Senior managers' business knowledge in a transition economy

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Abstract

Purpose – To explore senior managers' knowledge and thinking about strategy and organisational capabilities, and developments of both during a time of transition.

Design/methodology/approach – Interpretive case research based on semi-structured interviews with 44 senior managers in a number of business organisations in Ethiopia supplemented by secondary sources.

Findings – Senior managers had a narrow and contingent knowledge of, and interaction with, the external environment. The notion of "strategy" was problematical for them. Managers' knowing of their environment and organisational aspects were differentiated, context specific and subject to changes and reinterpretations depending on shifting roles, responsibilities and changing contexts.

Research limitations/implications – This research sheds light on how assumptions about the often "taken-for-grantedness" of the strategic "manageability" of change by senior managers may be exaggerated. This was revealed, at one extreme, in this research but it may extend also into other situations in varying degrees. In this and other ways the study of senior Ethiopian managers could be used as a way to reflect back upon conventional thinking about strategizing in other contexts.

Practical implications – The research can help managers gain insight into how their everyday ways of knowing and seeing are unnecessarily limited and constrained.

Originality/value – Work in business knowledge is just commencing and hence its continuity would further both scholars' and practitioners' understanding of the knowledge work of managers in varied contexts and environments.

Keywords Senior managers, Knowledge management, Business environment, Strategic management, Ethiopia

Paper type Research paper

1. Introduction

This article reports on research into the business knowledge of senior managers in Ethiopia. It is part of a wider international project, which explores a form and level of business knowledge that has received little attention in the literature. The research focuses upon managers' strategic-level knowledge – that is, the knowledge of environment, organisation, business processes and other domains which, when combined together, constitute "business knowledge". There are at least two compelling reasons to study senior managers' business knowledge. First, these senior managers are concerned with both the external and internal environment of their organisations. Both in theory and in practice these senior managers are expected to align their organisation with the current and expected external environment and develop internal organisational capabilities to increase adaptive capacity, improve organisational performance and achieve competitive advantage. Second, senior mangers are embedded in ambiguity, complexity, and information overload. There are far more stimuli than can be attended to, stimuli that are often vague, incomplete and contradictory, and that typically have important interconnections which are hard to discern. So it is important to understand how they make sense of environmental stimuli that are complex and ambiguous.

The empirical focus of this study is the knowledge base of a number of senior Ethiopian managers. We explored these senior managers' knowledge and thinking about strategy and organisational capabilities during a time of transition. Ethiopia represents an unusual context for management and strategy research but it offers a fruitful setting for this study. The last 35 years has seen the transition from the feudalist monarchy (with land owned by the Emperor, the nobility and the Church), through a socialist command and control economy (where private property was banned) to a quasi-market economy. Further, the recent economic transformation and associated environmental changes in Ethiopia presents a distinct business environment for firms that is different from that which a typical western firm would encounter. The environmental changes are complicated and their sources are multifaceted. While the types and sources of the environmental changes could in some ways be similar to anywhere else, their dynamism and level of uncertainty, and the ways these are interpreted and responded to in the Ethiopian context are, in other respects very distinctive. Ethiopia thus supplies an acutely revealing context within which to explore issues of business knowledge and its use. Many of the features of the business environment which normally supply the assumed context for explorations of managers' knowledge and which, even in the West, are often unrealistic expectations, are doubly problematical in this context. Thus, Ethiopia presents a setting in which to explore *in extremis* the ways in which senior managers have to form strategic responses to stimuli about which they have limited real knowledge.

The primary objective of our study is to enhance our understanding of how managers facing broadly similar environmental stimuli understand and "know" the changes in their environment. We examine what strategizing knowledge these managers have, and their beliefs regarding what makes their organisations successful in an extremely uncertain and ambiguous environment. In doing so the study seeks to investigate similarities and/or differences in managers' interpretations and knowing about key organisational issues.

2. Theoretical backdrop
2.1 Managers' interpretations of the environment
A dynamically changing environment poses an ongoing problem for senior managers of firms in all economies but the problem can be especially acute in the case of transitional economy firms. Thus, senior managers must not only know about changes in their organisational environment but also decide whether those changes are important enough to merit some adaptation in the organisation's strategy or design (Weick, 1987). The task of interpreting an environment in a transition economy such as Ethiopia's is notably complex.

Managers' belief systems are developed over time based on past activities and results. As long as they reflect a sensible representation of the environment, they offer a valuable "map" for directing effective organisational action (Weick, 1995). However, the environments in which most organisations operate tend to be fluid and complex (March and Simon, 1958), and are changing at an increasing rate (Kanter, 1989). As a result, environmental stimuli are often ill structured, and firms are often confronted with unfamiliar events or choices. Effective response, or adaptation, requires that decision makers update their beliefs. These beliefs include identifying and interpreting unfamiliar environmental events and action alternatives, and reinterpreting familiar issues and concepts to more closely align their belief systems with the demands of their

external and internal environments. Significant changes in organisational action may not occur until these new understandings are developed (Bartunek, 1984).

Much of the strategic management literature gives more attention to the task based world of managers (Daniels *et al.*, 2002) in which both task (technical) environment and distinctiveness in internal organisational resources could be sources for gaining competitive advantage (Porter, 1980; Wernerfelt, 1984; Collis and Montgomery, 1995). The assumption is that "managers actively seek for their organisation to be advantageously different from others, either by identifying available opportunities in the competitive environment or by positioning their organisation distinctly from others by using resources specific to their own organisation" (Daniels *et al.*, 2002, p. 33). These assumptions, in turn lead managers to differ in the interpretations of the competitive environment depending on their external or internal focus. Further, since senior managers are seen to have a special responsibility for the strategic positioning, direction and performance of their organisation, there could be differences in perception by management level. In a nutshell, if we think of organisational environments from a task perspective, cognitive differences with regard to the structure of the environment should exist both between managers in different organisations and between managerial groups in the same organisation that face different aspects of the task environment (Daniels *et al.*, 1994; Hodgkinson and Johnson, 1994).

2.2 Characteristics of transitional economies environments
Research on business management in some developing countries and post communist Eastern European countries has identified several factors that differentiate the environment in these nations from the Western industrialized countries. Such factors include the absence of knowledge required to systematically monitor the environment and collect needed data, highly unstable political and economic environments, presence of compelling political and ideological influence on business operations, and absence of legal and social infrastructure necessary for carrying out environmental scanning activities (Fubara, 1986; Mrema, 1987; Dadak, 1995; Elenkov, 1997).

As a consequence of the politically administered resource allocation mechanisms that typified the central planning era, transition economies inherited institutional environments characterised by high levels of regulations and bureaucracy. In such environments, accumulation of political power is likely to be a key managerial goal, as this assures access to resources. In established market economies, the institutions of free market and price signaling are more likely to focus managerial attention on performance.

The dismantling of long-standing societal, political, and economic institutions creates considerable uncertainties about the future. The transition to a market orientation has brought about a degree of deinstitutionalisation in Ethiopia. There has been an "erosion or discontinuity of an institutionalized organisational practice" (Peng, 2003, p. 277). When this happens, what was once taken for granted becomes questionable. Furthermore, in virtually all transition economies, the changeover from plan to market has been accompanied by external economic shocks and subsequent sharp drops in GDP growth (*World Development Report*, 1996). In such an environment one would expect managerial values, practices and systems to reflect short-term concerns. This short termism might not be the case in a developed market economy, where institutions and economic conditions are likely to be perceived as more stable, and prospects for the future more certain.

Perceptions of political, government policy and macroeconomic uncertainties differ significantly across nations (Miller and Friesen, 1983). More specifically, national culture influences perceptions of "crisis" and "threat", as well as proactive responses, both internally and externally originated (Schneider and De Meyer, 1991). Managerial behaviour in a great number of developing countries also appears to be highly constrained by various political, economic, cultural and other factors (e.g. Yavas *et al.*, 1985). These cognitive mappings shape the way managers formulate their firm strategies. Elliot and Hayward (1998) examined the issue of institutional framing on entrepreneurial strategic decisions. In an experiment, they found that institutional framing is a conditioner for major economic decisions, and managerial decisions were constrained by the perceptions of environmental frames. For example, McKinley *et al.* (2000) noted that downsizing has become institutionalised through a collective "downsizing is effective" schema.

2.3 Managers' business knowledge and knowing

Our research focuses upon strategic-level knowledge – that is, the knowing of environment, organisation, business processes and other domains which, when combined together, constitute "business knowledge". We believe that hitherto this aspect of knowledge has not been properly addressed by theoretical perspectives on and empirical works in knowledge management and strategic management literature. The work in this direction is very sparse and just commencing (Storey and Salaman, 2005).

In our research, the ways managers create and maintain ways of knowing and associated ways of acting form the point of enquiry. That is, the way managers "establish patterns, identify key issues and features and create connections between identified elements of the known objects" (Salaman and Storey, 2005, p. 9). The key aspect of our approach lies in recognising that managers' action does not necessarily follow logically from their assumptions and knowledge. Instead the approach investigates the complex, reciprocal and subtle ways in which managers use ideas and knowledge to make sense of changes in their organisational environment. A primary factor in considering knowledge-as-knowing within an organisational context is its relationship with, and contextualization in, decision and action. We were mindful of Gibb's (1997) observation that "the processes whereby knowledge is generated, applied and transferred, relate to the immediate managerial context and task environment". This knowing of managers in turn helps us in identifying three important inter related features of organisational knowledge:

(1) the evolving forms of managers' business knowledge and capabilities in a transitional country environment context,

(2) enhance our understanding of some important features of organisational knowledge that is based on exploration of managers' core beliefs regarding what it takes for their organisation's to be successful (the emerging "dominant logic") and what their organisation should do (practices and routines) as well as the ways these managers seek to legitimate their claims, and

(3) how managerial knowing is provisional, historically and culturally specific, and contested (Storey and Salaman, 2005, p. 60).

In the following section, we outline the research methods used to explore business knowledge in Ethiopia.

3. Research methods

This article is based on 44 semi-structured interviews of senior managers drawn from five commercial organisations in Ethiopia. These organisations included two banks and three manufacturing and exporting businesses. One of the banks was an incumbent state-owned institution and the other a newly formed private bank. Two of the exporting businesses were state owned and one was private. Two were tanneries and one was a garment-making enterprise. Each of the businesses apart from the private bank had over 30 years experience. They were each of medium to a large size in terms of number of employees. The profile of organisations and the demographic characteristics of senior managers are shown in Tables I and II.

Information in Table II is presented because senior managers' business knowledge is influenced and shaped by a myriad of demographic characteristics. Most of these managers "lived through" the three different economic systems and this characteristic is believed to serve as a foundation to the interpretations they made on key organisational issues investigated in this research.

Table II indicates that all research participants ages are 30 years and above. From the 44 participants, 13 (30 per cent) managers' ages range between 30 and 39 years. Twenty-three (52 per cent) and 8 (18 per cent) managers' ages are in the 40-49 years and 50 and over years ranges, respectively. In terms of work experience, 20 (45 per cent) and 18 (41 per cent) of managers have 10-19 and 20-29 years of work experience, respectively. In addition, 3 (7 per cent) and an additional 3 (7 per cent) managers have work experiences less than ten years and, 30 years and over, respectively. Managers in this second work experience category belong to the private bank.

Organisations' profile	State bank	Private bank	State leather	State garment	Private leather
Sector	Financial	Financial	Manufacturing export	Manufacturing export	Manufacturing export
Year of establishment	1963	1995	1975	1971	1972
Capital (Million Eth. Birr)	1,368	140	135	35	50
Number of employees	7,428	1,006	989	579	225
Number of interviewees	12	12	7	7	6

Table I.
The profile of the business organisations

Case study organisations	Age			Work experience				Levels of qualifications		
	30-39	40-49	>50	<10 years	10-19 years	20-29 years	>30 years	Diploma	BA/BSc	MA/MSc/ MBA
State bank	3	7	2	0	7	5	0	0	3	9
Private bank	4	4	4	1	5	3	3	1	4	7
State leather	1	4	2	1	2	4	0	0	4	3
Private leather	3	3	0	1	3	2	0	2	3	1
State garment	2	5	0	0	3	4	0	5	2	0
Total	13	23	8	3	20	18	3	8	16	20
In (%)	3	52	18	7	45	41	7	18	36	45

Table II.
Senior managers' demographic characteristics

Table II shows that while the bank organisations have a high number of managers with postgraduate qualifications; most of the state garment managers' qualifications were limited to diploma levels education (accounts for 63 per cent of managers in this group). Over all, 20 (45 per cent), 16 (36 per cent) and 8 (18 per cent) managers have postgraduate, first degree and diploma levels of qualifications, respectively.

The fieldwork was conducted in two phases in 2004 and in 2005. Semi-structured interviews were used to guide the interviews (Denzin, 1989, Patton, 1990). The interview on average took slightly more than an hour, the longest being 103 min and the shortest 32 min.

The interviews were recorded and transcribed; they were analysed qualitatively and triangulated with internal documents and reports. The analysis of data was completed iteratively: transcripts were read thoroughly, summarized and emerging themes and patterns were coded and this was enriched with memos, field notes, and secondary sources. Then condensations of themes were completed to create core themes for analysis. The inductive analytic approach was used to understand the senior managers' interpretation of the external environment, strategic response development and of the required business knowledge and capabilities. Various verification strategies, such as concurrent data collection and analysis, iterative analysis, triangulation with internal documents and reports were used to locate the findings within the framework of the existing body of knowledge and to provide a broader picture as well as to open to the new questioning.

4. Research findings
We started our investigation of senior managers' knowledge base by asking these senior managers what they regarded as the most important aspects of the environment and the implication of these aspects to their business organisations. This section reports on key findings on this question.

4.1 Managers interpretation of most important aspects of the environment
With respect to Ethiopian managers' understanding of and knowing about their environment, managers tended to see a number of key issues. The fieldwork data showed that Ethiopian managers' interpretation and sensemaking of aspects of the environment varied across and within organisations. For some of the managers, environment was highly politicized, ambiguous and sources of significant uncertainties, and for others, it was conducive, improving and providing opportunities and, still for others, it is both.

The study found that most senior managers had a limited knowledge of and interaction with the external environment. Some of the senior managers did not know that they were expected to know about aspects of changes in the external environment. Those who did recognise that they were expected to know tended to see an environment in terms of macro and micro environment based on their past experience and exposure to Western MBA programmes. Some other managers' interpretations focused on the environment sectors in selective ways. Despite variations at the managerial level, we found that Ethiopian senior managers essentially saw the most important aspects of the environment to include market, competitive, regulatory, socio-economic, political and policy, and technological environments. The general interpretive orientations of managers inter-organisationally are shown in Table III. This table provides insights into how managers selectively saw the importance of and

Organisation attributes	State bank	Private bank	State leather	Private leather	State garment
Threatening	Competition, market, economic, technological	Competition, economic, policy-political, socio-cultural	Competition, market, technological	Competition, market, technological international events	Competition, market technology, policy-political regulations
Opportunities	Social, policy-political, regulatory	Technological market, regulatory	Regulatory policy-political	Policy+ regulation	Market (AGOA, EBA)
No emphasis	–	–	economic, social	Economic, socio-cultural	Economic, social
Overall environment	Both	Threat	Conducive	Threat	Serious threat

Table III.
Managers' interpretations of the important environmental sectors attributes

the relative degree of threats and opportunities arising from different sectors of the environment.

In terms of importance, our data analysis suggests that managers gave more importance to the task environment elements – most notably to market, competitive and regulatory environments – followed by the political and policy environment. While bank managers gave more importance to the economic environment, it was the technological environment that was emphasised by managers in manufacturing and exporting organisations. The socio-cultural environment did not seem to attract managers' attention. Regarding the relative degrees of "opportunities" and "threats", managers in all organisations considered competitive environment as a significant source of threats followed by market and technological environment. With an exception of managers in the state bank and the state tannery most of the managers considered political and policy environments to be unpredictable and unstable. Both banks managers also interpreted volatile economic growth has considerably been affecting their clients and their businesses.

For most managers, their knowing about their environment was shaped and informed by their current business activities, past experience as well as expectations and wishes. For instance one senior manager viewed the market environment as such:

We see the market to include both domestic and foreign markets, and think to satisfy our customers' needs by producing based on their requirements and specifications (Production and Technical Manager, State Garment, 2004).

Most often managers saw the market environment (customers and suppliers) crucially important for their business operations but also as significant source of challenges and uncertainties. For example as one senior manager explains:

We were not able to penetrate the international market with leather garments due to price, quality, fashion, etc., requirements. We are far from the fashion centres and, fashion and features of these leather articles and garments get changing now and then. By the time we produce a lady's handbag here, the fashion changed over there. So we believe, we're not yet able to meet changing customer needs (Manager, Private Leather Manufacturer, 2004).

Senior managers' selective and varied interpretations of aspects of the environment depended on the importance they attached to the specific aspect of the environment,

their past experiences, background, and current roles. The general finding of our study in this regard is that managers scanning and selective perceptions of the environment tended to be based more on the importance they attached to the specific aspects of the environment. In other words, these interpretive frames were typical indications that it is not the general environmental sectors but specific aspects/elements of that environment which the managers thought as important for and impacting, positively or negatively, on their businesses that received managers' selective attention and interpretations.

The analysis of the potential effects of globalisation from the competitive environment by one managing director demonstrates this:

> Globalisation is becoming a greatest challenge of all times even for highly endowed, capital rich manufacturing firms with centuries of experience in Europe and the United States. These firms are now having very serious difficulties in competing with the manufacturing giants coming from Asia and particularly from China. Given this, you can imagine how it would be difficult and if not impossible to very poorly endowed financially weak, technologically backward firms with a very low level of skills to compete and survive in international market (Managing Director, Leather Manufacturer, 2004).

Others managers' analyses of the competitive market focused on narrowly defined competitors in their market segment and the challenges they faced to become competitive.

> There are private competitors and they are flexible in scanning the environment, market and then trade their products at competitive prices. We are competing with such types of enterprises now. This is a great challenge for us: we can't compete on make-to-orders bids with such enterprises because we are stringently fenced by administrative rules and procedures (Production and Technical Manager, State Garment, 2004).

The interviews revealed that many senior managers were very circumspect and cautious about the future. They pointed out that the frequent changes in policy made it difficult for them to plan ahead and to invest. "Frequently changing policies undermined businesses confidence in general" (Director, 2004).

This interpretation was re-enforced by a head of a manufacturing firm who argued:

> Rules and regulations change over time affect current project decisions or the implementation of approved ones. For instance, the investment code has been modified at least seven times in the last twelve years yet no significant investment, especially FDI, has come into the country. That is an indication for me that there is something wrong. [In such circumstances] I would like to make sure every thing in this country will be as good as it is now or even better before committing myself to a project of five years pay back period. But who can guarantee what would happen next (Managing Director, Private Leather Manufacturing Co., 2004).

In summary, the external environment was seen as threatening, uncertain, and unpredictable by most managers. For a minority, it was understood as improving in relation to the success of their business. However, these interpretations – certain/predictable, threatening, uncertain, unstable – varied across different elements/levels of the environment and are based on managers' repositories of assumptions, theories and knowledge drawn from their past and present experiences. Managers were more able to describe and analyse the narrow environment that they perceived as affecting their line of the business operation while leaving aside the big picture.

4.2 Managers' strategic response development

4.2.1 Managers' knowing about strategy. Ethiopian senior managers gave incomplete, diverse, and competing accounts of what they saw as strategy. While there were evident aspirations by managers to see their organisations performing well, acting competitively, and customer-oriented, they were not sufficiently aware of the alternative choices to be made and how these could be achieved. In most cases, lack of clarity regarding the key purpose and visions of organisations reflected in managers' views. Managers' accounts of strategy typologies were dominated by strong narratives of what needed to be done to make their lines of responsibilities effective, efficient, and in certain cases result-oriented leaving aside a big organisational picture. There were very ambiguous and ill-defined organisational objectives that their organisations were supposed to achieve. Most managers did not see their organisations major objectives as about financial performance and becoming profitable. A politically dominated view of strategy prevailed. However, private business managers and some state-owned managers mentioned profitability as one of the objectives. Gaining legitimacy in a changing environment at the expense of profit orientation might be a response to institutional pressures. Ambiguous objectives such as "supporting the national economy, creating employment" or "earning foreign currency for the country" that dominated the discourses of many state-owned managers reflected this situation. In short, strategic thinking is a very recent phenomenon for the Ethiopian managers and as to the accounts of the key knowledgeable informant, "business management in the country is at its rudimentary level".

4.2.2 Managers changing mindsets and beliefs about strategy. Alternating priorities were a source of major uncertainty for managers. The deinstitutionalisation process that required moving away from the socialist planned economy to the market oriented has brought about changes in managers' mindset and knowledge structure. For instance, in banking organisations, the internal control orientation was being replaced by a "customer orientation approach that aims at improving service delivery and customer satisfaction is crucial" schema. Likewise, senior managers in state-owned manufacturing and exporting enterprises emphasised the importance of product quality, competitive pricing and meeting customer requirements in place of the previous focus on production quantity and fulfilling the central government planning requirements. These changes in senior managers' schema (knowledge structures) regarding what it takes to be successful informed and guided, to a certain degree, their consequential actions. For instance, managers in the two banks have been taking actions to improve service delivery and handling valued customers. Similarly, managers in some of the manufacturing enterprises were active in constructing new production plants, importing modern machinery and equipment, working towards ISO 14001 certification and forming partnerships. These are a few typical examples of how managers' business and strategy knowledge is contextual and subject to change and reinterpretation as they receive new signals from their internal and external environments.

4.2.3 Clusters of strategies. Managers' descriptions of the essential features of their organisations' business strategy revealed that their knowing about features and contents of strategy were incomplete, contested, and conflictive as well as varied depending on their vested interests and functional roles. However, the study also found that managers' beliefs regarding what it takes their organisations to be successful surfaced in the fact that organisations could follow clusters of strategies. Using a pattern matching approach[1], this study found a number of key strategies believed or

assumed by the Ethiopian managers to be in place to make their organisations successful. The main clusters of strategies included (1) increasing production capacity (capital intensive), (2) continuous growth through market expansion, (3) defending market share via improvements, (4) market penetration via partnership, and (5) organisational restructuring. Figure 1 shows the key clusters of strategies of the case study organisations based on managers interpretations.

The above clusters of strategies that were considered to serve as "roadmaps" were reflections of Ethiopian managers' concerns on how to become competitive locally and in international markets. Consequently, they felt urgency to change their hitherto dominant logic (paradigm) to make (at least in theory) their business organisation customer-oriented by pursuing multiple strategies. These strategies include providing quality and efficient services or products; developing competence and skills of human resource (including staff and management team); and acquisition of strategic resources such as process or banking technology, modern machinery and equipment, finance and marketing information. These analyses could be taken as managers' beliefs about environmental unanalyzability, complexity and dynamism and the existence of homogeneity of managerial assumptions and beliefs at national level despite massive variations in various aspects of specific environmental sectors inter organisationally and within managers in the same organisation.

Managers did not discern whether these were multiple, independent strategies or if they anticipate synergies/links among them and therefore a part of a true "logic". Therefore, our classification could be taken as the researchers' interpretations of managers' analyses and narratives but simultaneously surfacing hitherto uncovered insights. This means that if asked, managers might not be able to describe a core strategy as presented here. Over all, managers' assessments of the effectiveness of the tools of strategy they might use had never been complete and in most cases not yet even scarcely commenced.

Moreover, what managers know about their organisation – what it should "really be doing", prioritizing, and really be like – pointed in different directions. This is reflected
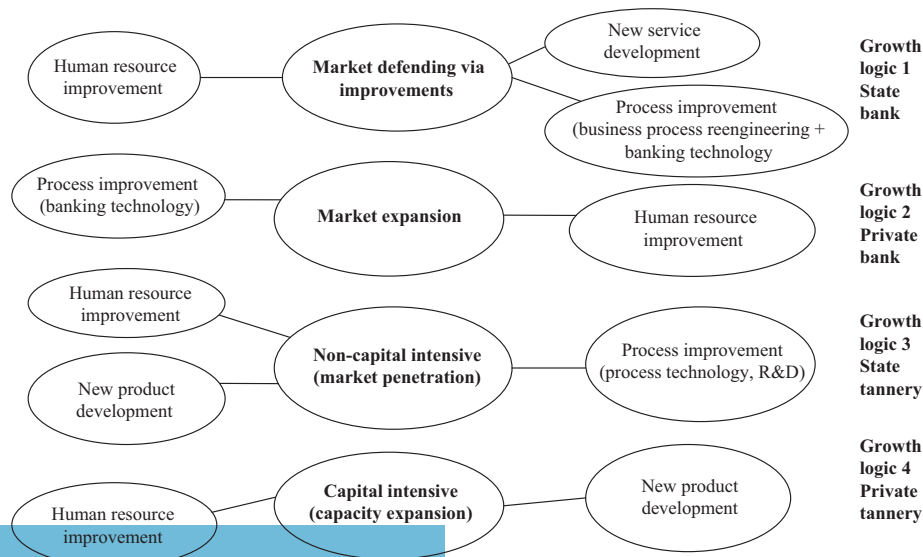
Figure 1.
Various strategic logics of case study organisations

by managers' differentiated knowledge about what is required to be successful and the inherent conflicts in prioritizing strategic choices. For instance, in a government bank while some senior managers emphasised the bank needed to defend its market share, others wished to see their organisation becoming aggressive in its strategy and introduce new products or services and engage in innovation; still others said it should improve organisational systems and technology to enhance efficiency and then to see what would be done next. In tannery organisations, it became apparent that both efficiency and quality enhancement activities and product and market diversification strategies were emphasised by senior managers but with varying prioritization. These differentiated knowing about and prioritization problems of organisational strategy surfaced the intensive debate and political decision making process that this would entail. As a result of this and managers' ineptness to search for clarity of the vision and the purpose, the nature of managers' knowing about strategy is become increasingly contested.

4.2.4 Strategizing in practice – process. Managers' interpretations and knowledge about process of strategy development in their organisations revealed a number of contrasting insights into the nature and processes of strategizing in a transition economy context. This study found that in a number of organisations strategizing practices were politically influenced, externally driven, formalised as well as less formal, survival-oriented and incremental. The study found variations in strategy initiation and formulation process, the key actors involved and the values and significance attached to it. The extent of this variation depended on the degree to which the organisations were perceived to be reliant on government or on external markets.

Political and formal as well as bottom–up and top–down approaches to strategy development were evident mostly in state owned organisations. In a government bank, for instance, strategy development processes were highly politically influenced and problem driven. Many external agencies such as the World Bank, International Monetary Fund, Consultants and other relevant state departments were involved in an initial phase of strategy development. These external stakeholders required the state owned bank to undergo restructuring which included compliance with the range of "modern management practices" such as strategy development and business process reengineering. Restructuring was seen as panacea for the Bank's performance and capabilities problems. These external agencies imposed explicit frameworks which became the basis for the procedure called "Comprehensive Audit Program" (CAP), and which in turn informed organisational restructuring and strategy development. Before 2001 however, the planning and budgeting processes were based on the bottom–up approach with little alignment with a strategic plan. Consequently, the plans were incoherent, incomplete and unsuccessful. The strategic plans and strategic goals were not implemented.

The outcome of CAP undertaken by Ernst and Young became the basis for the types of strategies to be followed and level and nature of participants in the strategy process. In 2004, strategizing practices also subject to a high degree of influence from the Country's Financial Sector Reform Programme (FSRP). The top management of the state owned bank and other financial institutions were given capacity development training in strategic planning and management (SPM). The FSRP thus became the main driver of organisational restructuring, introducing change management and formed the basis for strategy development process and to main types of strategies the bank is now pursuing. A participatory approach to strategy making served in legitimating the strategies to be followed. The strategy document was intensively

discussed, argued and necessary changes were made by executive management team and then by the board of management. In the other state-owned case study organisations, however, strategizing practice takes similar approaches but with less influence from external stakeholders. The Supervisory and Privatization agency of the state provided the strategizing templates the organisations had to follow in their strategic planning process. Overall, our study showed the significant influence of politics and external agencies in the ways managers engaged in strategizing practices in the state-owned organisations.

Strategizing practices in private firms were less formal, incremental and emergent and most frequently survival oriented. In private sector organisations, managers question the value of strategy-making when their companies lacked the necessary resources and capabilities, and do not know where and how to find markets. The strategy development process itself is evolving, implicit and was not fully comprehended by managers. Incoherency, confusion and randomness characterized the ways these managers strategized. In most occasions, strategic thinking was implicit and unclear. Managers acted intuitively as opportunities arose. In organisations where managers were capable such as a private bank, the strategizing process starts with identifications of strategic issues that they thought would be essential for growth and success. In such cases, strategy initiators varied but mostly limited to executive management, board of management and function-specific board committees (operations, credit, and audit). Similar to the government bank, the bottom-up approach to planning was also in place in the private bank. In contrast, in the private tannery, there was no explicit and formal strategizing practices in place and almost all the decisions were made by the founder-entrepreneur in consultation with his close family members. What was more interesting was the fact that this tannery was perceived one of the thriving and successful private businesses in its industry. In these cases, the strategy processes were intuitive, implicit, opportunistic and relatively closed. Moreover, as secondary sources suggest, in the private business organisations, the most common situations for strategizing processes were stifled by lack of previous experience and knowledge, incomplete information and knowledge about customers, competitors and the business environment. Managers thus were struggling to come to terms with extreme uncertainties in the environment lacking significant knowledge. Therefore, strategizing becomes less formal, closed, opportunity seeking and essentially survival oriented.

In our field work study we documented how managers saw the support of the state in key aspects of their organisational matters – such as SPM, market search, partnership formation, and the hiring of consultants. This interdependence influenced the way managers in these organisations saw their business objectives, business strategy and how they went about developing organisational capabilities. In short, we can propose that external institutions influence strategy development process and management decisions.

The next section presents findings on managers' interpretations of the required resources and capabilities to deliver the strategic response.

4.3 Required resources and capabilities
Managers' knowledge about the required organisational knowledge and resources to make their organisations successful was differentiated, context specific and subject to changes and reinterpretations depending on the managers' shifting roles, responsibilities and contexts. Changing organisational priorities and emergent

dominant logic also influenced managers' emphasis on what they seek to develop as the required knowledge/capabilities. Table IV provides insights into how managers differed in their interpretations of the required resources, knowledge and capabilities. Even though there was uncertainty about the extent the emerging dominant logic and knowledge diffused and gained currency across organisational units and functions, it appeared that there were shared belief systems at the organisational level.

The shared belief systems and assumptions regarding what it takes for their organisations to be successful were reflected in the differentiated knowledge and capabilities managers thought as required. For clarity, these required knowledge and capabilities can be categorised either as internally or externally oriented depending on

Organisations	Emerging dominant logic	Required business knowledge and capabilities
State bank	Globally competitive commercial bank with international best practice	Thorough knowledge of banking business, change management capability, how to improve service delivery, how to improve processes and routines, identification of and servicing customers needs, credit and risk management, scanning changes and direction of changes in the environment, knowledge of and comply with banking regulations and directives, strategic marketing, managerial and leadership skills
Private bank	Leading and competitive private bank	Public confidence, image building, use of banking technology (ICT), improving service delivery, strategy development, theoretical knowledge, knowledge of national and international economy, financial markets; knowledge of and comply with banking regulations and directives
State tannery	Exporter of quality finished leather	Leather processing skills and capabilities, satisfying customer requirement, producing and selling environment friendly products, how to market, meeting quality and environment standards (ISO 9000, ISO 14000), promote and make use of image and reputation, knowledge of input suppliers, strategic planning
Private tannery	Exporter of finished leather, shoe and leather garment	Computerization, process technology, use of modern production and technical machineries, knowledge of input suppliers, communication capabilities with customers
State garment	Fully serve international market and satisfy domestic customers	Knowledge of quality standards and requirements, ability to penetrate global market, knowledge of input suppliers, knowledge and capabilities in design and fashion, communication capabilities with buyers

Table IV.
Managers schema on emerging organisational dominant logic and the required knowledge and capabilities

their use for internal organisational purposes or for external environment purposes. For instance, knowledge and capabilities that are internally oriented could be (in the case of the state bank) thorough knowledge of banking business, how to improve process and routines, credit and risk management, and ability to use banking technology. These types of knowledge and capabilities are internally oriented and may help to improve efficiency, control, and productivity. On the other hand, examples of externally oriented knowledge and capabilities, in case of the bank, included how to improve service delivery; how to identify and satisfy customer needs; scanning and making sense of changes and direction of changes in the environment; and ability to comply with regulatory requirements. The description by the president of the state owned bank represents such viewpoints:

> The key business knowledge we need to have in place include the knowledge of changes and directions of changes in the business environment; how the banking industry behaves in Ethiopia and elsewhere, and the changing customer needs – the market being served and to be served (President of State Bank, 2004).

However, in a private bank the focus was more on identifying knowledge and capabilities that were externally oriented.

There were also differences in managers' interpretations of the required knowledge and capabilities in both private and public tanneries. The public tannery managers emphasised those competences and knowledge that would enable them to enter into the international market. Hence, they put emphasis on efficiency and quality and new product development knowledge that enabled them to penetrating international markets. Thus, the required knowledge and capabilities were both internally focused as well as externally oriented.

In the private tannery, managers emphasised acquisition of resources and knowledge that would help them to improve plant capacity, productivity and quality of finished leather and thus tended to be more internally driven. Because of these changing organisational directions, managers' thinking about the required organisational knowledge and capabilities were fluid and unstable.

Despite managers' schema convergence on emerging dominant logic as shown in Table IV, their interpretations varied on aspects of required knowledge and capabilities. These managers' interpretations were informed and shaped by their current roles, responsibilities and hierarchical locations. Furthermore, most managers were unable to describe the required knowledge and capabilities except in relation to specific operational areas. Task or role oriented classification of the required knowledge and capabilities were evident in the managers' interpretations. For instance, it was common to find that vice presidents responsible for credit and risk management in bank organisations giving more attention to the acquisition or development of knowledge in areas of risk control and management, customer handling, process improvement and new service development capabilities. Similarly, the technical and production managers in tanneries and garment organisations emphasised knowledge and capabilities development that enhance production quality, compliance with quality and environment standards and help to reduce wastage. On the other hand, marketing managers in these manufacturing organisations gave due consideration on knowledge and capabilities development in market sensing and related areas.

This study also found that the required skills and knowledge varied according to the hierarchy of management. The case of a state-owned bank illustrates this hierarchical relationship as described by the senior manager:

The Bank has started identifying the type of managerial skills we require at all levels with support of the consultants. Some of the skills and competencies that were identified for executive managers include: leading organisation (vision setting, understanding internal and external environment); change management; dealing with ambiguities; political awareness (both international and domestic politics); entrepreneurship skills; decision making; skill to manage conflict; negotiation skills, persuasiveness- persuading others, etc. (Vice President, Personnel Planning & Development, 2004).

In addition, we also noted managers' interpretations of the required business knowledge and capabilities were enabled as well as constrained by their organisational history, routines, and processes and especially by the absorptive capacities of both managers and their organisations. In general, our study found that managers' understanding of the required knowledge capabilities were differentiated, role or task specific and subject to changes and reinterpretations depending on shifting roles, responsibilities and contexts. Convergence of managers' schema was also evident at the organisational level implying the strategic level business knowledge required but managers' interpretations on this were incomplete, narrow and contingent.

Our study documented the contested and changing nature of managerial knowledge about organisational design. In the bank organisations, managers insisted on the importance of becoming flexible, decentralizing some aspect of decision making and reviewing organisational policies and procedures. These changes were expected from the ongoing businesses process reengineering programs. The evolving managerial interpretations reflected an urgency to become flexible and increase efficiency in service delivery but the extent to which the emergent policies and procedure sustain their potency or constrain or enable the necessary changes in the future remain to be seen. Private bank managers suggested that most change in organisational structure would occur from the middle downwards without changing the apex; and policies and procedures would be reviewed periodically to accommodate necessary adjustments in line with the organisational environment. On the other hand, centralised decision making and control procedures were maintained in manufacturing and exporting organisations. The issue of organisational design (centralization vs decentralization; insistence of current policies and procedures or tendency to become flexible; formal vs informal approaches) which is central to organisational performance was a subject of much conflict, abrasion and a matter of possible avoidance. Thus, senior managers in a number of organisations preferred to use consultancy studies to undertake major organisational design decisions.

5. Discussion and conclusions
In this article we examined managers' business knowledge that underpins their thinking and decision making on key organisational issues such as strategy and organisational capabilities during a time of national transition. We found that these managers' environmental, strategic and organisational knowledge and capabilities were incomplete, differentiated, and provisional and, subject to change and reinterpretations as they received new signals from the dynamically changing organisational environment. The notion of "strategy" was problematical for them. In line with task environment and enactment literature (Hambrick and Mason, 1984; Smircich and Stubbart, 1985; Schneider and De Mayer, 1991; Daniel et al., 1994; Hodgkinson and Johnson, 1994), senior managers had selective perceptions and multiple interpretations of the most important aspects of their organisational environment.

In the face of environmental stimuli that were often threatening and ambiguous, Ethiopian managers' mindset and knowledge were not yet adequately developed to effectively respond to the changes in their environment. These managers were unable to make sense of the situations. Deinstitutionalisation created ambiguous and complex environmental situations that were interwoven with historic modes. The study also found how managerial interpretations of and response to environmental stimuli appeared to be highly constrained by various political, policies, and socio-economic factors as institutional theory suggests. In the face of these unfamiliar events and multitude of influences, Ethiopian managers, in a limited way, recognised that they need to change and update their mindset and belief systems.

Moreover, the study documented how the transition from a state-led and state-controlled command economy to a controlled market economy constitutes the crucial backcloth to the managers' interpretations ("knowing") of their internal and external environments. The study also analysed the managers ability or inability to identify and develop the required resources, knowledge and capabilities in this sort of environment. The research sought to further probe their know-how about why and how these variables fit or do not fit: in other words we investigated their theories about business organisations. We conclude by identifying four key points from the study.

(1) Managers' interpretive frames focused not on general environmental sectors as such but specific aspects/elements of that environment which they found to be important for and impacting on, positively or negatively, their businesses operations. This finding revealed that managers' general interpretive orientation is more important than accuracy of their interpretations. The less senior managers felt that they were in control of their environment the more likely their mindset to change and better engage in strategizing.

(2) Due to ongoing deinstitutionalisation processes and the resulting phenomenon of changing priorities, the knowledge acquired and highly valued in the past has become of little use. These situations reinforced changes in senior managers' schema (knowledge structure) regarding what it takes to be successful and to a certain extent informed and guided managerial actions. Hence, the vital shifts in managers' knowing (including beliefs) and resultant emerging organisational "dominant logic" or "paradigm" revealed that managers' knowing was highly situated and changing.

(3) Ethiopian senior managers struggled to come to terms with extreme uncertainty in their environment and their understanding and frame of references were based on contingent knowledge regarding the unfolding dynamics and the ways to respond to it. These managers were not sufficiently aware of the alternative choices and how these can be achieved. The study found different strategizing processes in public and private organisations. Political and formal approaches to strategy development were evident in state owned organisations. In contrast, incremental and emergent approaches to strategy (in some instances no explicit strategy) were widely used by private companies. Managers pursued multiple strategies in most of the case study organisations. We suggest that further research is needed to understand why these managers make judgements about using clusters of strategies simultaneously and its impact on organisational issues. Over all, however, we can suggest that the nature of managers' knowing about strategy is become increasingly contested.

(4) Managers' knowing of the required organisational knowledge and resources were differentiated, context specific and subject to changes and reinterpretations depending on managers' shifting roles, responsibilities and contexts. Management hierarchy, changing organisational priorities and emergent dominant logics also influenced managers' emphasis on what they sought to develop as the required knowledge/capabilities. However, identifying strategic level knowledge and capabilities was difficult to most managers due to path dependence, constrained absorptive capacities of managers and their organisations. Because of these situations, managers' perceptions and interpretations of required organisational knowledge and capabilities were fluid and unstable.

On a wider plane, the study raises questions about the extent to which managers in other settings have the necessary knowledge to undertake strategic decision making. The Ethiopian setting may present a rather extreme case, but similar ambiguities and uncertainties, albeit to a lesser degree perhaps, may be prevalent in many other settings. In this and other ways, the study of senior Ethiopian managers could be used to reflect back upon conventional thinking about strategy in more developed economies. Work in this direction is just commencing and its continuity would further both scholars and practitioners understanding of the knowledge work of managers in varied contexts and environments.

Note

1. Pattern matching approach is proposed as a general analytical strategy for multiple case study research (Miles and Huberman, 1994; Yin, 1994). Basically, with the pattern-matching approach the researcher "compares an empirical based pattern (of events)" with propositions (Yin, 1994, p. 106). In our study, managers' interviews scripts regarding how they achieved organisational success (strategy typologies) were carefully classified with growth strategies identified from the literature. The implicit proposition guiding this analysis was that the studied business organisations may tend to pursue growth strategies as the transition to market orientation unfolds. Thus, the objective was to determine, through the pattern matching approach, clusters of strategies of the studied organisations from the managers' perspective and relate this to the literature and this study's assumptions. In the process, the analyses provides fresh insight into how organisations under study were similar or different in their strategies (core and subsidiary) and then to provide interpretations on managers knowledge about their organisations' strategies. Readers interested in knowing more about the pattern-matching approach could benefit from reading Kaplan (1964), Campbell (1975), and Yin (1994), where several pieces of information from one or several cases are related to a prior assumptions. In such studies, statistical tests are not necessary to establish a pattern and there are no precise ways of testing or setting criteria for interpreting these findings.

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Further reading

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