Pienaar & Bohler-Muller, 2023). Employees in SOEs in South Africa who speak up against improper conduct may be disempowered, marginalised, and even victimised (Pienaar & Bohler-Muller, 2023). Not all SOEs have been victims of State capture in South Africa, even though they have all suffered governance and operational challenges of one form or another

Second, the *strategic* component of board as leadership at the top of the organisation relates to the work of the board in setting direction and the focus is on performance. As a structure at the top of the organisation, board is responsible for strategic thinking and decision making at the highest levels. Strategic thinking and wisdom can take a board member beyond the immediate professional skills he/she brings to the table value-added leadership in policy making, problem solving, strategic planning and strategic decision making roles.

Lastly, generative component of governance leadership is about board thinking which leads to an understanding of the “new” as it hinges on sense making activities.

Generative thinking invites the board to take a fresh look at opportunities and challenges from a broader perspective. Leadership through governance aims for organisational renewal as well as tasks relating to strategy, sense making or problem framing which entails reorganizing data into new patterns; and seeking different frames of reference. Generative leadership uses knowledge and data to decipher cues and patterns of critical issues plus board insight to provide long term impact and meaning to the organization by creating a fresh understanding of complex and ambiguous situations. **Table 6.4** below depicts the notion of governance as leadership which has implications on strategy alignment in organisations such as SOEs. Table 6.4 depict the three modes of governance which characterises the board as operating in a sentinel, strategist and generative mode.

Table 0.4: Different Types of Board Leadership Governance

	Fiduciary Mode	Strategic Mode	Generative Mode
Board's Role	<i>Sentinel</i>	<i>Strategist</i>	<i>Sense Maker</i>
Board Activities In This Mode	- Financial oversight - Legal responsibility and accountability to members, governments & stakeholders, including liability and risk management - Board role as the permanent entity for the organization (even though Board membership changes) - Board role on behalf of the public, ensuring effective use of resources	- Policy making for governance policies - Problem solving - Strategic planning - Strategic decision making (different from the planning role)	- Noticing cues and clues. - Looking at an issue from different perspectives and viewpoints. Reorganizing data into patterns, seeking different frames of reference. - Considering alternate futures - Thinking retrospectively to uncover patterns and to recognize the compelling organizational stories and history.
Action Verbs That Reflect This Mode	- Oversee operations - Ensure effective and efficient use of resources - Ensure legal compliance and fiscal accountability - Evaluate CEO - Monitor organization results	- Ensure mission is relevant - Scan internal and external environments - Monitor outcomes & impact via critical success factors and benchmarks - Review & modify strategic plan - Select the CEO	- Discover strategies, priorities, and realities - Perceive and frame better problems and opportunities - Suspend the rules of logic to tap intuition and intellectual playfulness - Encourage robust discourse not quick consensus

Source: Martinelli (2013: 4)

Boards exercising generative governance can help organisations to unlearn organisational practices that have become unhelpful by diagnosing new opportunities, new performance measures and new control systems. While boards typically work within a preferred position within the triangle (e.g fiduciary, strategic, generative) it is crucial to underscore that boards need to shift and to welcome different thinking approaches as the situation warrants. Boards of SOEs need to realize the variety of choices possible for their leadership and decision-making processes which shape strategy alignment in an organisation. This concept of thinking styles is in addition to the traditional Board functions, and strengthen good practices already in place. It is prudent for the CEO, top management team and boards of SOEs to realise the hierarchy consisting of these three essential components of governance, namely the fiduciary, strategic and generative which challenges the traditional approaches to board governance and provide insights into shaping strategy, and alignment in the organisational architecture of SOEs.

In the current study, the boards of SOEs were predominantly operating as weak and ineffective sentinel with the paradigm of board as monitor and guardian. Notably, the few instances when board of SOEs operated in a strategic mode relates to the review of drafts and approving of higher level strategy prepared by management, and using mechanism such as strategy workshops, Annual Performance Plans (APPs) and annual monitoring of the CEO to ensure alignment between the strategy and the organisation's goals and various board committee work(e.g finance, audit, Human Resources, and risk committees) rather than being a strategic partner. As the appointment of board members in SOEs in KwaZulu -Natal is based on political patronage rather than merit, there are many instances where some board members lacked the capability to engage in strategic thinking, strategic acting and strategic influence. For example, strategic thinking in SOEs is not only vision-led thinking, but also requires understanding of complex relationships between the SOE and the environment. Strategic acting entails taking decisions consistent with the strategic direction of the SOE while strategic influence is about building commitment to the organisation's direction by inviting others to the strategic process. Langa et al. (2022), in a study on executive board chairpersons, discuss the

emergence of hybrid organisations where board chairpersons are guardians and offers strategic support to the CEO instead of just policing him or her.

In this way it is arguable that the influence of the boards of SOEs on strategy and strategy alignment was manifest predominantly through weak fiduciary and partly strategic modes. More importantly, there was no evidence to suggest generative mode of governance as leadership in SOEs in KwaZulu- Natal. This study raises questions on the quality and effectiveness of the boards as monitors in SOEs, especially with members who lack relevant experience and expertise to understand the strategic issues facing the organisation, avoid board overreach or address managerial power in SOEs in KwaZulu -Natal. As, the boards of SOEs are not selected on merit, they usually lack the strategic and political view of the enabling CEO-board partnership model and roles to be a source of leadership, become a key sense maker and trusted strategic partner of the CEO.

6.4 ALIGNMENT THROUGH SOCIAL EXCHANGE AND SOCIAL CAPITAL

In this study, social interactions and interrelationships between the CEO-board, CEO-TMT, external stakeholders and TMT were a key part of social exchanges and social capital of CEOs, shaping political influence in value enhancing and also value destroying ways at the individual and organisational level in the politicised SOEs in Kwazulu Natal.

In understanding the notion of social exchange, it is fundamental to underscore that the basic precept of exchange theory is that individuals establish and continue social relations on the basis of their expectations that such relations will be mutually advantageous (Blau, 1994:152-6). Within Social Exchange Theory (SET), interactions are usually seen as *interdependent* and contingent on the actions of another person, which over time have the potential to generate high-quality relationships and mutually rewarding transactions (Blau, 1964).

The early ideas of SET's explanatory power include (a) rules and norms of exchange such as reciprocity or negotiated rules, which guide the exchange process, (b) economic or symbolic resources that are exchanged, and (c) the types of relationships that emerge from these exchanges (Gouldner,1960). Literature is examined on the type of resources

exchanged and the type of relationships in SET, so as to locate within the extant literature the type of relationship between strategic leaders and organisation members of SOEs in KwaZulu-Natal that were identified in this study. Resources in organisational sciences generally have two forms of outcome, namely economic and socio-emotional outcomes. Firstly, economic outcomes are characterised as those that address financial needs, and tend to be tangible. Secondly, socio-emotional outcomes are those that address one's social and esteem needs (and are often symbolic and particularistic). It is instructive that socio-emotional outcomes send the message that a person is valued and/or treated with dignity (Shore, Tetrick, and Barksdale, 2001).

From an employer's perspective, Tsui, Pearce, Porter, and Tripoli (1997) proposed four types of employee-employer relationship strategies, based on the types of resources exchanged. The work of Tsui et al (1997) though old but is very insightful in the domain of social exchange in an organisational context. This posits that employer resources are categorised into short-term (transactional) versus long-term rewards (relational), while employee resources are classified as specific, short-term contributions versus unspecified, broad, and open-ended contributions. This reflects not only the expectations of an employer towards his or her employees but also the type of inducements he or she is willing to provide to employees (Tsui *et al.*, 1997:1091-1095). Relational aspects of resources are those based on the exchange of socio-emotional resources (i.e. loyalty, commitment and organisational-citizenship behaviour) while transactional aspects are those that are purely based on getting the job done. Below is **Table 6.5** which depicts relational aspects of resources.

Table 0.5: Listing of Relational Resources

	SOE: Employer Resources	
	<i>Relational</i>	<i>Transactional</i>
	Mutual investment approach	Underinvestment approach
	Overinvestment approach	Quasi-spot contract
<i>Unspecified</i> CEO, TMT (agent) Resources		

Specified		

Source: Own (Visual illustration developed based on work of Tsui *et al.*, 1997)

The four types of relationships in this typology are (a) *quasi-spot* (resembling pure economic exchange-aspects of agency theory of board monitor and controller or sentinel , (b) *mutual investment* (resembling social exchange in a partnership mode of board governance where strategic leaders and board have common agenda and work side by side), (c) *underinvestment* (where the CEOs and TMT provides symbolic resources, but are awarded short-term rewards or pushed to give broad and open-ended obligations in exchange for limited, reduced rewards that do not reflect corresponding reciprocity on the side of the SOE as employer) and (d) *overinvestment* (where the CEO and TMT provides particular resources, but is awarded long-term rewards (Tsui *et al.*,1997:1090-1098). Unlike an underinvestment relationship between SOEs and strategic leaders, which favours the employer, the overinvestment relationship is more advantageous for the strategic leader as an agent or employee, who offers only well-defined resources whereas the SOEs as an employer engages in a long-term commitment. In this study, strategic leaders were getting the benefits of mutual investment in social exchanges with political power holders and power brokers. As the appointment of the upper echelon of SOEs required the blessing of those who hold political power it is arguable that political thinking and objectives as well as political loyalty are key considerations. This manifest how political orientation of plays a crucial role in determining and selecting actors to shape strategic and political thinking in SOEs to to achieve the desired strategic and political goals through self-interest- oriented exchanges of rewards or benefits for employee compliance.

In quasi-spot exchanges, strategic leaders in SOEs managed social exchanges with board and other external stakeholders through rational or economic means in a form of (a) contingent reward and (b) and management by active or passive exception. Other than economic reward in form of payment for work, strategic leaders may also provide emotional rewards such as public praise of the board, political powerholders and fellow

employees , and occasional tokens of appreciation. These behaviours of strategic leaders of SOEs are derived from, socially validated or internalised through experience as they become consistently successful and shared patterns of how to appropriately feel, think, perceive and relate with different stakeholders such as board members, TMT, government official from different departments such as treasury and politicians and employees to resolve particular problem situations.

While Tsui *et al.* (1997) have emphasised the types of resources in social exchange relationships, other scholars such as Blau (1963) focus on the characteristics of social exchange relationships. This is insightful to understand the political and economic nature of the influence on strategy by strategic leaders and board which align or misalign the SOEs in KwaZulu -Natal. Blau (1963:93-94) asserts that social exchange is distinctively characterised by (a) unspecified obligations, (b) involvement of favours that create diffused future obligations, (c) engenders feelings of personal obligations, gratitude and trust, and (d) an absence of an exact price in terms of single quantitative medium of exchange for the benefits involved in social exchange. The model of SET stipulates that certain workplace antecedents lead to interpersonal connections, referred to as *social exchange relationships* (Shore *et al.*, 2004). Arguably, social exchange relationships evolve when employers “take care of employees”, which brings about valuable,beneficial consequences. In other words, the social exchange relationship is a mediator or intervening variable.

There is a common contention that advantageous and fair transactions between strong relationships produce effective work behaviour and positive employee attitudes (Cropanzano and Mitchell, 2005:882). One can equally posit that advantageous and fair relationship between a network of political powerholders or brokers with a strategic leader of SOE may result in political opportunism, advantage or patronage. Alternatively, *economic exchange (or exchange relationships*, which is another nomenclature is characterised by: (a) a demand of repayment within a particular time period, (b) the exchange of economic or quasi economic goods in a form of extrinsic rewards, (c) a clear specification of transactions, and (d) a personal self-interest motive (Blau, 1994:91-94; Cropanzano and Mitchell, 2005:882). This connotes that social exchanges create

enduring social patterns, and feelings that a purely economic exchange alone cannot engender.

Current literature on SET advances two different and more specific conceptualisations which distinguish a relationship as “a series of interdependent exchanges” or “interpersonal attachments” (Cropanzano and Mitchell (2005:885-887). This distinction between relationships as transactions, and relationships as interpersonal-attachment, has led to the development of an instructive typology of transactions and relationships in social exchange by Cropanzano and Mitchell (2005: 887). The typology by Cropanzano and Mitchell (2005) differentiated and used two dimensions which are type of relationship and form of exchange to develop four models. These represent four forms of transaction and nature of relationship, namely, (a) Social Transaction in a Social Relationship, (b) Economic Transaction in a Social Relationship, (c) Social Transaction in an Economic Relationship and (d) Economic Transaction in an Economic Relationship as shown in **Figure 6.6** .

	Social Exchange	Economic Exchange
Social Exchange <i>Type of Relationship</i>	<u>Cell 1: Match</u> Social Transaction in a Social Relationship	<u>Cell 2: Mismatch</u> Economic Transaction in a Social Relationship
Economic Exchange	<u>Cell 3: Mismatch</u> Social Transaction in an Economic Relationship	<u>Cell 4: Match</u> Economic Transaction in an Economic Relationship

Figure 6.6: Four Forms of Transaction and Relationship Models

Source: Cropanzano and Mitchell, 2005:887

Exchange processes give rise to power based on the dependence of some actors upon others for the provision of valued goods and services (Balian, 2023). Political acts entails one person doing something to someone else, like a favour, with an unspecified or general expectation of future return. In this study, political appointments at any level in a SOE has both elements of economic and social exchange relationships but within a

politically exposed organisation environment of SOEs. The more one person depends on someone else to access a valued resource, the more power the first person has upon the second one. The political process and act of appointing boards in SOEs may not neatly fit as an economic transaction in a social relationship, economic transaction in an economic relationship or social transaction in a social relationship. Using the explanatory power of the typology of social exchange relationships by Cropanzano and Mitchell, (2005), probably one can posit that such political acts depict social transactions in an economic as well as political relationship. However, this undermines the political motive and emphasis of political trust underpinning these political actions and decisions in SOEs. It is therefore arguable that political powerholders seek to achieve not only economic but also political type of social exchange and reciprocity when they appoint people they can trust and are comfortable to work with in SOEs to pursue desired strategic and political thinking. In Blau's standpoint, social exchange "refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically from others" (Blau, 1964: 91).

Political powerholders and political appointees at CEO and board levels or any strategic position in SOEs looks forward, driven by interpersonal rewards anticipation and interpersonal cost minimisation. This way of understanding interactions in SOEs with politicians brings to the fore the aspect of inequality and power distribution in relations of social exchange. Inequalities arise from the fact that some actors control more highly valued resources than others, imputing subordination and subjugation as the micro-foundations of power inequality between CEO-Politicians. It is arguable that political behavior (e.g. political loyalty and trust) which produce positive consequences is probable to be repeated. Equally notable is the assertion that political behavior that has been rewarded on specific circumstances in the past tend to be reacted in analogous circumstances while the more valued the outcome of a behavior, the more likely that behavior is to be acted by an individual (Ahmad et al, 2023). Political powerholders or any person will become upset when they do not receive what they anticipate, or when a person's action does not receive the rewards as expected, or receives punishment he did not expect. In this regard, there is a need for more micro-level sociological and political insights into social exchange relationships to embrace the political dimension driving

social interactions and economic outcomes in SOEs which enable or impede strategy alignment.

6.4.1 Social exchange and boundary spanning

The findings in this study reveal that SOEs are open to a variety of political and external influence in the upper echelon, not just shaping but also blending strategic and political thinking to serve the interests of powerholders or political sponsors. As SOEs have economic and political dimensions, organisational boundary is open, not serving as effective barriers of disruptive political influence and micro-management by politicians.

Organisational boundaries often serve as barriers, restricting the free flow of ideas and collaboration. Boundary spanning in an organisation involves reaching beyond the confines to create connections and partnerships (Pattinson & Dawson, 2023). Strategic leaders of SOEs engage in boundary spanning which leverages the interdependence between various stakeholders, both internal and external, to drive self-interests or growth and strategy alignment. Strategic leaders of SOEs as boundary spanners, facilitate open and often informal communication across different constituents of the organisation. It is critical that strategic leaders of SOEs recognise and understand the determinants that create divisions and work towards mitigating them. There are instances when strategic leaders in this study were taking up boundary-spanning roles, working closely with other departments, board and employees to build bridges between silos, and create a common ground for collaboration. Boundary-spanning's power lies in its capacity to overcome divisions related to an organisation (Pattinson & Dawson, 2023). Boundary spanning activities of strategic leaders promote an organizational culture of collaboration and synergy, significantly impacting decision-making and facilitating successful strategy alignment. By transcending traditional silos, organisations can reinvent themselves to be more adaptive and responsive to their external environment. Social exchange is insightful to understand the social structures created by exchange relations and the ways in which such structures constrain and enable actors to exercise power and influence in their daily lives in an organisational setting such as SOEs. Managing boundaries and patterns of social exchange in SOEs relates to social interactions which has tangible or intangible

rewards that are more or less rewarding, between at least two or more people. Social exchange and boundary is about payoffs in relationship, how one person influences another and is influenced by this other person in return, reinforcing the initial behaviour (Ahmad et al.; 2023). There are also instances when social behavior emerge as a result of the social processes of mutual reinforcement considering social behavior as a result of rewards and punishments.

Boundary spanning activities in an organisation may be manifested in five various forms (e.g. vertical, horizontal, stakeholder, demographic, and geographic divisions) which dissolve divisions to bridge the gaps and create meaningful connections effectively (Pattinson & Dawson, 2023). Given the diversity of divisions or silos in an organisation, effective boundary spanning requires the implementation of various practices and techniques which include promoting open communication, fostering a culture of collaboration, creating partnerships across divisions, and leveraging the unique strengths of each department in cross functional collaborations.

Besides the board meetings, and CEO providing insights on the inner working of SOEs, it is unclear how strategic leaders in this study facilitated sharing of knowledge and resources, leading to enhanced productivity and improved decision-making and strategy alignment as part of boundary spanning work. There is a compelling need to investigate boundary spanning activities of strategic leaders and their relative impacts in bridging gaps and building connections, and interdependence in SOEs in the face of increasing complexity and political intervention. Social exchanges and boundary spanning activities depict the function of relative dependence, or the degree of one's outcome is subject on the exchange to another one in the SOEs and its stakeholders.

Clearly, the need to resolve wicked problems requires organisations to work together and also shifting mind-set and practices to help SOEs to recognize and achieve benefits of collaborative governance which emphasises collaborative innovation of multi-actors across organisations to create value. As power emerges inside a relationship and is not something one holds, as a property, it is salient to further understand power derived from the resource connections among actors may or may not be used" in pursuit of strategy alignment in politicised SOEs.

6.4.2 Social capital in leading SOEs: socialisation of the good and the bad

The appointment of CEOs and board members in SOEs through a process influenced by politics was one of the major barriers to strategy alignment and organisational performance in this study. This finding illuminates that while social capital has positive effects, it can also socialise people to promote division, sense of exclusion, nurture nepotism and undermine both performance and conformance behaviours (Sun et al, 2023)

While social capital has different meanings, the findings of this study resonates partly with the notion of social capital in terms of accessibility to resources and opportunities and gaining advantage from the relational dynamics that cannot easily be imitated, and hinge on particularised trust and reciprocity.

Social capital focuses on social relations that have productive benefits (Gore & Kanyangale, 2022). In organisations such as SOEs, multiple stakeholders place trust in the leadership to facilitate willingness to cooperate based on trust as a key ingredient of a quality relationship at the individual and collective level.

(a) Trust as a prerequisite and sustained quality of relationships

In this study, trust was fundamental in appointment and building of a network of strategic leaders and boards with similar strategic and political thinking in SOEs in KwaZulu- Natal. Ruling parties politicise the bureaucracy of SOEs to ensure that the political and administrative leadership share the same political ideology and vision to facilitate the policies and service delivery. Trust is the belief that an individual gives to the other to promote cooperation, extra role behaviours and coordination of actions that leads to mutual value (Munzo, 2023).

When an individual is found to be trustworthy, trust ultimately affects how willing others in the group will be to reciprocate trust (Waheed et al, 2023). Trust bind the participants of networks that make cooperative action possible and manifest in strong or weak social bonds within an organisational setting. It is possible that the failure to address the problem

of underperforming CEOs and board members is not just because of lack of technical and strategic capability to manage performance, but also resilient trust which survives occasional violations of expectations (i.e., it is more forgiving of the other's disgressions from trustworthy behaviour) because it is grounded not only in expectations about reliability but also in sentiments of interpersonal care and regard. It. Resilient trust actually helps to sustain stable, long-term relationships of embedded in exchange relationships (Jadhav, Fatima & Quazi, 2023).

Norms as the subtle expectations and unwritten rules of behaviour reside within groups and shapes how politicians and strategic leaders of SOEs with common political affiliation treat each other .

Trust as a quality of relationship between politicians and strategic leaders is grounded in the belief about another's reliability and dependability, and is abandoned if the other does not live up to expectations (Ismail, Kertechian & Blaique, 2023). Resilient (or affect-based) trust, on the other hand, rests on stronger and more numerous links, relies on experience with the other parties, beliefs about their moral integrity and on-going reciprocity norms, which creates a belief in another's goodwill (Hassan, 2023).

While the common perspective of trust is insightful to explain the relational basis of politicised appointment in SOEs, the different types of particularised and generalised trust offer a more nuanced understanding of the nature of positive and darkside of social capital manifested in this study. Particularised trust (i.e. trust in those to whom one is related by kinship or personal acquaintances, or share membership of a known common grouping and relies on direct knowledge) is contrasted with generalised trust (i.e. based on impersonal, less direct knowledge and relying more on affiliation or reputation) (Putnam, 1993).

In this study it is arguable that particularised trust as the trust among people that have similar interests and those that seek to promote similar agendas was the driver of political appointments and use of social capital. However, the dark side of particularised trust is that it tends to be "attached to the kinds of group identities that are solidified against outsiders, which in turn increases factionalisation and decreases chances that conflicts

can be negotiated by democratic means.” (Warren, 1999: 9.) In this respect, only particular people would be granted access to the trust generated within the group.

The current study emphasise the importance of political and particularised trust in generating co-operative relations between individual actors involved in strategic leadership, strategy work and alignment in SOEs. With a focus on the system, political trust depicts how people think the government is doing at a given point in time (Hassan, 2023). Political trust may vary according to the individual’s beliefs about the political system, particular office of government or SOE, changing political policies that the government may or may not be enacting and also level of particularised trust.

The notion of particularised trust in relation to political dimension of SOEs as evident in this study reveals that the complicated nature of trust should not be oversimplified when it comes to strategy alignment in politicised organisational context. Trust which politicians seek from strategic leaders and boards of SOEs is fundamentally grounded on, and generated by, interpersonal trust, formed by informal and systematic socialisation in political norms and values of a grouping. According to Schein (1968:3) in his seminal work *Organisational socialisation and The profession of management*, socialisation process is a stage “when a newcomer learns the value system, the norms, and the required behavior patterns of the society, organisation, or group which he is entering”. The aim of socialisation in the organisational or political context is to prepare newcomers to become effective members of an existing group, adapt to its’ norms and values, think feel, and act in ways the group considers appropriate, and become part of the group (Hiday et al., 2023).

Through socialisation, CEOs and boards acquires the political knowledge and skills, as well as the understanding of social norms and values, to be integrated into their work to not only serve in the political sphere but also survive political battles in SOEs. In this way, socialisation process is a way to be accepted as an active and effective member in the workplace, becoming part of the group or system (Hiday et al., 2023). As strategic leaders and boards were involved in a variety of interactions with diverse stakeholders including politicians, a certain amount of belief in the reliability of others is pivotal in multi-stakeholder interactions. Bright side of trust as an aspect of social capital in SOEs is that

it is necessary for (a) solving problems in an effective way, (b) the survival of the organisation, (c) essential for initiation and maintenance of stable relationships, and (d) dealing with peers and collaborators, suppliers, clients, and so on.

The opportunity for increased social connection and collaboration is derived from the ability of organisations to understand the complexity and to learn how to replicate it (Gholami & Salimi, 2014). However, it is only through trust and reciprocal value of social capital and the qualities found in the exchange process that social networks evolves into capital.

In the politicised context of SOEs in KwaZulu -Natal, social capital is created by rational, purposeful individuals who attempt to maximise their individual opportunities and build networks to further their self-interest. Thus, social capital as a social contract in terms of political actions suggests that individuals must have trust that others will reciprocate their political actions and will feel some sort of social obligation to do so. Kwon and Adler (2014) emphasise that the positive effects of social capital flow from information, influence and solidarity available, which requires the deployment of the individual's social resources in purposive actions. Given that leaders are held accountable, they are required to have a deep understanding of the social context, the grounds for decision-making and the conflict they will experience when faced with difficult choices and doing something for the greater good which may violate trust of network partners or political collabollators.

In the organisational and group context, socialisation process of members occurs via formal and informal avenues. There are institutionalised efforts to support the newcomer adjustment, link to a higher role clarity and social integration. Effective socialisation enhances higher levels of organisational commitment, and performance influenced by formal organisational socialisation process. On the other hand, social learning (e.g. watching, receiving feedback) from coworkers and supervisors, speeding up newcomers' adaptation and learning process constitute informal socialisation process occurring without a specific organisational intervention. All these mechanisms of socialisation are key in shaping particularised trust, political knowledge and atitutde and how to use and what to expect from political patronage.

(b) Individual centric and system perspectives of socialisation

The two specific types of socialisation process are the individualised new comer approach and systemic perspective (Lee, 2022). The systematic perspective of the socialisation process include the dimension of social capital as the resources resulting from the relationships among people that can facilitate collective action. This process requires not only learning the tasks of the job and the mission of the organisation. More importantly, it requires attention to the social dynamics of the work group. Social dynamics are the mutually constructed relations between newcomers and incumbents in the group. This extends beyond the typically individualist approach to socialisation. In this study, it can be posit that there was socialisation of the appointed individual not only to demonstrate trust, but also acquire the political attitudes, behaviors, and the knowledge required to be trusted, accepted and participate as an organisational member willing to participate and further the political objectives and politicisation of SOEs .

The relationship between government officials and the political government (politicians) has been a frequent source of tension in SOEs in many countries (Aprilivanti et al., 2023). To limit such tension, the political parties in various countries have exercised several strategies to control government officials' appointments (Aprilivanti et al., 2023). In the ideal conception, these political parties want a politically suitable bureaucracy that can administratively suppress opposition parties, develop and implement policies and programs that are pro-political-party, and ensure smooth working relations with the political principals. When there is no trust, one is simply “placing valued outcomes at risk to others’ malfeasance, mistakes, or failures.” (Tilly, 2005: 12.).It is less surprising that trust and reliability by political powerholders was very key in the appointment process of strategic leaders and board in SOEs KwaZulu -Natal. This way of bureaucracy's politicisation and the strengthening of political control by political actors relies on a network of trusted people. The darkside of politicisation of SOEs is that they produce poor quality and poor performing institutions. The darkside of social capital is also evident in the promotion of corruption and exposure of the SOEs' to micro-management by politicians or political parties (Fan et al., 2023).

the process of politicisation a person learns or is socialised to play his or her political roles, which include the absorption of the proper political attitudes. There are advocates for the neutrality and separate operation of the bureaucracy, and the others who call for the involvement of politicians in the function and operation of the SOEs. However, criticisms against the bureaucracy's politicisation include the consistent diminishing of the interface between the administrative management, political leadership, and the ruling party (Muhdiarta et al. 2017: 794). Lack of a clear distinction and separation between the political party as an organisation and the political party in government can destabilise or undermine the legitimacy and functioning of SOEs and has been linked to the multifaceted challenges that confront the SOE sphere (e.g. incompetence and disorganization of the senior managers, lack of accountability and transparency, skill shortages and drain, corruption).

In South Africa, instruments such as the cabinet-approved “Handbook for the appointment of persons to boards of State and State-controlled institutions, PFMA and Treasury Regulations which are sound to promote good governance have proved insufficient in keeping the darkside of social capital and politics out of the processes by which the boards of SOEs get appointed. It is imperative not to simply rely on rules and regulations, but also utilise various forms of training and socialisation of strategic leaders, board and employees into an ethical and performance culture in the state-owned enterprises.

(c) Role of relational, cognitive and structural dimensions of social capital in strategy alignment

In a different way, the finding on the political process of appointing people based on who they are politically rather than strategic leadership or board competences can be explained in terms of the relational, cognitive and structural dimensions of social capital. Nahapiet and Ghoshal (1998:243-244) identified three dimensions of social capital as structural, relational and cognitive. Firstly, the structural dimension of social capital is about the properties of the social system and network of relations as a whole or norms of the overall pattern of connections between actors, and practices between actors and institutions (e.g. who you reach and how) (Santos, Oliveria & Curado, 2023). In this

qualitative study, pattern of political relationship and network structure related to SOEs determine the rights, privileges, responsibilities, and obligations of strategic leaders among themselves as agents and board as monitor, sense makers and strategic partners of CEOs.

In political networks where power is a resource, the structural dimension of social capital includes not only the social interactions, but also the location of strategic leader`s contacts in the social structure, and the configuration of one`s network (i.e. political stature in the networks) (Gilani et al., 2023). Other structural facets of social capital are the presence or the absence of network ties which are linked to resources (Gilani et al; 2023). Besides access or linkage to political connections, the study is silent on the type of social capital which strategic leaders and boards in SOEs were able to bring. It is salient that scholars uncover the structural aspects of social capital in terms of patterns of linkages in terms of connectivity, hierarchy, and density of connections possessed by both strategic leaders, board and employees and clarify how these impede or enable strategy alignment at the micro and meso levels.

Secondly, the relational dimension of social capital describes the kind of personal relationships or emotional attachment people have developed with each other through a history of interactions (e.g. respect, trust, friendship) (Santos, Oliveria & Curado, 2023). Relational social capital is capital that is jointly developed and utilised when individuals collaborate in a specific field or activity (Santos, Oliveria & Curado, 2023). As such, assets that are rooted in these relationships, such as trust and trustworthiness are important. Trust is an attribute of a relationship, while trustworthiness is an attribute of an individual actor involved in the relationship (e.g. based on reputation or previous encounters, being relied on when it comes to promised transactions) (Ye et al; 2024). In this study, politicians were making appointment through a politicised process mindful that a trustworthy actor is likely to get other actors` support and reciprocity for achieving goals to an extent that would not be possible in a situation where trust did not exist.

The findings of this study, underscores that trust is also about the “confidence in the goodwill and competence of others and the expectation that others will reciprocate with

honest efforts consistent with the agreements if one co-operates” (Aprilianti, 2023). The relational dimension of social capital reflects the quality aspect of relationships, connections, and network ties relevant to strategy and strategy alignment in SOEs. Other facets of relational view of social capital include norms, known reputation, and sanctions (Aprilianti, 2023); obligations and expectations, identity and identification (Aprilianti, 2023).

Finally, resources providing shared representations, interpretations, and systems of meaning among parties constitute the cognitive dimension of social capital (Nahapiet and Ghoshal, 1998:244). The cognitive dimension of social capital is partly related to intellectual capital because it is embodied in elements regarding the thinking and abilities of a person (e.g., intangible skills and competences). With political orientation as key to gauge trust in a politicised context of SOEs in South Africa, cognitive dimension of social capital is essentially the shared code or shared paradigm which facilitates a common understanding of collective risks, goals and proper way of acting in social context. Thus, cognitive social capital involve individual strategic leaders and board’s perceived value of being part of the organisation, political grouping and sharing its know-how and expertise.

Lastly this study has revealed that politicians were pursuing and exploiting the value of links between a homogenous group of people with similar political objectives, particularised trust, and specific norms of reciprocity. This resonates with bonding social capital which primarily occurs in social ties that are built based on commonality in some fundamental aspect (e.g political party affiliation, same basis of trust)(Dopler, 2023). The network theory assert that social capital refers to the network of relationships and acquaintances that a person has developed over their life which are key aspect of social capital (Choto et.al,2020). Bourdieu defined social capital as “the sum of the resources, actual or virtual, that accrue to an individual or a group of people by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Field, 2003:13-40).

The dark side of social capital is associated with bonding ties and thick trust which enables the creation of strong group identification, leading to the exclusion of outsiders.

Putnam (2000) has argued that bonding social capital results in dangers like group closure, antagonism, low tolerance, and political networking. While supporting trust and reciprocity, the solidarity within dense networks can also lead to the exclusion of outsiders, limit the freedoms of insiders, and undermine independence of thought and choices . In this line of thinking, group boundaries and self-interest are fostered by organisations that pursue individual and build exclusive social capital that may be detrimental to the SOE as a whole (Zmerli 2008). The negative attributes of social capital can be explained by various factors. A recent report entitled on “*Governance of State-owned enterprises: enhancing performance, efficiency and service delivery in South Africa*” by the Economic Commission for Africa (2021) emphasizes that corruption and rent-seeking behaviour by powerful networks that have political influence and connections can destroy value in SOEs.

The Economic Commission for Africa (2021:11) assert that:

“sound governance of SOEs in South Africa has been undermined by either the politicisation of the process of appointing members of boards of directors or the lack of a clear and systematic approach for appointing such members. The absence of a clear framework that regulates and professionalises the appointment of members to the boards of SOEs give latitude to arbitrariness”.

Notably, those who attempt to challenge the status quo and bring about change have been fearful of reprimand by the government-appointed executives, who are expected to remain loyal to their political sponsor (Aprilianti, 2023). Leaders seeking to initiate and lead change within SOEs find it difficult to break through the power structures and egos of top executives and political leaders. Executives seeking to maintain the status quo are fearful of blame or getting fired, and instead they act to guard their reputation, career and social status, which means this level of self-interest results in them not always serving other key stakeholders very well (Makoni,2015). There are three different structures or types of connectedness for social capital that are insightful on the way in which social capital impeded or enabled strategy alignment in SOEs. First, social bonding capital involves deepening the existing relationships which have high frequency of interactions and connections within a group or community and also characterised by high levels of

similarity among actors (e.g. political attitudes, available information and resources (Christie,2020).

Bonding social capital exists between ‘people like us’ who are ‘in it together’ and who typically have strong close relationship (Ooi, 2023) This type of social capital is more inward-looking, exclusive and protective, allows people to access favours, materials, information and emotional support(e.g people from the same profession, family, political party, tribe). (Howson,2021). Second, social bridging capital involves creating new relationships beyond the current social circle or connections that link people across a cleavage that typically divides society (such as board and CEO, CEO and TMT, TMT with external stakeholders)(Wang & Wei 2023). It is the relationships that ‘bridge’ between communities, groups, or organisations (Hung and Hager,2019). This type of relationship provides potential access to resources beyond ones’ immediate network through a friend of a friend type relationship (Jiang et al; 2023). The benefits of bridging social capital are far-reaching and can include increased ability to gather information, ability to gain access to power or better placement within the network, or ability to better recognise new opportunities (Cooper and Maktoufi,2019).

As bridging social capital traverses social boundaries it tends to increase tolerance and acceptances of different people, values, and beliefs through contact with diverse others (Daniels and Valdes ,2021). More importantly, bridging social capital allows different groups to share and exchange information, ideas and innovation and builds consensus among the groups representing diverse interests. The difference between bonding and bridging social capital is also viewed as different types of trust. In this regard, bridging social capital is about generalised trust (earned trust) (Amiraslani et al, 2023). On the other hand, bonding social capital is ascribed trust (Amiraslani et al; 2023). Bonding social capital is good for “getting by” and bridging is crucial for “getting ahead” (Jules,2021). Pryce (2021) described bonding social capital as inward looking, reinforcing exclusive identities and promoting homogeneity; whereas bridging social capital as outward looking, promoting links between diverse individuals.

The concepts of bonding and bridging social capital are associated with the network theories of structural holes and network closure. Bonding social capital is more likely to have some negative outcomes due to its tightly structured and exclusive nature, but it is also a very important source of social support. Networks with excessive levels of bonding tend to breed bias and create outgroups and exclusion (Rahi,2019). Third, social linking capital refers to relations between individuals and groups in different social strata in a hierarchy where power, social status and wealth are accessed by different groups (Senbeto and Hon,2020). Linking social capital describes the ability of groups to engage with external agencies in order to influence their policies or gain useful resources (Baycan and Öner(2023).

While bridging social capital can be horizontal or vertical, it is noteworthy that this excludes the important aspect of the exercise of power that is important in vertical associations. Linking social capital involves social relations with those in authority that can be used to access resources or power (Nugraheni, Wijaya & Utami, 2023) . Linking social capital has many indirect benefits that are often omitted in the literature such as connecting leaders with donors, and government officials who provide financial resources, knowledge and skills to perform their jobs (Sun and Asencio,2019).

One of the dark side of linking social capital is that it can quickly become nepotistic or a mechanism for political favouritism, corruption, and suppression of opposing views in SOEs (Howson,2021).

Baycan and Öner (2023) are explicit that the power of social capital is to enable individuals and groups of different types to get engaged in cooperative and high-trust networks. Literature on social capital pays much attention on the 'bright side' while paying limited attention to the negative attributes of social ties and their potentially detrimental effects on a number of social and economic outcomes. The current study has revealed findings on the context-dependent and disruptive nature of social capital used as part of politicising the SOEs in KwaZulu -Natal (Aylmer, 2019). Baycan and Öner (2023) assert that the presence and strength of certain types of social bonds facilitate corruption or lead to an inefficient allocation of resources. For example, the Zondo Commission found that

“State capture in the South African context evolved as a project by which a relatively small group of actors, together with their network of collaborators inside and outside of the state, conspired systematically (criminally and in defiance of the Constitution) to redirect resources from the state for their own gain. In a nutshell, negative consequences of social capital are surmised in terms of the ‘dark sides of social capital’, or labelled as ‘unsocial capital’, ‘bad social capital’ and *perverse social capital* (Pienaar & Bohler-Muller, 2023).

Individual and collective social capital may affect individuals, as well as social structures, negatively (e.g. unproductive norms and unethical behaviors, relational strain, free riding, preservation of social exclusion and inequality of resources between social groups. While social capital may be beneficial for one individual, it may not be for the entire organisation or society as a whole. More importantly, social capital has no right or wrong to it until some judgment is made about the ends to which we put it, mindful that collective and individual interests may not always be consistent (e.g. informal groups could keep productivity below its maximum by using their social capital to keep the pace of work down).

Baycan and Öner (2023) uphold the view that strong ties to cohesive contacts limit an actor’s autonomy to negotiate his or her role while network closure hinders organisational coordination. Leutert and Vortherms (2021) analysed the nature of “personnel power” by assessing patterns in SOE leaders’ political mobility in China and concluded that states can leverage personnel power in pursuit of economic and political stability when SOE management is highly politically integrated.

A study by Titus and Hoole (2021) on leadership as a catalyst for unlocking social capital in the survival of SOEs in South Africa confirm that trust in terms of quality relationship in cooperative behaviours is required by leadership from the perspective of multiple stakeholders. According to Titus and Hoole (2021), no literature exists when evaluating social capital from a multiple stakeholder perspective in an SOE in South Africa. The leadership of SOEs desperately needs to turn around current ineffective performance through mutually cooperative behaviours (Titus and Hoole, 2021). Multiple stakeholders want qualities such as trust to be present in their relationships with the SOE for social capital to have valued impact. The task of strategic leaders of SOEs to shape and drive

strategy is through influencing multiple stakeholders, which may come with overwhelming concerns for them. For example relational complexity with stakeholders include strategic leaders fearing dismissal if they violate the interest of their political sponsors which creates disempowerment. Furthermore, whistle blowers or TMT face the fight back of politically appointed CEOs or employees, political bureaucracy delays key decisions or leak of sensitive management decisions prior to official announcement which is part of the relational complexity and the uncertainty of the environment in which strategic leaders of SOEs function.

To overcome the current maladministration and unethical behaviours, leadership in the upper echelon can make the shift and choose to promote and model ethical behaviours, reinforced as the golden thread for all cooperative behaviours by stakeholders and serve as a catalyst to create and sustain the performance culture of SOEs. However, this cannot be done by the CEO or TMT alone as it requires collaborative support from the board as well as government but also training to develop authentic strategic leadership of SOEs at all levels.

Unhappy stakeholders of SOEs have been negatively affected by poor service delivery associated with poor leadership who were appointed into political office rather than being selected for their effectiveness and taking responsibility for the management and care of state resources.

Whilst most research focussed on the value gained from the presence of positive social capital, there is a need to examine the dark side, which destroys trust and does not serve the greater good of people. Bad social capital comes in the form of relationships that foster corruption and diminish the value of social capital. The dark side of social capital means that together with political interference, poor leadership in SOEs may lead to social liability.

The relational contracts with CEOs appointed by political leaders are a main source of the challenges being experienced within SOEs in South Africa (Makoni, 2015). Political interference in SOEs has been a key barrier to positive change, resulting in strategic leadership feeling disempowered to make decisions that will help to turn the SOEs

around. The leadership responsible for redesigning SOEs processes frequently experience barriers against the power structures that exist. As such, several attempts to redesign processes have failed or can only be executed after long and intolerable scuffles between senior leadership and the employees.

It is envisaged that training may contribute to solve the problems facing the public and politicians involved in SOEs. Given the complex, multifaceted environment within which an SOEs operates, multiple stakeholders have differing expectations (e.g. government expects them to deliver a service to the public; executives expect huge bonuses, employees expect job security, customers expect fair prices and reliable service and suppliers expect opportunities for collaboration). Meeting these differing expectations remains the responsibility of the SOEs leadership, who are entrusted with safeguarding the SOE. These reciprocal expectations are inherent in how stakeholders perceive a quality relationship. No study has yet been undertaken to articulate what the factors are that would increase social capital that would lead to gains for the SOEs and multiple stakeholders.

6.5 INTEGRATIVE STRATEGY ALIGNMENT FRAMEWORK FOR SOEs IN SOUTH AFRICA

Drawing the key findings of this study together reveals the strategy alignment framework evident in the SOEs in KwaZulu- Natal. **First**, the strategic leaders, namely the CEO and TMT in state-owned enterprises were influencing strategy alignment from the view point of internal-external enablers, but also vertical link between the CEO and board. More importantly, Chief Executives were also key in providing insights on the inner working of state-owned enterprises as a way of helping the board to give quality advice. Leading the state-owned enterprise in developing strategic plans, ensuring board approval and pursuit of political direction of political sponsors depict how Chief Executive Officers were strategic thinkers and political actors. In contrast, poor strategic leadership without adequate skills impedes strategy alignment. Frequent leadership changes at the strategic level and a chief executive who is not an industry expert in the sector in which the state-owned enterprise operates hinder strategy alignment. The outcome of strategic

leadership as a barrier leads to, misaligned strategy and leadership incapability that is unable to develop and formulate strategy due to a lack of skills.

Overall, strategic leadership is an enabler for strategy alignment; without strategic leadership, there is no strategy alignment. The chief executive must continuously learn to acquire new skills in the changing technology and market landscape to remain relevant in making meaningful input towards strategy development, formulation and flawless execution of the aligned strategy.

Second, political orientation of strategic leaders was very important in the politicised process of appointment, and need to demonstrate political and particularised trust and enjoy the benefits of social bonding capital in state-owned enterprises. As politically appointed strategic leaders, they had obligations in terms of reciprocity to engage in external adaptation, re-prioritising political direction and re-allocating resources to sustain trust by politicians. Political thinking and skill was very crucial for strategic leaders to lead the organisation while enduring disempowerment and frustration on being unable to address the problems of underperformers in politically charged environment.

Political orientation or political acumen at the strategic level of leadership in state-owned enterprises, similar to business acumen, is a necessary skill needed to navigate these politics of state-owned enterprise. Political party membership and socialisation of strategic leaders to pursue the interests of the party in a way that creates and sustain particularised trust and will to pursue political objectives of political actors is critical as part of the politicisation of SOEs.

Drawing from the findings, it can be construed that political orientation is the alignment of strategic leaders' thinking with the government of the day's vision on issues such as transformation, skills development, job creation and empowerment, which state-owned enterprises as government business enterprises are mandated to implement. Another view on political orientation is loyalty to the ruling party. Depending on the application, these interpretations become either enablers or barriers. Circumstances that make political orientation an enabler are the strategic leaders' vision alignment with the government's vision that must be implemented through the state-owned enterprises. In

such circumstances, strategic leaders view political orientation as a skill needed to navigate and manage multiple stakeholders and the political environment in which state-owned enterprises operate. The outcome of this approach is a strong commitment to the vision and the use of expertise at strategic leaders' disposal to achieve the state-owned enterprise's mandate despite challenges associated with these entities. Another outcome of political orientation as an enabler is the reduced conflict between actors of the state-owned enterprises, mainly the chief executive, the board and the executive authority.

In contrast, when political orientation is interpreted as political party loyalty, it becomes a barrier and destructive to strategy alignment. The appointment of strategic leaders who do not have the adequate expertise required for their positions but have loyalty to a political party creates the conditions for a political orientation being a barrier. This condition is created by politician's preference for appointing people based on trust and loyalty instead of expertise. The outcome of this condition is the value destruction of the state-owned enterprises as such leaders cannot diligently execute their tasks as authentic and empowered strategic leaders since they have to demonstrate loyalty to political sponsors for fear of punishment. Such leaders often pursue political agendas instead of government mandates that created the state-owned enterprise and entangle state-owned enterprise matters with the ruling party's politics. This interpretation of political orientation is destructive because some strategic leaders enter strategic positions of responsibility in state-owned enterprises only to pursue the political agenda of the political party principals and frustrate the strategy alignment process. Further, political orientation is a barrier because it wastes valuable time as strategic leaders engage in power struggles and leadership competition instead of embarking on oversight and implementing an aligned strategy. To mitigate against the negative consequences of political orientation and politicisation of appointment process, participants recommend that strategic leaders, especially the chief executive, need political acumen to navigate the political and legal terrain of the state-owned enterprise landscape without any compromise on ethical decision making . However, participants overwhelmingly recommend that strategic leaders be conscious of this dilemma and interpret political orientation as aligning with the government's vision to secure strategy alignment.

When interpreted as loyalty to the ruling political party, political orientation is predominantly a barrier. Officially, political party membership is not a written requirement for appointment to leadership positions like board membership and chief executives in state-owned enterprises. Nonetheless, the manifest process and practice of reinforcing and politicising state-owned enterprises requires politically trustworthy people with particularised trust from a social capital perspective of politicians.

While political party membership is a huge barrier when used for political agenda in state-owned enterprises, strategic leaders tied to a political party create a fertile ground for micro management by politicians, conflict between the beneficiaries of social bonding capital and those that gets excluded and appointment of unqualified and incompetent boards and CEOs. Overall, political party membership as an aspect of appointment of strategic leadership and board is a barrier to strategy alignment and must be discouraged at all costs.

Third, boards may not be effective if they exclusively work in the traditional mode of board as monitors of compliance with governance, regulations and strategy, excluding the other elements of governance as leadership (e.g. generative thinking of the board to take a fresh look at opportunities and challenges from a broader perspective; creating a fresh understanding of complex and ambiguous situations; help organisations to unlearn unhelpful organisational practices). It is imperative that boards balance between the working paradigm of board as monitor and board as strategic partner. Reliance on the traditional roles of board governance characterised by low trust, ensure conformance to the system of rules of directing and controlling SOEs within the paradigm of agency theory which is inadequate to exhaustively elaborate the nature of influence of board on strategy alignment in SOEs. The combined insights of different theories of board is critical to ensure that board roles do not only dwell on conformance in terms of accountability, (e.g. organisation's strategies are aligned with regulatory compliance and the broader goals and mandates of the organisation) but also performance in terms of overall organisational improvement and driving the organisation forward towards its mission and goals.

Board as pathfinders serve to clearing political and organisational external barriers through stakeholder engagement. With an appropriately skilled, experienced, supportive

and engaging chief executive, board facilitates an enabling conditions for strategy alignment because the board and management reach a condition of trust to defend strategy alignment. The outcome of the enabling environment is that the board challenges and approves an aligned strategy with matching human and financial resources. In addition, an enabling board guides and supports management as part of its oversight duties whilst managing difficult stakeholders, like government and regulators, to insulate the chief executive, who can then focus on his or her operational duties.

Fourth, corporate governance is a very crucial element of governing state-owned enterprises by clarifying mandates and expectations of stakeholders in state-owned enterprises. Board work entails collaborative governance which requires strong multi-stakeholder involvement in reinforcing system of effective leadership at multiple levels. Corporate governance is the heart and veins of the organisation. When appropriately applied, corporate governance enables the entity to maintain sustainability and remain a going concern. The key enablers of strategic alignment related to corporate governance are robust strategic planning and formulation processes, strong relationships with key stakeholders, proper administration of financial resources, and effective use of board committees to provide relevant information and inputs to make strategic planning robust. The outcomes of strong corporate governance are a clear line of sight during strategy implementation accountability through generating timely annual reports, financial statements and stakeholder reports. Effective board committees flag potential deviations to the strategy alignment to allow for timely intervention and good corporate citizenship and social responsibility.

Lack of experienced and inadequately skilled board members with mismatched skills creates fertile conditions for corporate governance to be a barrier to strategy alignment. Strategic leaders must be conscious of corporate governance barriers to remove the blockers early to strengthen strategy alignment.

Lastly, this study has elucidated the importance of performance management in aligning strategy in state-owned enterprises in KwaZulu- Natal. In this study, there is evidence of effort of trying to align and integrate individual, organisational and board performance to drive strategy in state owned enterprise. However, effective performance to align strategy

entail proper setting, monitoring and evaluating of performance targets, but also the effective use of performance as a development tool at employee, board and organisational levels.

The requirements for performance management as an enabler are robust measuring tools, clearly defined annual performance plans, key performance indicators, and performance management scorecards. The outcomes of performance management as an enabler are clearly defined annual operation plans with clear targets for the planning horizon and performance agreements linking all employees to strategy through individual and organisational scorecards. Additional key performance indicators align the board and management on key strategic objectives that must be delivered, monitored and reported. As an enabler, performance management identifies gaps in the execution, which serves as a learning for future strategy review and development.

However, when the key performance indicators are not adequately aligned with the strategy, with no credible effort to translate the strategy into an annual performance plan, performance management stops being a helpful tool for monitoring and becomes a barrier to strategy alignment. Setting soft targets that do not reflect the entity's strategic drivers of performance and performance outputs is another barrier to strategy alignment. The outcome of performance management as a barrier is that the true potential of a state-owned enterprise is never reached because targets were not stretched sufficiently to identify and unlock constraints. The oversight of the sub-optimal performance plan does not create new learnings and innovation for the entity, limiting the growth of the state-owned enterprise. Overall, performance management is an enabler and can be enhanced by setting stretched targets to reach the full operational potential of state-owned enterprises. Adopting holistic performance management tools like the balanced scorecard incorporating shared learning and growth paradigm will enhance strategy alignment as new learnings are incorporated into a strategy review to improve and close identified gaps during execution.

Given the findings of this study, below in **Figure 6.7** is an integrative framework of strategy alignment in state-owned enterprises in KwaZulu- Natal and its constitutive elements which, namely (1) strategic leadership and (2) nature of political influence on

strategy, (3) the nature of roles of the board in strategy alignment, (4) critical aspects of corporate governance, (5) politicisation of state-owned enterprises through political and particularised trust by politicians, and political direction of the party , and (6) the variety of barriers and enablers of strategy alignment.

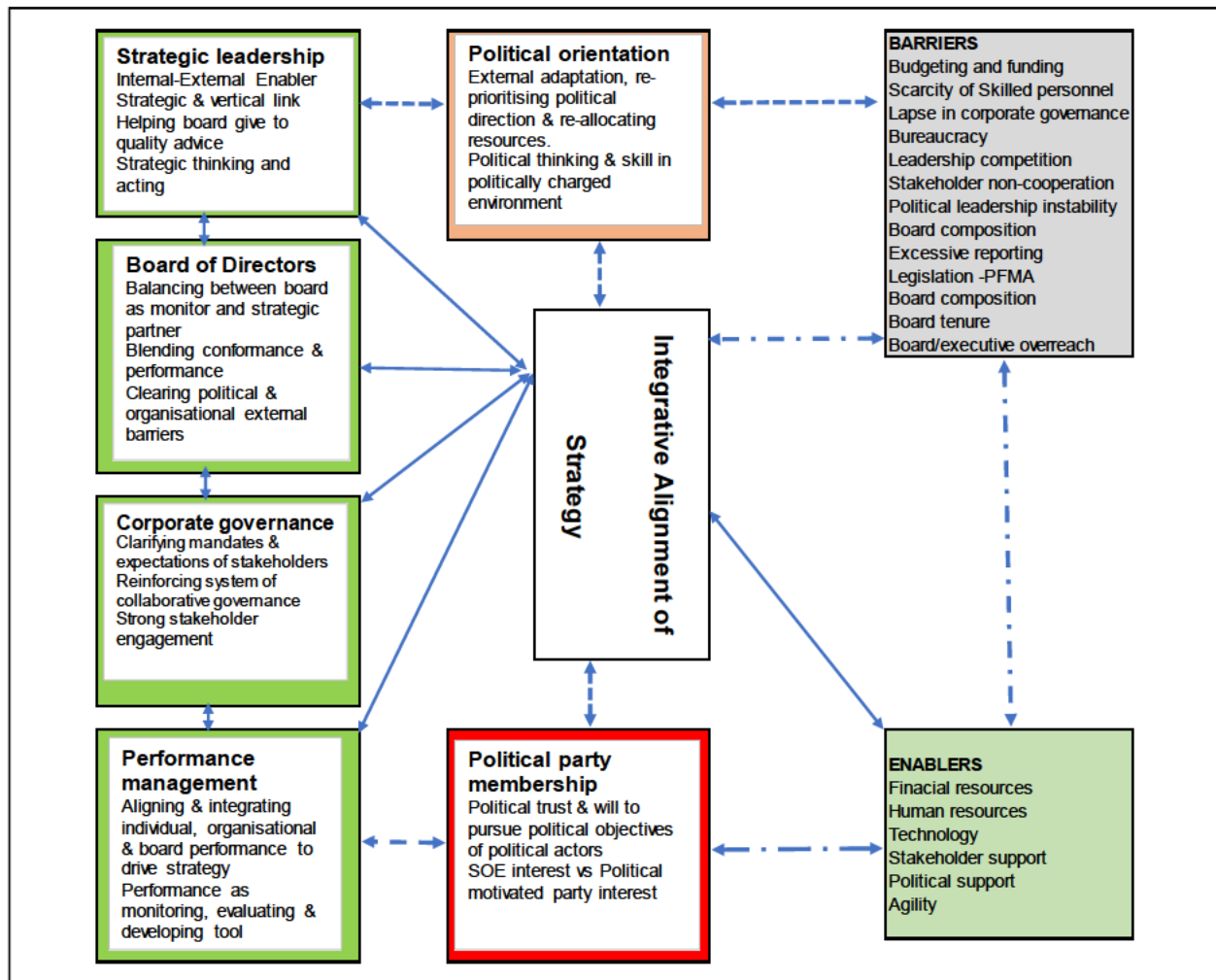


Figure 6.7: Strategy Alignment Framework

Source: Author compilation

The integrative strategic alignment framework recognises that strategy alignment in state-owned enterprises entails influence of multiple stakeholders and focuses on multiple dimensions and interfaces (e.g. internal-external, CEO-SOEs, CEOs-Politicians). The figure on integrative strategy alignment is read from the left side to the right side. Elements on the left side are strongly associated with strategy alignment and are connected to the integrative strategy alignment box at the centre of the diagram with solid lines. Elements

in the centre can promote or destroy strategy alignment and are linked with dotted lines to the strategy alignment box. Barriers on the top right side of the diagram are impediments to the strategy alignment and careful management of these elements is essential to prevent escalation and are linked to the strategy alignment box at the centre by the dotted lines. The enablers within the green box on the bottom right side of the diagram promote alignment and are linked by a solid line to the strategy alignment box at the centre of the strategy alignment framework.

6.4 CHAPTER SUMMARY

This chapter presented the study's main findings and contextualised them within the literature and existing studies. These findings have significant implications for understanding strategy alignment in KwaZulu-Natal state-owned enterprises.

Strategic leadership, particularly the chief executive officer and the board, is crucial to state-owned enterprise strategy alignment. The chief executive role in strategy design, execution monitoring, and bridging the board-operational divide is crucial to maintaining alignment. Strategic leaders of state-owned enterprises serve as enablers, strategic links between the internal and external dimensions, but also providers of the necessary information about the inner workings of the state-owned enterprise to aid quality of board decisions. The board oversight role supports alignment by actively developing, approving and monitoring strategies, while there is lack of evidence of the board's role of being a strategic partner and asset in developing strategy. There is need for board to integrate the low trust, control-oriented and monitoring for compliance approach with the high trust approach of board as sense maker and strategic partner in developing strategy in state-owned enterprises

Concisely, there is diversity in the enablers of strategy alignment which include strategic planning, stakeholder relationships, qualified leadership with necessary skills, financial resources, effective corporate governance structures and specialised board committees.

In contrast, constraints or impediments of strategy alignment include operational complexity, external influences, bureaucratic hurdles, legislative mismatch, internal political dynamics, and board-chief executive misalignment. These findings illuminate the

various interactions that can help or hinder state-owned enterprise strategy alignment. Finally, performance management is essential for strategy alignment. It closely monitors and aligns individual and organisational performance with strategic goals. Performance management also helps build performance agreements that match individual goals with organisational strategy, emphasising the importance of individual contributions to strategic alignment. However, performance management was less effective as it predominantly served as a monitoring tool, allowing the integration of individual with organisational level performance, but was marred by a variety of issues such as the setting of easy to achieve targets, failure to use performance as a development tool evident in failure to address underperformers, and lack of a comprehensive and balanced approach as performance management was misconstrued as a tick-box exercise in state-owned enterprises in KwaZulu-Natal. The next chapter focuses on conclusions and recommendations made in this qualitative study based on the key findings.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

This chapter aims to connect the study's key findings to the study's objectives and conclude the study. The qualitative study explored the enablers and barriers to strategy alignment within state-owned enterprises in KwaZulu-Natal to develop a framework/model for strategy alignment. Furthermore, this chapter summarises the findings and presents recommendations based on the study findings. Last, the study highlights the contributions of this study and its limitations and provides recommendations for future research. The chapter begins by discussing the realisation of the study's objectives, followed by a concluding summary, recommendations for the appropriate strategy alignment for state-owned located in the province of KwaZulu-Natal, and the study's contribution, limitations, and recommendations for future research.

The following section discusses the realisation of the study's objectives and to what extent the research objectives have been achieved.

7.2 REALISATION OF STUDY OBJECTIVES

The section briefly overviews the study, starting with the study objectives. Thereafter, a summary of how each study objective was achieved is presented, followed by a discussion of key insights linking the findings to the objectives. A perspective on how the findings address the study problem is then presented.

7.2.1 What did the study intend to achieve?

The overall objective of the qualitative study was to explore the enablers and barriers of strategy alignment within state-owned enterprises in KwaZulu-Natal according to the chief executives and board members of these entities, with the overall aim of developing a framework for strategy alignment within state-owned enterprises in KwaZulu-Natal. The study had four objectives; these were to investigate the role of strategic leadership in the fulfilment of strategy alignment in state-owned enterprises in KwaZulu-Natal, determine the role of the board in influencing the strategy alignment in state-owned enterprises in KwaZulu-Natal, evaluate the corporate governance enablers and barriers in promoting

strategy alignment within state-owned enterprises in KwaZulu-Natal, evaluate the role of performance management in securing the strategy alignment within state-owned enterprises in KwaZulu-Natal, and develop a framework/model for strategy alignment within state-owned enterprises in KwaZulu-Natal.

7.2.2 How did the study achieve its objectives?

The study employed a qualitative research methodology, using one-on-one, face-to-face, in-depth interviews to collect data from state-owned enterprises' strategic leaders to gain a deeper understanding of enablers and barriers of strategy alignment in relation to the study objectives. The study used purposive sampling to identify and invite the participation of strategic leaders, namely chief executives and board members of state-owned enterprises in KwaZulu-Natal. The chief executives and board members occupy the upper echelon of the state-owned enterprises. The South African law (Public Finance Management Act 1999) recognise Chief Executives of SOEs as accounting officers and boards as accounting authorities. The strategic leaders are better placed to provide credible answers to address the study objectives. Thirty participants were identified through purposive sampling, and twenty four participants were interviewed (six chief executives and eighteen board members) and further five chief executives interviewed in the follow-up interviews for the purposes of giving more CEO voice in the study, bringing the total number of participants interviewed to twenty-nine. The participants interviewed in the follow up interviews were drawn from the original sample of thirty participants identified through purposive sampling. Thematic analysis was used to analyse data and generate themes.

The study revealed several themes on the nature of influence of strategic leaders and board on strategy alignment, barriers and enablers of strategy alignment in SOEs. These are (1) chief executive as the enabler of strategy alignment, (2) strategy alignment is initiated at the board level, (3) oversight and continuous monitoring, (4) alignment with compliance and organisational goals, (5) maintaining alignment with the stakeholders, (6) strategy formulation and approval, (7) robust strategic planning and formulation process, (8) strong relationship with stakeholders, (9) capacity enabling leadership and relevant expertise, (10) financial resources, (11) effective corporate governance, (12) board

committees and strategy alignment, (13) insufficient clarity regarding operational intricacies, (14) influence from political and external sources, (15) bureaucracy and legislative misalignment, (16) internal politics and misalignment between chief executive and the board, (17) resource constraints, (18) political orientation, (19) complex and compromised relations, (20) manipulation of targets and focus on superficial measures, and (21) inadequate performance measures and targets.

The following section reviews the research objectives and discusses the key findings that address the objectives.

7.3 SUMMARY OF RESEARCH FINDINGS

Below is a summary of the findings of this study.

7.3.1 The role of strategic leadership influence on strategy alignment within state-owned enterprises in KwaZulu-Natal

The first objective of this study was to evaluate the role of strategic leadership in influencing the nature of strategy alignment within state-owned enterprises in KwaZulu-Natal, according to chief executives and board members using a thematic analysis to develop themes.

First, the current study has revealed that the Chief Executive Officers of state-owned enterprises in KwaZulu-Natal were influencing strategy alignment predominantly as enablers and strategic links between the internal and external environment but also as providers of insights to the boards on the organisation's inner workings in the backdrop of political interventions. In addition to proposing strategic plans, the Chief Executive were also ensuring board approval and ratification, followed by execution in line with expectations of political powerholders and brokers and organisational mandates in a politicised organisational context.

The politicised process of appointing the upper echelon of state-owned enterprises is based on who they are and particularised trust from the viewpoint of politicians rather than experiences and capabilities, it is less surprising that these leaders were unable to address problems of underperforming board members and Chief Executives. Notably,

political patronage is a useful social capital which is beneficial to the beneficiaries, but bad to those who are excluded, and marginalised. Exclusionary social capital is divisive and often results in failure of collective and cohesive efforts to align an organisation. In SOEs, social capital also removes the autonomy of the politically appointed leaders in state-owned enterprises as they have the obligation to meet the expectations and desires of political sponsors, irrespective of being misaligned to organisational interests. Reciprocity and particularised trust in cohesive political contacts as part of bonding social capital for chief executives and boards was critical in shaping strategic and political direction in state-owned enterprises in Kwazulu Natal.

The study findings affirm the centrality of the chief executive to drive aligned strategy implementation, which is also an authority provided by the legislation. Chief executive officers play a pivotal role in developing an entity's strategy due to their understanding of the internal environment of state-owned enterprises. The internal environment encompasses resources (both human and technological), inherent risk, and entity constraints. The chief executive officer understands the operating envelope of state-owned enterprises. Due to this understanding of the internal environment and capabilities, the chief executive formulates strategy and presents it to the board for approval and ratification.

According to the Public Finance Management Act of 1999, the chief executive is a designated Accounting Officer. Chief executive officers translate the approved aligned strategies into actionable annual performance plans and motivate followers to drive those plans' implementation.

Under the leadership of the chief executive officer, the top management team is responsible for supervising the operational execution and ensuring that the strategy is harmoniously aligned with the overarching vision and objective of the organisation.

7.3.2 The role of the board in influencing strategy alignment within state-owned enterprises in KwaZulu-Natal

The second research objective was to analyse the influence of the state-owned enterprise board on strategy alignment within state-owned enterprises in KwaZulu-Natal as per the

views of chief executives and board members. First, the findings from this study reveal that boards in state-owned enterprises were serving as the monitor of strategy execution and multi-level alignment for compliance and political direction rather than performance. As part of its fiduciary duties, the board supports strategic direction and adherence to policies and regulations, steering interaction and reporting to key stakeholders on the progress of the implementation. This finding reiterates that boards are not passive actors within state-owned enterprises but active monitors of the organisation's mission and strategic direction.

Second, the control and compliance-oriented view of board work resonates with the agency theory of the board and also relevant regulations like the Companies Act and the Auditor General and industry-specific regulations. This finding shows that the board's influence on strategy alignment in state-owned enterprise is confined to low-trust, control-oriented paradigm of board as monitor rather than strategic partnership in strategy development characterised by high trust working relationship to develop strategy in state-owned enterprises.

Third, the above finding that board approve and ratify strategic plans proposed by the chief executive reveal the importance of consultation and engagement with external stakeholders, including shareholders and the broader public, in achieving alignment. Consultation and engagement suggest that state-owned enterprises should prioritise transparent and inclusive processes in their strategy alignment. The proper oversight, monitoring and evaluation of the strategy implementation for the board depends on the skill mix which resonates with the notion of governance as leadership embracing three key fiduciary, strategic and generative capabilities of the board in state-owned enterprises.

Third, boards were politically appointed based on political trust, alignment and commitment to objectives of political powerholders which posed a challenge in the authenticity of the guarding or monitoring roles in state-owned enterprises. Predominantly, the problem in South Africa is that the political appointments are mechanisms for serving political advantage and gains rather than for strategy alignment in SOEs. To effectively execute oversight, the state-owned enterprise board cannot rely

on authority as per delegation of authority. The board skill mix must match the strategic needs of the state-owned enterprise for the board to be a successful steward and partner of chief executives and top management team. From the perspectives of some board members and chief executives, there was lack of merit-based appointment process and emphasis on strategic leadership capabilities and board skills, which raises questions on the process of appointing board members for performance rather than simply performance.

7.3.3 Corporate governance factors: enablers and barriers to strategy alignment within state-owned enterprises in KwaZulu-Natal

The third objective of the study was to analyse corporate governance-related enablers and barriers to strategy alignment within state-owned enterprises in KwaZulu-Natal, according to chief executives and board members of state-owned enterprises.

The study findings reveal key findings which asserts that the board plays various key monitoring, and compliance functions in state-owned enterprises which influences the internal and external focus of strategy alignment in the short and long term. First, the nature and scope of board's influence on strategy alignment was predominantly in terms of the board performing as a monitor and controller of the CEO and organisation. The monitoring function was characterised by board oversight, continuous monitoring of not only the CEO, but also the organisation's activities, review and adherence to policies and regulations in SOEs in KwaZulu-Natal. Second, the findings of the current study have also revealed that the boards in SOEs in KwaZulu-Natal interacted with the CEO and managers based on low trust-based interrelationships, agency problem of self-interest, and emphasis of board control through rituals of strategy formulation, review of draft strategic plan prepared by management and approval by the board which resonates with agency theory of board governance. The study unearthed various barriers, such as insufficient goal clarity, undue political interference, bureaucracy, shareholder misalignment, board tenure, and legislative constraints.

State-owned enterprises as business entities are supposed to be free from bureaucracy and must be efficient; however, political interference in the appointment of board

members results in a variety of performance-related challenges such as problems of dealing with underperformance, lack of clear understanding of boards strategy work, but also critical capabilities as some of the board members lacked industry-related expertise and experience (e.g. retired parliamentarians being recycled to the boards of the state-owned enterprises).

Empowering board members to understand state-owned enterprise's high-level operations assists immensely in the turnaround time for strategic decision-making and support of top management. The relationship changes from principle-agent to partners working towards a common agenda, strategy development rather than strategy monitoring and controlling of SOEs . Concerted efforts should be made to induct board members into the workings of the day-to-day operations and the significance of the proposed key strategic and stretching performance indicators. Board induction and development may involve regular go-and-see site tours after or before each board meeting, briefings, or the inclusion of experts in the board meetings to foster a clear understanding of the state-owned enterprises. The quality of roles of board as a monitor sense makers and strategic partners largely depends on boards with necessary board skills and strategic capabilities.

The study revealed how politicians and principals influence the decision-making processes of the state-owned enterprises in KwaZulu-Natal, interfering with board and chief executive appointments, issuing instructions beyond their legislated authority, imposing austerity measures without considering entity-specific priorities, and disrupting the process with political leadership changes in the mid-cycle of strategy implementation. The interference weakens and undermines the authority of the board.

The corporate governance-related barriers to strategy alignment discussed above demonstrate the crucial role of the board in supporting strategy alignment of the state-owned enterprise through approval and ratification of strategic plan, oversight and monitoring of implementation, which is consistent with the board's expectations and supported by the literature. However, for the board to be effective in its oversight, it must be aware of the barriers to manage and mitigate against barriers that sabotage strategy alignment skillfully.

Stewardship theory emphasises that the principal and an agent collaborate and work together to achieve the goals, trust and inclusion of all key stakeholders with influence in state-owned enterprises to achieve the organisational goal—collaborative planning which results in a robust approved strategy embedded in the principles of transparency.

Effective corporate governance promotes strategy alignment through the reinforcement of adherence to policies and regulations to safeguard against bad governance and mitigate risk. However, the effectiveness of politically appointed boards and Chief Executives is undermined by the obligations arising from bonding social capital and particularised trust which was the basis of their selection by their political sponsors. The corporate governance principle mitigates risks by implementing proper governance systems and controls. It also entrenches strategy alignment through the establishment and use of board committees to deliberate thoroughly on strategy-related matters in board committees before bringing recommendations to the board for endorsement.

7.3.4 Performance management factors that impact strategy alignment within state-owned enterprises in KwaZulu-Natal

The final research objective of the study was to examine the impact of performance management on strategy alignment within state-owned enterprises, according to chief executives and board members of state-owned enterprises in KwaZulu-Natal. Findings in this study reveal that performance management in SOEs was used as a monitoring tool in the hope of supporting and allowing alignment of individual and organisational performance with strategic goals through performance contracts, but was marred by inadequate and manipulated performance targets, and monitoring and evaluation process which failed to address underperformance in complex and compromising political relations. Although performance reviews and agreements were in place in SOEs, their application was not robust enough as these served as tick-box exercises.

As performance management is very critical in an organisation, it is very important that every effort is utilized to improve the measurement, monitoring, developing and rewarding of performance to achieve overall objective of an organisation. The findings under this objective reveal that performance management was affected by complex and

compromised relations which made it difficult to address the problem of underperforming CEOs, TMT and boards members, manipulation of targets, and superficial measures that impeded strategy alignment.

The study revealed the importance of performance management as a critical tool for measuring the progress of strategy implementation against targets, but also the necessity of board development to perform as strategic partners of SOEs rather than just as monitors of CEOs and SOEs compliance.

Another significant finding from the study is that implementing performance contracts and associated incentives can act as potent drivers for strategic alignment within state-owned enterprises in KwaZulu-Natal. This study's findings resonate with several arguments presented in the literature. For instance, Glaister (2018) argues that performance contracts, when well-structured, serve as a mechanism to align individual goals with the strategic objectives of state-owned enterprises. Performance contracts serve as accountability tools by clearly defining individual responsibilities in the context of strategic alignment. They provide a framework for individuals to be held accountable for their contributions to strategic goals.

However, there is a pitfall of setting easily achievable performance targets which are not stretching enough to develop the capabilities of strategic leaders and staff in state-owned enterprises. Evidence from this study's findings reveals a considerable risk of targets being manipulated to favour easily measurable or achievable goals that do not necessarily align with the broader strategic goals of the organisations. This finding suggests that focusing on superficial measures can potentially compromise the ability of state-owned enterprises to pursue their strategic goals effectively.

The study revealed a narrow and limited use of performance management as a monitoring tool, which ignores the value of performance management as critical for employee and organisational development. There is a strategic need to adopt comprehensive approach of the balanced scorecard which encompasses the evaluation of non-monetary indicators, such as customer satisfaction, innovation, and operational efficiency in addition to efficient and effective cost of services.

The following section details the recommendations of the study.

7.4 RECOMMENDATIONS

This section presents key recommendations that are drawn from the findings of the study. The set of recommendations are made to the Department of Economic Development, Tourism and Environmental Affairs represented by the Head of Department and apply to the state-owned enterprises in KwaZulu-Natal but may also be significant for other state-owned enterprises in South Africa and the rest of the developing world facing similar challenges.

Recommendation 1: Critical role of the chief executive officer as an enabler and strategic link, and overhaul of appointment process

The variety of roles of chief executive officer of SOE include being an enabler of the organisation and strategic link of the internal-external, short and long term direction of the organisation. As such, Chief Executive officers are the initiators, drivers and central pillars of strategy alignment in state-owned enterprises in KwaZulu-Natal. It is important that boards appoint competent and experienced Chief Executives through a rigorous, transparent and neutral process mindful that these are the chief enablers of these organisations. There is a grave need to abandon the relational contracts with CEOs appointed by political leaders and also address the problem of political interference in SOEs which are key barriers to positive change and strategy alignment. It is salient for strategic leaders to feel empowered and enjoy the psychological safety to make decisions necessary to turn around or redesign SOEs processes or deal with underperformers with fearing loss of their jobs.

The procedure for the appointment of the chief executives and also the board of directors needs a radical overhaul. First, there is a need for an independent and not politically ingratiated board to lead the appointment process of chief executives. The inclusion of independent sector experts in the recruitment team may enhance neutrality and professional approach to the recruitment process. The radical overhaul of the recruitment process should ultimately aim to ensure a professional, and credible and transparent process commensurate with meritocracy.

The benefit of credible and merit-based approach is (1) transparency (2) assurance that state-owned enterprises receive competent chief executive and board with an adequate skill mix to enhance strategy oversight, alignment and good stewardship by the board to the entity, (3) mitigate against political manipulation of board appointment processes, which results in unsuitable candidates appointed to positions of governance and lack of integrity, which destabilises boards, (4) protect the board and state-owned enterprise for being destabilised during election cycles or change in leadership prior to the board tenure expiry, (5) allow the board to choose their own chairperson and deputy chairperson as they know who has the best leadership amongst them, which would serve to reduce mistrust amongst board members.

Board development which includes board induction, board training, and board performance evaluations are very critical to create effective board performance but also create board who understands the various elements of governance as leadership in SOEs. It is important that board members have strategic capability to integrate the sentinel, sense maker and strategist models when influencing strategy in SOEs.

Recommendation 2: Corporate governance that has a strategic and partnership mindset

Corporate governance should move beyond compliance activity in state-owned enterprises and also emphasise the aspects of strategy development and high trust collaborative working style. Identified corporate governance enablers must be entrenched in the organisational culture, and identified corporate governance barriers must be addressed to sustain state-owned enterprises. CEO and the boards of SOEs are advised to not only focus on board as monitor of CEO and strategy, but also integrate the notions of board as strategic partner in high trust-based working relationship with high risk appetite but also strategic orientation and commonality of agenda in SOEs in KwaZulu-Natal. It is important that board members clearly understand governance as leadership and integrate the sentinel, sense-maker and strategist models.

Recommendation 3: Shifting from conformance to performance development and performance culture

Performance management system is less effective if it only emphasises monitoring performance without a focus on employee development, as well as proper setting of targets which influences performance output at the individual and organisational levels.

As the board and strategic leadership of SOEs predominantly emphasises on conformance with legislation and political direction, there is a need to shift to a deliberate focus on the drivers of strategic performance, setting of realistic, strategic and stretching goals to develop people. The board can shift away from the agency, low-trust and control oriented working relationship which emphasizes on conformance to the paradigm of board as strategic partner key for both monitoring as well as development of strategy in SOEs. State-owned enterprises in KwaZulu-Natal must consider adopting the balanced scorecard as a performance management tool to ensure the setting of realistic and stretching targets but also a more comprehensive approach which embraces financial and non-financial drivers and outputs of performance. The benefit of the balanced scorecard approach is that it measures the strategic drivers of the enterprise's performance holistically, including learning, innovation and growth of people and the organisation, internal processes and stakeholder/customer satisfaction.

TMT and board needs to understand that performance development is an ongoing process that enables two-way conversation addressing goal setting, development planning, ongoing coaching and feedback, performance reviews and ongoing engagement. Thus, it is important that performance management should not be narrowly used as a monitoring tool, but also serve to develop performance at different levels including the TMT and the board. In designing the training for strategic leadership and board for performance culture. A high performance culture empowers employees to be as effective as possible in their role. These cultures are built on norms and behaviors that help employees set, work toward, and achieve challenging goals. A culture of high performance should engage employees every day, promoting the behaviors needed for employees, teams, and the SOEs to succeed.

Recommendation 4 : Pursuit of Intergrated strategy alignment and multi-stakeholder influence

The integrative strategy alignment framework developed from the study reveals that aligning strategy in SOEs entails paying attention to multiple internal and external dimensions but also understanding both the negative and positive consequences of social capital in influencing strategy in politically exposed organisations. The intergrative framework of strategy alignment in SOEs needs to be used to provide critical input into strategic and board leadership development, recruitment, appointment and socialisation of the upper echelons to balance competing interests of multi-stakeholders in a manner which builds and sustains a cohesive performance culture.

7.5 LIMITATIONS

Like any other research, the study has limitations that must be communicated as part of the research protocol. The study has the following limitations.

The first limitation is that the research was undertaken on a limited number (twelve) of state-owned enterprises in the province of KwaZulu-Natal out of a study population of 715 state-owned enterprises in South Africa, impacting the possibility of generalising the findings.

Second, the study focused on the top management and board members for data collection and excluded lower-level management and employees. Third, the study excluded essential stakeholders external to the state-owned enterprises, such as government departments and Heads of Departments that oversee the state-owned enterprises. Last is the inability to test the strategy alignment framework in state-owned enterprises in KwaZulu-Natal.

The following section presents the implications and recommendations for future research.

7.6 RECOMMENDATIONS FOR FURTHER RESEARCH

Based on the limitations and findings that emanate from the study, the recommendations for future research are the following:

- Future research is required to explore the integrative influence of strategic leadership and board on strategy alignment from a sociological and multi-stakeholder perspective using a diverse sample of state-owned enterprises as politicised organisations. Future research may explore the integrative influence of strategic leadership and board on strategy alignment and multi-stakeholders from a social exchange and social capital perspective. The study may use diverse sample of state-owned enterprises participating in the research beyond the province of KwaZulu-Natal and include additional state-owned enterprises from other provinces to enrich our understanding of strategy alignment in the unique setting of SOEs where there are politicised social exchanges and bad social capital practices.
- The framework for strategy alignment was not tested for its implications in this study; future studies can expand the framework, starting with operationalising and testing it first.
- Future studies should investigate the full impact of barriers to strategy alignment. It is recommended that the themes generated from the barriers of strategy alignment be investigated further, with each theme being a point of departure for future studies; such studies would support a deeper understanding of other aspects that could not be revealed in this study.
- As the current study has only focused on the upper echelon to understand influence on strategy alignment, it is clear that other strategy actors are excluded. For example, middle level managers who are key to translate the abstract strategy into day-to-day concrete actions and results are not part of this study. Managers below the top management team and relevant stakeholders who impact strategy alignment in state-owned enterprises could be included in future studies to get a more holistic views which embraces views from multiple organisational levels in SOEs. As there is no clear overarching strategy for SOEs, it is interesting to examine how the government of South Africa understands and evaluate strategy alignment across the variety and different SOEs as the owner.

7.7 CONTRIBUTION OF THE STUDY

This study has contributed in many different aspects which are contribution to: theory, knowledge, practice and policy. The different aspects of the study contribution are detailed in the sections below.

7.7.1 Contribution to the body of knowledge

From a social capital perspective, strategic leaders and boards of SOEs are predominantly ingratiated and present a compromised strategic leadership and governance. This compromised strategic leadership and governance is not socialised to fruitfully integrate positive social capital, politics and SOEs leadership in a manner that leads and propels SOEs into success, but rather facilitates political interruption and self-interests. While political patronage is a useful social capital to the beneficiaries, it is bad to those who are excluded, and marginalised. More importantly, this type of bad social capital closes out others and results in a divisive effect (them vs us), consequently failing to drive multi-stakeholder and collective pursuit of excellent performance in SOEs. The strong ties to cohesive political contacts manifest in disempowered strategic leaders and boards who lack autonomy to exercise their roles effectively. The assertions of patterns of success in SOEs in China where SOE management is highly politically integrated are contextual as they may not prevail in more democratic political spheres such as South Africa. Nonetheless, it is a pointer to the strategic possibility of highly politically integrated strategic leadership of SOEs reinforcing high performance excellence and culture.

7.7.2 Theoretical contribution

Titus and Hoole (2021) posit that there is no clear literature which exists when evaluating social capital from a multiple stakeholder perspective in an SOE in South Africa. As such, this study is valuable as it has provided insights into key barriers but also essential qualities that are necessary for more co-operative and collective behaviours by multiple stakeholders in the efforts of aligning strategy in South Africa's SOEs from a social capital and social exchange perspectives. The actions required by strategic leadership of SOEs in KwaZulu-Natal to generate social capital will happen when the upper echelon take the first step to show a genuine interest for rebuilding trust, demonstrating ethical behaviour,

role-modelling commitment towards stakeholder needs, communicating truthfully, collaborating for mutual satisfaction and taking charge of shaping ethical and performance culture, which deliver shared value in the SOEs.

The social exchange and social capital in the upper echelons of state-owned enterprises predominantly serves political rather than strategic alignment and performance interests of the SOEs in KwaZulu- Natal. The new knowledge of enablers and barriers of strategy alignment in SOEs presents not only the variety of strategic alignment and performance-related issues which require attention to improve alignment and performance of SOEs , but also the political aspect underpinning what undermines the potential for alignment and performance excellence of SOEs in KwaZulu-Natal. The framework illuminate the variety of enablers and barriers which strategic leadership of SOEs desperately require to turn around current ineffective performance through mutually cooperative, ethical and authentic behaviours to re-align SOEs internally and externally.

The study affirmed that stewardship theory is the more suitable theory to be applied in SOE governance compared to previous studies advancing agency theory relationship.

7.7.3 Contribution to practice

The study has developed and contributed a context-specific framework of integrative strategy alignment in state-owned enterprises in KwaZulu- Natal, depicting the variety of roles and multi-dimensional influence by strategic leadership, and boards on multi-stakeholder efforts of aligning strategy in SOEs as politicised organisations. The proposed framework provides insights for strategic leaders of state-owned enterprises and boards into the variety of elements necessary to integrate into the organisational architecture and multi - stakeholders` expectations in the collective pursuit of strategy alignment in a politicised state-owned enterprise in South Africa and similar contexts. Strategic leaders are enablers, strategic links and providers of insights on the inner workings of SOEs. Boards are monitors of SOEs compliance with legislation and political direction work in a complex, multifaceted environment where the pursuit of strategy alignment is challenging, politicised and involve multi-stakeholders.

The proposed framework provides insights for strategic leaders of state-owned enterprises and boards into the variety of multi-dimensional elements of the organisational architecture and diverse stakeholders' expectations necessary in the collective pursuit of strategy alignment in a politically exposed state-owned enterprise in South Africa and similar contexts. Additionally, the proposed framework provides some guidance to leadership and development practitioners in SOEs in South Africa to develop ethical and authentic strategic leadership and board leadership capacity critical for SOEs to excel from a multi-stakeholder perspective.

The study illuminates the need for board governance to not only rely on behaviours and practices of conformance guided by the "sentinel" or monitor mindset informed by agency theory of board governance. To excel, there is a need for boards to be capacitated, to serve as strategic partners as informed by the stewardship theory of board governance. This calls for a robust, less politically influenced appointment process, training and socialization of CEO and boards of SOEs in KwaZulu-Natal to understand their strategic, fiduciary and generative roles of governance as leadership. If the boards of SOEs continue with their predominant orientation as monitors of compliance and strategy, they will not be able to move away from low trust-and risk averse based working relationship with chief executives to high trust and risk appetite working relationship of CEOs and board as strategic partners with a common agenda and working side by side to achieve performance excellence rather than conformance and self interests in SOEs in KwaZulu-Natal.

Nonetheless, the findings provide a basis for building strong capacity of CEOs as well as board members to become chief enablers and strategic partners of SOEs to perform well in KwaZulu-Natal and contribute to the growth of the provincial economy.

7.7.4 Contribution to policy

The context-specific framework of integrative strategy alignment in state-owned enterprises in KwaZulu-Natal, can be used to revolutionise policy of the SOEs governance in KZN. The framework has the potential to be used as a tool for recruitment, onboarding, training and performance assessment for strategic leaders and board

members and most importantly for all officials in the Public enterprise monitoring unit including Head of Department and the MEC. Whilst many board training programmes have been generic in nature, the framework deals with context specific issues highlighted by study participants presiding over governance of SOEs in KwaZulu-Natal.

7.7.5 Contribution to academia

In the African setting, there is a proverb which asserts that fish starts rotting from the head. To ensure the development of authentic leadership in the upper echelon and performance culture in SOEs, the role of government as the owner of SOEs in South Africa is pivotal. Commonly, strategic leaders and boards of SOEs in the study were working in a politically and ethically compromised and divided organisational contexts where political patronage compromised ethical expectations to be professional, independent and able to stay true to the organisation's mission as an authentic strategic leader or authentic board member. Politicised bureaucracy easily protect underperformers while it disempower strategic leaders to make decisions in the interest of the SOEs.

As SOEs in South Africa operate without an over-arching strategy, adopting the integrative strategy alignment framework will enhance the critical and honest discussions on the multi-dimensional nature of the vertical and political influence of strategy alignment in SOEs. Without an overarching strategy, SOEs are left to only align internally, meaning they lack clear destiny as a collective or guide for collaboration as an ecosystem. Internal-external dimensions or interfaces of alignment, and role of organisational and ruling political party influence on strategic direction and the upper echelon and flawed practices of performance management as a monitoring tool and failure to recognize its developmental role are all critical issues which also needs to be developed further by strategy academia and students of strategy.

7.8 CONCLUDING REMARKS

As state-owned enterprises in South Africa face a variety of barriers and enablers, it is important that strategic leaders, boards, government as the owner and leadership development practitioners pay special attention to these if the strategy alignment and

performance of state-owned enterprises are to improve and succeed. While CEOs are enablers, but also serve as strategic links between the internal-external dimensions and provider of insider information to the board, they get disempowered, lack autonomy and fail to address performance problems if they are appointed politically based on who they are and particularised trust from the viewpoint of politicians. Boards of state-owned enterprises predominantly work as monitors for conformance and compliance rather than strategic development of the state-owned enterprise. This calls for the integration of board as monitor and also board as strategic partner of the CEO and asset for strategy work organisational learning, and unlearning in state-owned enterprises. The multi-dimensional framework proposed in this study may be adopted by leaders and boards of state-owned enterprises interested in turning around performance in their respective organisations, but also develop strategic leadership and board capabilities necessary for aligning a politicised state owned organisation in South Africa.

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1.

APPENDIX 1: EDTEA GATEKEEPERS LETTER



edtea

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Economic Development, Tourism and
Environmental Affairs
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**TO: ALL PUBLIC ENTITIES
CHIEF EXECUTIVE OFFICERS (CEO'S)
CHIEF FINANCIAL OFFICERS (CFO'S)
BOARD CHAIRPERSONS**

DEAR SIR/MADAM

**REQUEST TO PROVIDE ASSISTANCE TO MR Z CHAMANE A CANDIDATE FOR DOCTOR OF
BUSINESS ADMINISTRATION (DBA) AT UKZN TO CONDUCT RESEARCH**

This letter serves to confirm that the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) in the province of KwaZulu-Natal is supporting Mr. Ziphathele Chamane to undertake research titled "A model for strategy alignment within State Owned Enterprises for his Doctor of Business Administration (DBA).

The department is therefore granting permission to Mr. Z Chamane to conduct research in its Public Entities in order to collect data for his studies.

The output of the research will be used to improved strategy alignment between the Department and its public entities.

The department is urging its Public Entities to provide support to Mr. Z Chamane in order for him to complete his studies.

Regards,



Ms. P. Nkomo
Head of Department
Economic Development, Tourism & Environmental Affairs (EDTEA)

03 May 2018
Date

2. APPENDIX 2: INFORMED CONSENT FORM

Informed Consent Form

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

DBA/ PHD Research Project

Researcher: Ziphathele Chamane ()

Supervisor: Prof MacDonald Kanyangale (031 260 7934)

Research Office: Ms P Ximba 031-260 3587

CONSENT

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project titled: ***Exploration of enablers and barriers for strategy alignment within state-owned enterprises in KwaZulu-Natal***. I consent to have my interview recorded. I understand that I am at liberty to withdraw my participation from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

3. APPENDIX 3: INFORMATION SHEET FOR PARTICIPANTS

UNIVERSITY OF KWAZULU-NATAL

GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

DBA/PHD Research Project

Researcher: Ziphathele Chamane ()

Supervisor: Prof Macdonald Kanyangale (031 260 7934)

Research Office: Ms P Ximba 031-2603587

Dear Participant,

I, am **(Ziphathele Chamane)** a DBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project titled : ***Exploration of enablers and barriers of strategy alignment within state-owned enterprises in KZN***. The purpose of the study is to develop a model/framework for strategy alignment for State Owned Enterprises in KwaZulu-Natal. The objectives of study are as follows:

- To evaluate the role of strategic leadership in influencing the nature of strategy alignment within state-owned enterprises in KwaZulu-Natal according to Chief Executives and Board members of state-owned enterprises.
- To analyze the influence of the state-owned enterprises board on strategy alignment within state-owned enterprises in KwaZulu-Natal according to Chief executives and Board members of state-owned enterprises.
- To analyse corporate governance- related enablers and barrier of strategy alignment within state-owned enterprises in KwaZulu-Natal according to Chief Executives and Board members of state-owned enterprises.
- To examine the impact of performance management on strategy alignment within state-owned enterprises in KwaZulu-Natal according to Chief Executives and Board members of state-owned enterprises.
- To develop a framework of strategy alignment for state-owned enterprises in KwaZulu-Natal.

Through your participation I hope to understand **factors that are enablers and barriers of strategy alignment within SOEs in KZN**. The findings of the study are intended to

contribute to **the improvement of strategy co-ordination and execution within Public Entities in KZN.**

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this study. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN. Anonymity of the participants will be ensured in the presentation of data.

If you have any questions or concerns about participating in this study, you may contact me or my supervisor at the numbers listed above. The **interview** should take approximately **45 to 60** minutes to complete.

Sincerely

Ziphathele Chamane

Investigator's signature_____

Date_____

4. APPENDIX 4: INTERVIEW SCHEDULE GUIDE

Purpose of the study

The purpose of the qualitative study is the exploration of enablers and barriers of strategy alignment in order to develop a framework for strategy alignment within state-owned enterprises in KwaZulu-Natal according to chief executives and board members. Strategy aligned state-owned enterprises have a better chance of successfully implementing their strategy i.e., accelerated progress towards achieving a capacitated state in line with the developmental agenda

Objectives of the study

The study will address the following objectives:

- To evaluate the role of strategic leadership in influencing the nature of strategy alignment within state-owned enterprises in KwaZulu-Natal.
- To analyze the influence of the state-owned enterprise board on strategy alignment within state-owned enterprises in KwaZulu-Natal.
- To analyse corporate governance- related enablers and barrier of strategy alignment within state-owned enterprises in KwaZulu-Natal.
- To examine the impact of performance management on strategy alignment within state-owned enterprises in KwaZulu-Natal.
- To develop a framework of strategy alignment for state-owned enterprises in KwaZulu-Natal.

BACKGROUND

The questionnaire forms part of the Doctoral research project titled “***The exploration of enablers and barriers of strategy alignment within State owned enterprises in***

KwaZulu-Natal ". Given the four objectives of the study, a set of questions for the in-depth interview have been prepared.

Section A

Biographical information

a) Age

- Under 35
- 35-45
- 46-55
- Over 55

c) Highest education level

- Matric
- University degree/Diploma
- Post graduate degree/Honours
- MBA/Masters
- PhD

c) Gender

- Male
- Female
- Present designation
 - CEO
 - Board member
 - Board Chairperson
 - Deputy Chairperson

1) Number of years worked in the organisation

- 1-3

- 4-6
- 7-9
- 10-12

Section B

The qualitative questionnaire consists of broad questions to be posed to selected respondents.

1. What is the role of CEOs in fulfilling strategy alignment within SOE?
2. Are top managers' enablers of strategy alignment?
3. What are the enablers of strategy alignment within SOE?
4. What are the barriers/killers of strategy alignment within SOE in KZN?
5. Is CEO interest aligned to the SOE interest ?
6. Is Board Selection Criteria and Composition achieve SOE strategy?
7. What is the role of the board in the SOE environment?
8. Who are the stakeholders the SOE board must keep them apprised to maintain strategy alignment?
9. Is the skill -mix a consideration when appointing an SOE board?
10. Is the role of Corporate Governance promoting SOE strategy alignment?
11. Is King IV required in SOE environment whilst there is legislation responsible for governance e.g., PFMA?
12. Are board sub-committees promoting strategy alignment?
13. Is Performance management securing SOE strategy alignment?
14. Do SOEs have balanced scorecard?

15. What are other major items except financial results are used to evaluate performance?

16. Is political orientation in appointment of business leaders enhance strategy alignment?

17. Do you have to belong to a political party to be appointed to SOE boards?

18. Is the balance between skills/expertise and political orientation assist in achieving strategy alignment?

5. APPENDIX 5: LANGUAGE EDITING CERTIFICATE



dissuwhizz.com
Michelle L. Crowley

Editor, Tutor and Coach for Editing Excellence

Thank you for allowing me to be of service to you.

This is to certify that I, the undersigned, edited the dissertation

EXPLORATION OF ENABLERS AND BARRIERS OF STRATEGY ALIGNMENT

WITHIN STATE-OWNED ENTERPRISES IN KWAZULU-NATAL

(except for the References list)

by

ZIPHATHELE HAROLD CHAMANE
University of KwaZulu-Natal

Between 27 November 2023 and 18 December 2023.

Sincerely



Michelle L. Crowley, PhD (Rhodes University)

6. APPENDIX 6: UKZN ETHICAL CLEARANCE



20 December 2023

Ziphathele Harold Chamane (213569351)
Graduate School of Business & Leadership
Westville Campus

Dear ZH Chamane,

Protocol reference number: HSS/0505/2018D

Project title: A model for strategy alignment within state-owned enterprises.

Amended title: Exploration of enablers and barriers of strategy alignment within state-owned enterprises in KwaZulu-Natal.

Degree: PhD

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 12 December 2023 has now been approved as follows:

- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an 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.

HSSREC is registered with the South African National Health Research Ethics Council (REC-040414-040).

Best wishes for the successful completion of your research protocol.

Yours faithfully



.....
Professor Dipane Hialele (Chair)

/ss

Humanities & Social Sciences Research Ethics Committee
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Tel: +27 31 260 8350 / 4557 / 3587
Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

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