

THE ROLE OF STRATEGIC LEADERSHIP IN STRATEGY IMPLEMENTATION



B.J. FOURIE

THE ROLE OF STRATEGIC LEADERSHIP IN STRATEGY IMPLEMENTATION

BAREND JACOB FOURIE

THESIS

Submitted in fulfilment of the requirements

for the degree



Strategic Management

in the

FACULTY OF MANAGEMENT

at the

UNIVERSITY OF JOHANNESBURG

PROMOTER: PROF. C. J. JOOSTE

NOVEMBER 2007

ACKNOWLEDGEMENTS

This thesis is dedicated to my heavenly Father for giving me His strength, guidance, and mercy. I hope and pray that this work will serve to honour Him.

I would like to express my sincere gratitude to all who made it possible for me to complete this thesis.

- My dear wife, Marjolein, for her continued support and love.
- My two daughters, Nika and Annemieke, for everything they had to sacrifice.
- My father and mother for giving me the opportunity to study earlier in my life and for their continued interest and inspiration.
- My business partners for standing in for me while I was working on this thesis.
- My promoter, Prof C.J. Jooste, for his knowledgeable guidance and encouragement.
- Dr. Riette Eiselen and the staff of STATKON, the Statistical Consultancy at the University of Johannesburg.
- Lynell Walker for the proofreading and editing.
- Des Storm for the technical editing.

Barend J Fourie

Johannesburg

20 November 2007

DECLARATION

I, Barend J Fourie, declare that this thesis is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



ABSTRACT

A review of the literature reveals that strategy implementation is an important component of the strategic management process. In addition, it has been noted that there is a high failure rate in the implementation of strategy as a result of the existence of many potential barriers to the effective implementation of strategy. A lack of leadership – specifically strategic leadership – in the management structures of organisations has been identified as one of the possible barriers to the effective implementation of strategy. However, strategic leadership is also widely regarded as one of the key drivers of strategy implementation. In view of the fact that the role of strategic leadership in strategy implementation has been overlooked, the following research question was addressed: **What is the perceived role of strategic leadership in the implementation of strategy in South African organisations?**

In the light of the identified problem and research question, the primary objective of this study was to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. The thesis was that strategic leadership positively contribute to the effective implementation of strategy in South African organisations.

A structured, mail questionnaire was sent to five randomly-selected strategic leaders in the *Financial Mail* Top 200 Companies (2006) as a means of extracting the information required to achieve the research objectives and to reach a conclusion on the thesis statement. A response rate of 7.8% was achieved. Sections B1, B2, B3, and C1 of the questionnaire were subjected to factor analyses and coefficient alpha to determine the validity and reliability of the questionnaire. The statistical analysis revealed that the questionnaire has a high degree of internal validity and reliability.

Aside from determining normal descriptive statistics, such as frequencies, percentages, averages and standard deviations, routine statistical tests, such as the independent-sample t-test, Mann-Whitney U-tests and Fischer's Exact tests

were performed where necessary. A significance level of 0.05 was used throughout the research.

After an analysis and interpretation of the research results it is concluded that:

- The implementation of strategy is perceived as an important, but difficult, component of the strategic management process, and failure of change initiatives is largely due to poor implementation of strategy.
- Strategic leadership plays a critical role in the effective implementation of strategy; strategic leaders are responsible for the effective implementation of strategy; and strategic leadership can be the basis for creating a sustainable competitive advantage.
- Determining the organisation's strategic direction is perceived to be the most important strategic leadership role in South African organisations.
- The implementation of strategy is perceived to play an important role in organisational success. However, a level of uncertainty and doubt is evident with respect to the effectiveness of strategy implementation efforts and whether or not formulated strategies are actually implemented to their full potential.
- A poor understanding by the workforce of the strategy and ineffective communication of the strategy to the workforce are the most important barriers to the effective implementation of strategy.
- Strategic leadership is not perceived to be a major barrier to the effective implementation of strategy. However, strategic leadership is perceived to be the most important driver of strategy implementation.
- Strategic leadership contributes positively to the effective implementation of a strategy within an organisation.
- Determining a strategic direction for the organisation is the strategic leadership action that is perceived to play the most important role in the effective implementation of strategy.

The thesis statement, that strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations, was proved to be correct.

The following recommendations are made with respect to the role of strategic leadership in the implementation of strategy in organisations:

- A model should be developed to effectively guide the process of implementing strategy and as a means of guiding decisions and actions related to the effective implementation of strategy.
- Strategic leaders should consider strategy implementation issues during the formulation of strategy as these are integrated processes.
- Organisations should include aspects of strategy implementation in leadership development.
- Strategic leaders should focus on ensuring that the strategy of the organisation is effectively and simplistically communicated to the workforce in order to obtain their buy-in and to ensure that the workforce understands and internalises the strategy.
- Top managers should realise that strategy implementation is the responsibility of managers on all levels of the organisation, and not only of managers on lower levels of the organisation.

It is recommended that strategic leadership in South African organisations should be biased towards strategy implementation. In addition, strategic leaders should drive the organisations to strategy implementation success if these organisations are to survive in the long-term, if they are to create wealth for all stakeholders, and if they are to realise above-average returns.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	i
DECLARATION	ii
ABSTRACT	iii
TABLE OF CONTENTS	vi
LIST OF FIGURES	xi
LIST OF TABLES	xii

CHAPTER 1: PROBLEM STATEMENT, OBJECTIVES AND METHODOLOGY

1.1	BACKGROUND TO THE PROBLEM STATEMENT	1
1.2	PROBLEM STATEMENT	4
1.3	PURPOSE OF THE RESEARCH	4
1.3.1	Primary objective	5
1.3.2	Secondary objectives	5
1.3.3	Thesis statement	5
1.4	RESEARCH METHODOLOGY	6
1.5	ASSUMPTIONS, DELINEATIONS AND LIMITATIONS	8
1.5.1	Assumptions	8
1.5.2	Delineations	8
1.5.3	Limitations	9
1.6	SIGNIFICANCE OF THE STUDY	9
1.7	ETHICAL CONSIDERATIONS	10
1.8	CHAPTER OUTLINE	11
1.9	SUMMARY	12

CHAPTER 2: STRATEGY IMPLEMENTATION

2.1	INTRODUCTION	13
2.2	STRATEGIC MANAGEMENT	13
2.2.1	Defining strategic management	13
2.2.2	Components of the strategic management process	14
2.2.3	Strategy implementation as a component of the strategic management process	17
2.3	DEFINING STRATEGY IMPLEMENTATION	19

2.4	THE IMPORTANCE AND EFFECTIVENESS OF STRATEGY IMPLEMENTATION	21
2.4.1	The importance of strategy implementation	22
2.4.2	The effectiveness of strategy implementation	24
2.5	BARRIERS TO EFFECTIVE STRATEGY IMPLEMENTATION	26
2.6	KEY DRIVERS OF STRATEGY IMPLEMENTATION	37
2.6.1	Structural drivers of strategy implementation	38
2.6.2	Human drivers of strategy implementation	41
2.6.3	Strategic leadership as a driver of strategy implementation	47
2.7	CONCLUSION	47

CHAPTER 3: STRATEGIC LEADERSHIP

3.1	INTRODUCTION	49
3.2	LEADERSHIP AND STRATEGIC LEADERSHIP DEFINED	49
3.2.1	Leadership versus management	49
3.2.2	Leadership defined	51
3.2.3	Levels of leadership	53
3.2.4	Strategic leadership defined	54
3.3	THE IMPORTANCE OF STRATEGIC LEADERS AND THEIR EFFECT ON ORGANISATIONAL PERFORMANCE	55
3.4	PERTINENT ISSUES IN STRATEGIC LEADERSHIP	58
3.4.1	The role of the board of directors and top management teams in strategic leadership	58
3.4.2	Strategic leadership succession	61
3.4.3	The role of women in strategic leadership	63
3.5	STRATEGIC LEADERSHIP AS A DRIVER OF STRATEGY IMPLEMENTATION	64
3.6	THE STRATEGIC LEADERSHIP ROLES REQUIRED TO ENSURE THE EFFECTIVE IMPLEMENTATION OF STRATEGY	67
3.7	CONCLUSION	73

**CHAPTER 4: THE ROLE OF SELECTED STRATEGIC LEADERSHIP
ACTIONS IN STRATEGY IMPLEMENTATION**

4.1	INTRODUCTION	74
4.2	DETERMINING A STRATEGIC DIRECTION	75
4.2.1	Determining strategic direction as a strategic leadership role	75
4.2.2	Strategic direction defined	76
4.2.3	The role of determining strategic direction in the implementation of strategy	79
4.3	EFFECTIVELY MANAGING THE ORGANISATION'S RESOURCE PORTFOLIO	80
4.3.1	The organisation's resource portfolio	81
4.3.2	The role of effectively managing the organisation's resource portfolio in the implementation of strategy	89
4.4	SUSTAINING AN EFFECTIVE ORGANISATIONAL CULTURE	94
4.4.1	Organisational culture defined	94
4.4.2	Sustaining an effective organisational culture as a strategic leadership role	96
4.4.3	The role of sustaining an effective organisational culture in the implementation of strategy	97
4.5	EMPHASISING ETHICAL PRACTICES	101
4.5.1	Ethical practices defined	101
4.5.2	Emphasising ethical practices as a strategic leadership role	103
4.5.3	The role of ethical practices in the implementation of strategy	104
4.6	ESTABLISHING BALANCED ORGANISATIONAL CONTROLS	108
4.6.1	Organisational controls defined	108
4.6.2	Establishing balanced organisational controls as a strategic leadership role	112
4.6.3	The role of establishing balanced organisational controls in the implementation of strategy	113
4.7	CONCLUSION	117

CHAPTER 5: RESEARCH METHODOLOGY

5.1	INTRODUCTION	118
5.2	RESEARCH DESIGN	118
5.3	RESEARCH METHODOLOGY	122
5.4	THE CHOICE OF POPULATION AND SAMPLING	122
5.4.1	Universe	123
5.4.2	Target population	123
5.4.3	Sampling	124
5.5	RESEARCH INSTRUMENT	127
5.5.1	Reasons for the choice of the research instrument	128
5.5.2	Design of the research instrument	129
5.5.3	Structure of the research instrument	130
5.5.4	Choice of questions and question format	131
5.5.5	Choice of scale	133
5.5.6	Content of the research instrument	135
5.5.7	Alignment of questionnaire with the research objectives and the thesis statement	139
5.6	PILOT STUDY	140
5.7	QUESTIONNAIRES SENT OUT AND RECEIVED BACK (RESPONSE RATE)	141
5.8	CHARACTERISTICS OF THE RESPONDENTS – SECTION D OF THE QUESTIONNAIRE	143
5.8.1	Age category of respondents	143
5.8.2	Gender classification of respondents	144
5.8.3	Current primary job title of respondents	145
5.8.4	Current specialist area of respondents	145
5.8.5	Highest academic qualification of respondents	146
5.8.6	Experience of respondents	147
5.8.7	Dominant business strategy of respondents' organisations	148
5.8.8	Industry in which organisations operate	148
5.9	RESEARCH DATA AND STATISTICAL ANALYSIS	149
5.9.1	Data capturing and processing	149
5.9.2	Factor analysis	150

5.9.3	Cronbach Alpha	151
5.9.4	Skewness and Kurtosis	151
5.9.5	Independent sample t-test and Mann-Whitney U test	152
5.9.6	Fisher's Exact test	152
5.10	RESEARCH METHODOLOGY LIMITATIONS	153
5.11	ETHICAL CONSIDERATIONS	153
5.12	CONCLUSION	154

CHAPTER 6: ANALYSIS AND DISCUSSION OF THE RESEARCH RESULTS

6.1	INTRODUCTION	155
6.2	ASSESSING INTERNAL VALIDITY, RELIABILITY AND NORMAL DISTRIBUTION	156
6.2.1	Assessing internal validity	156
6.2.2	Assessing internal reliability	162
6.2.3	Assessing normal distribution	163
6.2.4	Summary	164
6.3	ANALYSIS AND INTERPRETATION OF RESEARCH RESULTS	165
6.3.1	Generic issues in strategic management and strategic leadership	165
6.3.2	Importance of strategic leadership roles	168
6.3.3	Effectiveness and importance of strategy implementation	171
6.3.4	Barriers to effective strategy implementation	174
6.3.5	Drivers of strategy implementation	177
6.3.6	Roles of strategic leadership actions in strategy implementation	178
6.4	THE INFLUENCE OF INDEPENDENT VARIABLES	180
6.4.1	Significant differences	181
6.4.2	Associations	184
6.5	CORRELATIONS BETWEEN FACTORS	184
6.6	CONCLUSION	186

CHAPTER 7: OVERVIEW, CONCLUSIONS AND RECOMMENDATIONS

7.1	INTRODUCTION	187
7.2	OVERVIEW	187
7.3	CONCLUSIONS	190
7.3.1	Conclusions from the literature study	191
7.3.2	Conclusions from the empirical study	194
7.3.3	Conclusions relative to the research objectives and the thesis statement	205
7.4	RECOMMENDATIONS	208
7.4.1	Managerial recommendations	208
7.4.2	Recommendations for further research	211
7.4.3	Final word	212
BIBLIOGRAPHY		213

ANNEXURES

ANNEXURE A
ANNEXURE B
ANNEXURE C

**LIST OF FIGURES**

Figure 2.1:	The strategic management process	14
Figure 2.2:	Critical managerial actions in the implementation of strategy	16
Figure 2.3:	Barriers to effective strategy implementation	27
Figure 2.4:	Chandler's strategy-structure relationship	39
Figure 3.1:	Levels of leadership in an organisation	53
Figure 3.2:	Selected strategic leadership components	71
Figure 4.1:	The role of selected strategic leadership actions in strategy implementation	75
Figure 4.2:	The links between resources, capabilities and competitive advantage	83
Figure 4.3:	How core competencies can link to the main business of an organisation	86

Figure 6.1:	Generic issues in strategic management and strategic leadership	167
Figure 6.2:	Roles of a strategic leader	169

LIST OF TABLES

Table 2.1:	Perspectives on strategy implementation	19
Table 2.2:	Ten most frequently-occurring problems associated with implementing strategy	28
Table 2.3:	Least frequently-occurring problems associated with implementing strategy	29
Table 2.4:	Six most frequently-occurring problems associated with implementing strategy	30
Table 2.5:	Six “silent killers” of strategy implementation	31
Table 2.6:	Confronting the six “silent killers” of strategy implementation	32
Table 2.7:	Factors contributing to the “strategy-to-performance” gap	33
Table 2.8:	Barriers to the implementation of strategy	35
Table 3.1:	Definitions of leadership	51
Table 4.1:	American CEOs’ perceptions of the importance of strategic leadership roles	76
Table 4.2:	Organisational culture defined	94
Table 4.3:	Ethical practices defined	102
Table 4.4:	Differences between strategic control and traditional management control	109
Table 5.1	Alignment of questionnaire with the research objectives and the thesis statement	139
Table 5.2:	Age category of respondents	144
Table 5.3:	Gender classification of respondents	144
Table 5.4:	Current primary job title of respondents	145
Table 5.5:	Current specialist area of respondents	146
Table 5.6:	Highest academic qualification of respondents	146
Table 5.7:	Respondents’ number of completed years in the roles related to strategy formulation and implementation in any organisation	147
Table 5.8:	Dominant business strategy of respondents’ organisations	148
Table 5.9:	Industry in which organisations operate	148
Table 6.1:	Structure validity and results of the factor analysis	158

Table 6.2:	Factor analysis	159
Table 6.3:	Reliability statistics	162
Table 6.4:	Skewness and Kurtosis	163
Table 6.5:	Generic issues in strategic management and strategic leadership	166
Table 6.6:	Importance of strategic leadership roles	170
Table 6.7:	Effectiveness of strategy implementation	172
Table 6.8:	Importance of strategy implementation	173
Table 6.9:	Barriers to effective strategy implementation	175
Table 6.10:	Drivers of strategy implementation	177
Table 6.11:	Roles of strategic leadership actions in strategy implementation	179
Table 6.12:	Independent sample t-tests	182
Table 6.13:	Mann-Whitney U tests	183
Table 6.14:	Pearson correlations	185
Table 7.1:	Major barriers to the effective implementation of strategy	202
Table 7.2:	Conclusions relative to the research objectives and the thesis statement	206



CHAPTER 1

PROBLEM STATEMENT, OBJECTIVES AND METHODOLOGY

1.1 BACKGROUND TO THE PROBLEM STATEMENT

The contemporary business environment is characterised by globalisation, coupled with rapid and discontinuous change on the political, economical, social, technological and environmental fronts. Strategic management is a management approach that enables organisational leaders to align the internal organisational environment with the changes in the increasingly volatile business environment in which organisations operate (Camillus, 1997:1-7).

Strategic management is viewed as the set of decisions and actions that result in the formulation, implementation and control of plans designed to achieve an organisation's vision, mission, strategy and strategic objectives within the business environment in which it operates (Pearce and Robinson, 2005:3). Strategy implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy, and strategic objectives of the organisation are successfully achieved as planned (Thompson and Strickland, 2003:365).

For the past two decades, strategy formulation has been widely regarded as the most important component of the strategic management process – more important than strategy implementation or strategic control. However, recent research indicates that strategy implementation, and not strategy formulation, is the key to superior business performance and that strategy implementation is more important than strategy formulation (Holman, 1999; Flood, Dromgoole, Carroll and Gordon, 2000; Kaplan and Norton, 2001; *Fortune*, 2001; Mankins and Steele, 2005).

In addition, there is growing recognition that the most important problems in the field of strategic management are not related to the formulation of strategy, but rather to the implementation of strategy (Flood, *et al*, 2000:2) and that the high failure rate of organisational initiatives in a dynamic business environment is primarily due to poor implementation of new strategies (*Business Day*, 1999:37).

Effective strategy implementation has never been more important in the contemporary results-driven business environment. However, research indicates that most organisations fail to implement their strategies effectively. More than half of leaders surveyed in a recent study perceived a gap between their organisation's ability to formulate and communicate sound strategies and their ability to implement these strategies. A further 64% of the respondents did not have complete confidence that their organisations would be able to bridge the gap between the formulation of strategy and the effective implementation of the strategy (Lepsinger, 2006:56). The high failure rate of strategy implementation efforts in an environment characterised by rapid change is well documented and is estimated to fall within the following ranges:

- 37% (Mankins and Steele, 2005:64-72);
- 70% (Beer and Nohria, 2000: 133); and
- as high as 90% (*Business Day*, 1999:37; Freedman and Tregoe, 2003:13; Zook, 2000:3-11).

The frenetic pace of change in the external business environment of organisations poses many barriers to the effective implementation of strategy (Zagotta and Robinson, 2002:30). Effective strategy implementation is very difficult and, the more radical the degree of change required by the strategy, the more difficult strategy implementation becomes. Research has indicated that implementing a strategy is more difficult than formulating a strategy (Allio, 2005:12; Hrebiniak, 2005:xvii; Mankins and Steele, 2005:64-72; Thompson and Strickland, 2003:19).

Leadership, and specifically strategic leadership, is widely described as one of the key drivers of effective strategy implementation (Lynch, 1997; Noble, 1999; Ulrich, Zenger, and Smallwood, 1999; Collins, 2001; Bossidy and Charan, 2002;

Thompson and Strickland, 2003; Freedman and Tregoe, 2003; Kaplan and Norton, 2004; Pearce and Robinson, 2005; Hrebiniak, 2005; Hitt, Ireland, and Hoskisson, 2007).

However, a lack of leadership, and specifically strategic leadership by the top managers of the organisation, has been identified as one of the major barriers to the effective implementation of strategy (Alexander, 1985:91-97; *Business Day*, 1999:37; Beer and Eisenstat, 2000:29; Kaplan and Norton, 2004:277; Mankins and Steele, 2005:64-72; Hrebiniak, 2005:17).

Strategic leadership is defined as "...the leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary" (Hitt *et al*, 2007:375). Strategic leadership is multifunctional, involves managing through others, and assists in the processes required to ensure that organisations cope with change that seems to be increasing exponentially in the current globalised business environment (Huey, 1994: 42-50).

Several identifiable actions characterise strategic leadership that positively contributes to effective strategy implementation:

- determining strategic direction;
- establishing balanced organisational controls;
- effectively managing the organisation's resource portfolio;
- sustaining an effective organisational culture; and
- emphasising ethical practices (Hitt *et al*, 2007:385).

Strategic leaders have a role to play in each of the above-mentioned strategic leadership actions. Each of these strategic leadership actions positively contribute to the effective implementation of strategy (Hitt *et al*, 2007:384). It is evident that strategic change is required for effective strategy formulation, implementation and control. Strategic leaders require the ability to accommodate and integrate both the internal and external business environments of the organisation, and to manage and engage in complex information processing. Organisations use the

strategic management process effectively through effective strategic leadership (Hitt and Keats, 1992:45-61). As these conditions suggest, strategic leadership is an extremely complex, but critical form of leadership.

1.2 PROBLEM STATEMENT

The importance of strategy implementation as a component of the strategic management process has been theoretically presented. In addition, it has been noted that there is a high failure rate of strategy implementation efforts.

Strategy implementation failures are the result of many barriers in the internal and external environments of organisations. There is evidence of a lack of leadership – specifically strategic leadership – in the management structures of organisations. Strategic leadership can be either a barrier to, or a driver of, effective strategy implementation and several identifiable actions characterise strategic leadership that positively contributes to the effective implementation of strategy.

The high failure rate of strategy implementation efforts in an environment characterised by rapid change, should be an area of major concern for the strategic leaders of contemporary organisations. In view of the fact that the role of strategic leadership in strategy implementation has been overlooked, the following research question should now be addressed: **What is the perceived role of strategic leadership in the implementation of strategy in South African organisations?**

1.3 PURPOSE OF THE RESEARCH

The purpose of this study is to address the above-mentioned research question by achieving the primary and secondary research objectives and by reaching a conclusion on the thesis statement.

1.3.1 Primary objective

The primary objective of the overall study is **to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations**. This will be done in an effort to provide guidelines for the effective use of strategic leadership, in general, and selected strategic leadership actions in particular, as drivers of strategy implementation in South African organisations.

1.3.2 Secondary objectives

The secondary objectives of this study are to investigate the following as a means of achieving the primary objective:

- The perceived importance of strategy implementation as a component of the strategic management process in South African organisations.
- The perceived importance and effectiveness of strategy implementation in South African organisations.
- The perceived barriers to the effective implementation of strategy in South African organisations.
- The perceived drivers of strategy implementation in South African organisations.
- The perceived roles of strategic leaders in South African organisations in general, and their role in the implementation of strategy in particular.

1.3.3 Thesis statement

In the light of the above-mentioned problem statement, research question and research objectives, the thesis statement of this study is that **strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations**.

The investigation of the thesis statement will aim to address the problem statement and the research question and will lead to the achievement of the

primary objective of this study, namely, to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. Once the essence of the thesis statement has been explored, clarity will be cast on each of the secondary objectives.

1.4 RESEARCH METHODOLOGY

The study of the perceived role of strategic leadership in the implementation of strategy in South African organisations, involves a literature study as well as an empirical investigation as a means of achieving the research objectives and as a means of reaching a conclusion on the thesis statement.

A literature study was undertaken in order to acquire the theoretical background on the perceived role of strategic leadership in the implementation of strategy. The following factors will be addressed:

- Strategy implementation will be discussed in chapter 2.
- Strategic leadership will be discussed in chapter 3.
- The role of selected strategic leadership actions in the implementation of strategy will be discussed in chapter 4.

An empirical investigation was undertaken following the literature study. This empirical investigation served as basis from which to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations.

The research methodology that was followed in the empirical investigation (Chapter 5) can be broadly divided into the following components:

- the choice of population;
- the research instrument used;
- the data collection method; and
- the statistical analysis.

Neuman (2000:21) described the three purposes of social research as follows:

- Exploratory research aims to explore a new topic.
- Descriptive research aims to describe a social phenomenon.
- Explanatory research aims to test the predictions or principles involved in a particular theory.

The main purpose of this study is exploratory in the sense that it focuses on exploring a contemporary topic (strategy implementation) from a new perspective (strategic leadership), namely the role of strategic leadership in the implementation of strategy. Quantitative research is often used in exploratory research, as is the case with this study. Quantitative research is used to explore and explain the topic by collecting data from a population or a sample that represents the population. A structured mail questionnaire (Annexure B) was used as a means of collecting data from the sample (Leedy, 1997:106).

The universe of this study was all the strategic leaders in South Africa. The target population was the strategic leaders identified in the South African *Financial Mail* Top 200 companies, 2006 (Annexure C). The sample was five randomly-selected directors of these organisations. As a result, the perceived role of strategic leadership in the implementation of strategy in South African organisations was investigated by surveying the directors of the *Financial Mail* Top 200 companies (2006). A structured mail questionnaire was posted to 930 randomly-selected directors of the *Financial Mail* Top 200 companies (2006). A total of 73 (7.8%) questionnaires were completed and returned. The responses in the completed and returned questionnaires were quantitatively analysed. Chapter 6 will deal with the statistical analysis and will contain a discussion on the results of this study.

1.5 ASSUMPTIONS, DELINEATIONS AND LIMITATIONS

1.5.1 Assumptions

This study is based on the following assumptions:

- The respondents are all strategic leaders.
- There are no major differences between the respondents and strategic leaders in other South African organisations.
- Questionnaires were completed by the selected directors themselves and not delegated to subordinates.

1.5.2 Delineations

The scope of this research will be limited to an investigation of the strategic leaders in the *Financial Mail* Top 200 companies (2006) and their perceptions of the role of strategic leadership in the implementation of strategy. For the purpose of this study, strategy implementation will encompass "...the process that turns the formulated strategy into a series of actions and then into results to ensure that the vision, mission, strategy, and strategic objectives of the organisation are successfully achieved" (Thompson and Strickland, 2003:356).

Strategic leadership is viewed as "...the leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary" (Hitt *et al*, 2007:375). The primary responsibility for effective strategic leadership rests with the top managers of the organisation, and with the Chief Executive Officer (CEO) in particular. Other recognised strategic leaders include members of the board of directors, the top management team, and divisional general managers. However, the managers throughout the organisation should be strategic leaders to some extent, and, as a result, they should be equipped with the ability to effectively formulate, implement and control corporate and business-unit strategies (Hitt *et al*, 2007:376). For the purpose of this study, the unit of analysis will be randomly-selected members of the boards of directors of the *Financial Mail* Top 200 organisations (2006). This study does not, therefore, deal with strategic leaders on all levels of the organisation.

1.5.3 Limitations

The study has the following limitations:

- A low response rate and subsequent low confidence levels as a result of the sensitivity of the information required and the time constraints experienced by the target population.
- The use of a questionnaire can be a limitation as it does not facilitate observation and it does not establish rapport with the respondents.
- The research is limited to the randomly-selected directors of the *Financial Mail* Top 2006 companies (2006), which may have a negative impact on the extent to which the results can be generalised.
- Directors can delegate the completion of questionnaires to their subordinates.
- Cost and time constraints limited the research design options.

Despite the above-mentioned limitations, the research is still regarded as worthwhile in respect of its contribution to the study of strategic management and strategic leadership.

1.6 SIGNIFICANCE OF THE STUDY

The motivation for this study is based on the high failure rate of strategy implementation efforts. This study will have theoretical as well as a practical significance. Theoretically, this study is significant because of the following:

- It investigates the importance of strategy implementation as a component of the strategic management process.
- It investigates the importance and effectiveness of strategy implementation.
- It investigates the barriers to, and drivers of, strategy implementation.
- It investigates strategic leadership in the context of strategy implementation.
- It investigates the role of selected strategic leadership actions in strategy implementation.

The high failure rate of strategy implementation efforts should pose a major problem for strategic leaders. Strategic leaders have traditionally viewed the implementation of strategy as a task that does not necessarily concern them and that is best left to middle managers and managers who occupy the lower levels of the organisation. Practically, this study is of significance as:

- It will investigate the implementation of strategy from the perspective of strategic leaders in South African organisations.
- It will investigate generic issues in strategic management and strategy implementation in South African organisations.
- It will indicate the importance of selected strategic leadership roles in South African organisations.
- It will indicate the effectiveness and importance of strategy implementation in South African organisations.
- It will point out the barriers to the effective implementation of strategy as well as the key drivers of effective strategy implementation in South African organisations.
- It will provide guidelines to strategic leaders for the effective use of selected strategic leadership actions to positively contribute to the effective implementation of strategy.
- It will indicate the perceptions of strategic leaders themselves with regard to their role in the implementation of strategy in South African organisations.

1.7 ETHICAL CONSIDERATIONS

All efforts have been made to ensure that the research adheres to strict ethical guidelines. One of the potential ethical problems is the identification of research participants and their organisations. This is specifically relevant as a result of the sensitivity of the information involved. The covering letter assured the participants that their anonymity would be preserved and every effort has been made to protect the anonymity of the respondents as well as the confidentiality of their responses.

All reasonable attempts have been made to counteract any potential problems that may have arisen as a result of the responses of the participants in the study.

1.8 CHAPTER OUTLINE

This study consists of seven chapters.

Chapter one is dedicated to the problem statement, research objectives and research methodology.

Chapter two deals with a discussion of strategy implementation, with specific reference to the implementation of strategy as a component of the strategic management process, the importance and effectiveness of strategy implementation, the barriers to the effective implementation of strategy as well as the key drivers of effective strategy implementation.

Chapter three deals with strategic leadership. This chapter will aim, firstly, to define and discuss the concepts of leadership and strategic leadership within the strategic management context and, secondly, to discuss the importance of strategic leaders and their effect on organisational performance. Pertinent issues in strategic leadership will be identified. In addition, strategic leadership as a driver of strategy implementation and the strategic leadership roles required for effective strategy implementation will be discussed.

Chapter four will focus on an in-depth discussion of each of the selected key actions required by strategic leaders as identified in chapter three. In addition, their role in the effective implementation of strategy will be discussed.

Chapter five will provide a detailed discussion on the nature and extent of the research methodology.

The results of the empirical investigation will be revealed and discussed in chapter six.

Chapter seven provides an overview, summary of the conclusions and recommendations of the study.

1.9 SUMMARY

This chapter endeavoured to present a broad, but concise, discussion on the nature of the study. Since the relevant factors discussed in this chapter will be explored in greater detail in the forthcoming chapters, only selected concepts and aspects of the study were presented for the purpose of providing the reader with a complete overview of the planned study.



CHAPTER 2

STRATEGY IMPLEMENTATION

2.1 INTRODUCTION

The purpose of this chapter is to discuss the concept of implementing strategy within the strategic management context. This chapter begins with a definition and brief description of strategic management as well as a discussion of strategy implementation as a component of the strategic management process. Paragraph 2.3 will address the concept of strategy implementation. This will be followed by a discussion of some of the contemporary issues in strategy implementation research, including the importance and effectiveness of strategy implementation, and the barriers to the effective implementation of strategy. The drivers of strategy implementation will then be discussed and the role of strategic leadership as a driver of strategy implementation will be highlighted.

2.2 STRATEGIC MANAGEMENT



The 21st Century competitive landscape is characterised by inherent instability and discontinuous change, mainly as a result of the emergence of a global economy and rapid technological change. Strategic management – including the effective formulation, implementation, and evaluation of strategy – remains a key element of success in this highly turbulent and chaotic business environment (Hitt *et al*, 2007:7).

2.2.1 Defining strategic management

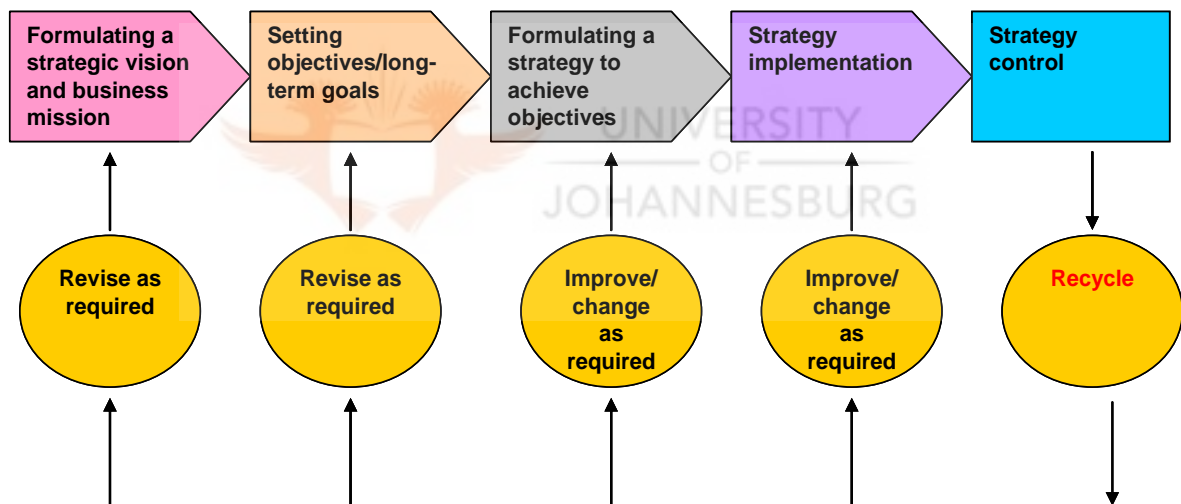
Hitt *et al* (2007:7) defined the process of strategic management as: “...the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns”. Pearce and Robinson (2005:3) defined strategic management as: “...the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives”.

Strategic management can be viewed as a management approach that enables decision makers in organisations to align the internal organisational environment with changes in the increasingly volatile external business environment in which it operates (Camillus, 1997:1-7).

2.2.2 Components of the strategic management process

The process of strategic management within the internal organisational environment encompasses strategy formulation; strategy implementation; and strategy evaluation or control (David, 2001:5; Pearce and Robinson, 2005:3). Figure 2.1 depicts the strategic management process diagrammatically.

Figure 2.1: The strategic management process



Source: Adapted from Thompson and Strickland (2003:7).

Figure 2.1 indicates that the strategic management process consists of the following five interrelated managerial tasks:

- developing a strategic vision and the business's mission;
- translating the mission into specific long-term goals;
- formulating strategies to achieve the long-term goals;
- implementing the strategy; and

- controlling performance, monitoring new developments, and initiating corrective adjustments
(Thompson and Strickland, 2003:6).

According to David (2001:5), strategy formulation comprises the following tasks:

- formulating a vision and mission statement;
- assessing the organisation's external environment as a means of identifying external opportunities and threats (external analysis);
- conducting an analysis of the organisation's internal environment as a means of identifying internal strengths and weaknesses (internal analysis);
- translating the mission statement into long-term goals;
- generating alternative strategies; and
- choosing particular strategies as a means of achieving the formulated long-term goals of the organisation.

The implementation of strategy is often called the 'action phase' of the strategic management process as it entails converting the formulated strategy into action and then into strategic results (Thompson and Strickland (2003:356). According to Thompson and Strickland, the implementation of strategy comprises eight critical managerial actions. These actions are diagrammatically depicted in figure 2.2.

Figure 2.2: Critical managerial actions in the implementation of strategy



Source: Adapted from Thompson and Strickland (2003:357.)

It is evident from figure 2.2 that the critical managerial actions for the implementation of strategy are as follows:

- Creating an organisational structure with the capabilities, competencies and resources required to effectively implement strategy.
- Developing budgets to ensure that resources are allocated for strategic success.
- Establishing policies and procedures to support the implementation of strategy.
- Instituting best practices and striving towards continuous improvement.
- Creating and implementing organisational systems that enable employees to effectively execute their strategic roles.
- Aligning rewards and incentives with the achievement of individual and organisational objectives.
- Creating a culture that is aligned with the strategy of the organisation.
- Practicing strategic leadership that is biased towards the effective implementation of strategy.

Strategy control or evaluation is the final stage in the process of strategic management and provides feedback on both the formulation and the implementation of strategy. This feedback indicates the adjustments and corrections that the organisation will need to make in its internal environment as a means of aligning it more effectively with the continuously-changing external environment in which it operates. Evaluating the strategy may lead to adjustments or corrections in the formulation and implementation of strategy, or to the content of the strategy itself (Thompson and Strickland, 2003:19).

2.2.3 Strategy implementation as a component of the strategic management process

It is evident from figure 2.1 that strategy implementation is an integral part of the strategic management process. The implementation of strategy is often conceptually viewed as the step or stage in the strategic management process that follows the formulation of strategy and that precedes strategic control. The implementation of strategy is, therefore, viewed as separate from the formulation of strategy and is regarded as an activity that only begins once a strategy has been formulated (Campbell and Garnett, 2000:181-202).

Although depicted as two separate sequential steps in a linear process, in practical terms, the formulation of strategy and the implementation of strategy often overlap in the strategic management process. In the volatile contemporary business environment, characterised by high levels of uncertainty, turbulence and discontinuous change, a formulated strategy may be obsolete by the time it has been implemented (Zagotta and Robinson, 2002: 30). Therefore, strategy formulation and strategy implementation cannot be separated, as a well-formulated strategy must take into account the means by which it will be implemented, and it is only through its implementation that a strategy can be refined and reformulated (Grant, 2002:25). In order to facilitate the successful implementation of strategy, effective top management teams recognise the importance of considering strategy implementation issues during the formulation of strategy (Freedman and Tregoe, 2003:109). In this regard, Campbell and Garnett (2000:188) stated that strategy formulation and strategic control that do not take

into account the problems associated with the implementation of these strategies, run the risk of being ineffective.

Lynch (1997:670) asserted that many researchers and writers have fully supported strategy implementation as a separate stage of the strategic management process (Ansoff, 1965; Jauch and Glueck, 1988; Wheelen and Hunger, 1992; Johnson and Scholes, 1993). However, some authors have, on the other hand, expressed significant and well-founded doubts, based on empirical evidence, of the way in which strategy actually develops or emerges (Pettigrew and Whipp, 1991; Hrebiniak and Joyce, 1984).

As an example, Pettigrew and Whipp (1991:26-27) analysed how strategic change occurred in four sectors of British industry. These authors suggested that strategic change could most usefully be seen as a continuous process, as opposed to a process that encompasses distinct stages such as the formulation of strategy followed by its implementation. In this sense, they argued that strategy is not a linear process with discrete stages, but rather an experimental, iterative process in which the outcome of each stage is uncertain.

In this study, strategic management is viewed as a continuous process, in which the conceptually-separate acts of formulating strategy and implementing strategy are integrated (Thompson and Strickland, 2003:448). In addition, the basic strategic management process is viewed as a series of small steps that occur over time and that incorporate complex learning and feedback mechanisms that appear between the formulation of strategy and its ultimate implementation. This implies that strategy implementation is seen as a process that may well alter the strategy of the organisation over time (Lynch, 1997:670). The formulation of strategy may not necessarily be followed by the implementation of the strategy. Instead, the two processes may become locked in a circular loop of decision-making and problem solving as a result of the assumptions made during the strategy formulation stage (Whipp, 2003:257).

2.3 DEFINING STRATEGY IMPLEMENTATION

‘Strategy implementation’ and ‘strategy execution’ are often used interchangeably in the management literature. However, for the purpose of this study, the term ‘strategy implementation’ is used synonymously with the term ‘strategy execution’. The latter is more often used in the business environment, whereas the former is more often used in academic literature.

According to Noble (1999:119-134), diverse perspectives have been taken by authors in an attempt to define the concept of strategy implementation. An eclectic review of the literature reveals few formal definitions of strategy implementation. However, the definitions of Hrebiniak and Joyce (1984); Aaker (1988); Floyd and Woolridge (1992); Kotler (1984); Bonoma (1984); Cespedes (1996); and Laffan (1983) have been considered by the author. Table 2.1 details some of the key concepts highlighted in these definitions.

Table 2.1: Perspectives on strategy implementation

Author	Perspective
Hrebiniak and Joyce (1984)	Strategy implementation is a series of interventions concerning organisational structures, key personnel actions and control systems designed to control performance with respect to desired ends.
Aaker (1988)	The strategy implementation stage involves converting strategic alternatives into an operational plan.
Floyd and Woolridge (1992)	Strategy implementation is the managerial interventions that align organisational action with strategic intention.
Kotler (1984)	Strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan’s stated objectives.
Bonoma (1984)	Strategy implementation is turning drawing board strategy into marketplace reality.

Author	Perspective
Cespedes (1991)	Strategy implementation involves a finer level of planning, including the allocation of resources and the resolution of operational issues.
Laffan (1983)	During the implementation phase, a policy decision must be spelled-out in operational detail and resources must be allocated amongst programmes.

Source: Adapted from Noble (1999:119-134.)

According to Noble (1999:119-134), the view of Hrebiniak and Joyce (1984) defines strategy implementation as synonymous with strategic control. The treatment of strategy implementation as synonymous with control is a common perspective in many business strategy texts. A fundamental question facing managers is how performance during and after the implementation of a new strategy should be assessed. This assessment function is often referred to as strategic evaluation or control, and is a key component of the strategic management process. The nature of the strategic control system in a strategy implementation effort is a critical decision and the control system may require flexibility in order to evolve as the strategy implementation effort unfolds.

According to Noble (1999:119-134), Kotler (1984) views strategy implementation as the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives. Both Floyd and Woolridge (1992) and Kotler (1984) treat strategy implementation as synonymous with execution of the strategic plan. This view of strategy implementation is limited as it fails to acknowledge the emergent nature of many of the processes involved in the implementation of strategy.

According to Noble (1999), Cespedes (1991) and Laffan (1983) accentuate the importance of allocating resources and operational issues that combine several of the perspectives with more of a focus on the process involved.

Noble (1999:119-134) defined strategy implementation as "...the communication, interpretation, adoption, and enactment of strategic plans". David (2001:6) also stated that strategy implementation is often called the action stage of the strategic management process, as it requires mobilising managers and employees on all levels of the organisation to convert the formulated strategy into action and results. As discussed in paragraph 2.2.2, Thompson and Strickland (2003:356) define strategy implementation as follows: "...implementing and executing strategy entails converting the organisation's strategic plan into action and then into results". This definition is accepted for the purposes of this study.

2.4 THE IMPORTANCE AND EFFECTIVENESS OF STRATEGY IMPLEMENTATION

Researching the topic of strategy implementation is a "... daunting task and a formidable challenge" (Noble, 1999:119-134). Despite the perceived importance of strategy implementation, relatively little research has been directed to this component of the strategic management process. Instead, the overwhelming bulk of strategic management literature has focussed on the planning process itself or on the actual content of the strategy being formulated (Alexander, 1985:91). Noble (1999:119-134) confirmed this 14 years later and stated: "A deep and cohesive body of strategy implementation research (still) does not exist". In addition, strategy implementation is considered the most difficult component of the strategic management process (David, 2001:6; Hrebiniak, 2005: xvii; Alio, 2005:12; Alexander, 1985:91; Thompson and Strickland, 2003:19) and the majority of implementation efforts fail to bring about strategic success (*Business Day*, 1999:37; Mankins and Steele, 2005:64-72; Beer and Nohria, 2000: 133; Freedman and Tregoe, 2003:13; Zook, 2000:3-11; Lepsinger, 2006:56, Alexander, 1985:91-97; Al Ghamdi, 1998:322-327; Beer and Eisenstat, 2000:29; Hrebiniak, 2005:3-14; Kaplan and Norton, 2004: 277). Unfortunately, there are no checklists or proven paths, and very few guidelines exist for the successful implementation of strategy (Thompson and Strickland, 2003:356).

2.4.1 The importance of strategy implementation

For the past two decades, the formulation of strategy has been widely regarded as the most important component in strategic management, more important than the implementation of strategy or the evaluation of strategy. However, recent research indicates that the ability to implement strategy is viewed as considerably more important than the formulation of strategy and that the implementation of strategy, and not the formulation of strategy, is the key to superior business performance (Becker, Huselid and Ulrich, 2001:213; Mankins and Steele, 2005: 64-72; Kaplan and Norton, 2001:1).

According to research undertaken by Becker *et al*, (2001:213), effective strategy implementation is more important than the content of the strategy itself. Their research found that, for the average organisation, a 35% improvement in the quality of strategy implementation was associated with a 30% improvement in shareholder value. However, a similar improvement in the suitability of the strategy itself had no effect on organisational performance.

Mankins and Steele (2005:64-72) reported on a recent *Economist* Intelligence Unit survey of 276 senior operations executives from North America (half the executives represent organisations with over \$US 500 million in annual revenue). The survey established that 76% of the respondents indicated that, in delivering superior financial results, the implementation of strategy is more important than the formulation of strategy. In addition, respondents indicated that if they became 'very effective' at implementing strategy, they would expect operating profits to improve by an average of 30% over the following two years

In research by the Malcolm Baldrige National Quality Award, an improvement in the effectiveness of strategy implementation was rated as one of the major challenges facing United States organisations in the future. As many as 68% of CEOs rated an improvement in the implementation of strategy as their top business challenge, as compared with 64% who prioritised improved strategy formulation (Malcolm Baldrige National Quality Award, 1999 survey).

Strategy implementation was identified as the most valuable of 39 non-financial performance measures in a recent Ernst & Young survey of 275 US portfolio managers and it is currently cited as the most important factor shaping management and corporate valuations (Kaplan and Norton, 2001:1).

Writing on the importance of strategy implementation, Holman (1999) pointed out that, according to a Quest Worldwide survey of 114 organisations: "...80% of directors believe they have good strategies, but only 14% believe they implement them well". In a groundbreaking article entitled: "Why CEO's fail" (*Fortune*, 1999), authors Charan and Colvin found that "...in the majority of cases – we estimate 70 percent – the real problem isn't [bad strategy] it's bad execution...". Fogg (1999:7) supported this view and asserted that: "...a strategic plan and top management desire are not sufficient to make strategic change happen. Success lies in implementation. Moreover, strategies have increasingly become virtual commodities, easily disseminated and imitated. Strategy implementation is the key to contemporary success, not strategies". Zagotta and Robinson (2002:30) emphasised that the real value of strategic management lies in its implementation. Strategies formulated, but not implemented, serve little purpose (David, 2001:6) and even the best-formulated strategy is competitively irrelevant if it is not effectively implemented (Barney, 2002:220).

The effective implementation of strategy can lead to creating and sustaining a competitive advantage in addition to realising higher returns for shareholders. All other factors being equal, an organisation with managers who are competent at implementing strategy, will enjoy a competitive advantage over a competing organisation with managers who are less competent at implementing strategy (Hrebiniak, 2005:6).

Effective strategy implementation has a positive impact on strategic and organisational success. A recent comprehensive study of what contributes to organisational success highlights the importance of strategy implementation. In this study of 160 organisations over a five-year period, organisational success (as measured by total return to shareholders) was strongly correlated, amongst other factors, with an ability to "...execute flawlessly" (Joyce, Nohria, and Roberson,

2003: 42-52). Various other publications support the notion that effective strategy implementation is critical to strategic and organisational success. These include Collins (2001); Bossidy and Charan (2002); and Hartman (2004).

The effective implementation of strategy can also contribute to good corporate governance. The King II Report on Corporate Governance in South Africa states that it is the responsibility of the board of directors of an organisation to formulate a strategy based on the expectations of identified stakeholders. In addition, it is the responsibility of the board to ensure that managers not only implement the formulated strategy, but also that the implementation efforts are monitored and controlled. The board of directors must ensure that the implementation of strategy takes into account issues such as social responsibility, environmental responsibility, and stakeholder engagement and sustainability. The claims of internal as well as external stakeholders should be taken into account during the organisation's strategy implementation efforts (King II Report on Corporate Governance for South Africa: Executive Summary, p21).

In addition to the above, there is growing recognition that the most important problems in the field of strategic management are not strategy formulation problems, but strategy implementation problems (Flood *et al*, 2000:2) and that the high failure rate of organisational initiatives in a dynamic environment is primarily due to the poor implementation of new strategies (*Fortune*, 1999).

Notwithstanding the importance of strategy implementation as a component of the strategic management process, it must be emphasised that the formulation of strategy and the implementation of strategy are intertwined processes with success in both processes necessary for superior organisational performance (Noble, 1999:119-134).

2.4.2 The effectiveness of strategy implementation

Implementing strategy effectively is very difficult and, the more radical the degree of change required by the strategy, the more difficult it becomes. Research has indicated that the implementation of strategy is considered the most difficult

component of the strategic management process, more difficult than the formulation of strategy. It is much easier to formulate a strategic plan than to implement it, and it is at the implementation stage of strategic management that formulated strategies often fail (Allio, 2005:12).

Hrebiniak (2005:xvii) supported this view and postulated that: "...making strategy work is more difficult than strategy making". Thompson and Strickland (2003:19) described strategy implementation as easily the most complicated and time-consuming component of the strategic management process and David (2001:6) stated that strategy implementation is often considered to be the most difficult stage of the strategic management process.

In a recent study, 65% of the respondents acknowledged that they were less successful at implementing strategy than at formulating strategy (Mankins and Steele, 2005: 64-72). As a result, it is not surprising that, once a comprehensive strategy or single strategic decision has been formulated, organisations experience significant difficulties in effectively implementing the strategy (Alexander, 1985:91).

In a more recent study, 49% of the leaders surveyed perceived a gap between their organisation's ability to formulate and communicate sound strategies and success in the implementation of those strategies. In addition, 64% of respondents do not have full confidence in the ability of the organisations to bridge this gap. The survey had more than 400 respondents at the assistant manager level or above, including general managers, vice-presidents, assistant vice-presidents, directors, departmental heads, and managers. Five primary industry segments represented were financial services, insurance, pharmaceuticals/chemicals, healthcare, and manufacturing. The majority of the organisations included in the survey had over 2000 employees with annual revenues exceeding \$250 million (Lepsinger, 2006:56-57).

The high failure rate of strategy implementation efforts in an environment characterised by rapid change is well-documented and is estimated to range from 70% (Beer and Nohria, 2000: 133) to as high as 90%, according to the Balanced

Scorecard Collaborative, Inc. (*Business Day*, 1999:37). Freedman and Tregoe (2003:131) estimated that the ratio of strategies formulated to those completely and flawlessly implemented is ten to one.

A study by Bain and Company examined the performance of large organisations (defined as organisations earning revenues in excess of \$500 million) in seven developed countries – United States, Australia, the United Kingdom, France, Germany, Italy and Japan – during the best ten years ever in the economic history, namely 1988 to 1998. It was found that only one in eight of these organisations enjoyed at least a 5.5% real cumulative annual growth rate in earnings, whilst also earning shareholders returns above their cost of capital. More than two thirds of these organisations had strategic plans with targets calling for real growth in excess of 9%. Fewer than 10% of these organisations achieved this target (Zook, 2000:3-11).

Research by *The Economist* found that 57% of organisations were unsuccessful at implementing their strategic initiatives over the past three years, according to their senior operating executives. Few respondents rated themselves as ‘very effective’ at strategy implementation. On average, respondents said that they achieve only 63% of the expected results outlined in their strategic plans; more than one-third said that they achieve less than 60% of their expected results. Larger organisations (greater than US\$ 5 billion in revenue) rated themselves lower in this regard than smaller organisations (less than US\$ 1 billion in revenue) (Mankins and Steele, 2005: 64-72).

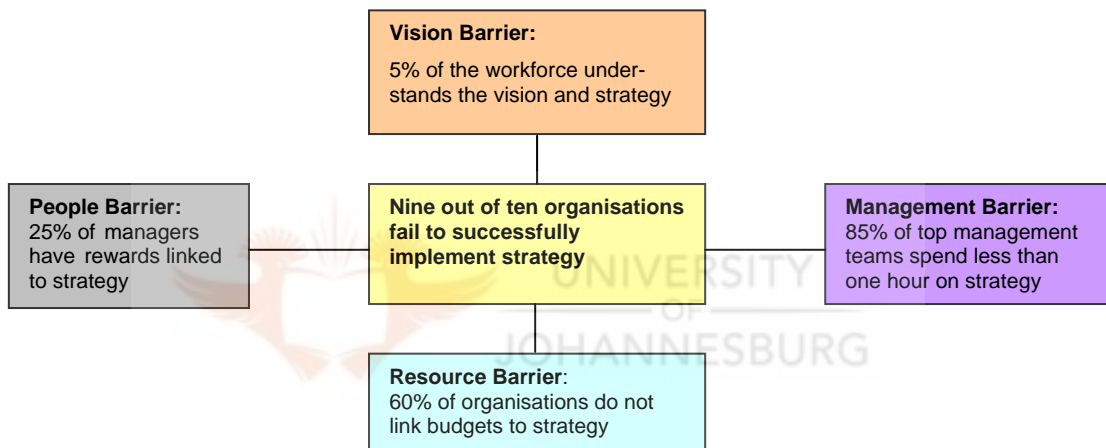
It is evident from the above that, despite the importance of strategy implementation, it is often handled poorly by many organisations as a result of the inherent difficulty of the process (Hrebiniak, 2005:5).

2.5 BARRIERS TO EFFECTIVE STRATEGY IMPLEMENTATION

“Top teams should know that reluctance or incompetence in crafting the process for implementing strategic change is the single most reliable predictor of its failure” (Freedman and Tregoe, 2003:117). Implementing strategies in an environment

characterised by rapid and discontinuous change is a tremendous challenge (Ehlers and Lazenby, 2004:176). The frenetic pace of change in the contemporary business environment poses many obstacles to the successful implementation of strategy (Zagotta and Robinson, 2002:30). With failure rates of strategy implementation efforts ranging between 37% and 90%, the question is: 'What are the major reasons why organisations fail to implement their strategies?' In this regard, research by the Balanced Scorecard Collaborative (*Business Day*, 1999:37), has identified four major barriers to the effective implementation of strategy. These barriers are diagrammatically depicted in figure 2.3

Figure 2.3: Barriers to effective strategy implementation



Source: Adapted from *Business Day*, 30 September 1999:37.

As indicated in figure 2.3, the following are major barriers to effective strategy implementation:

- The workers do not understand the strategy of the organisation and key changes in responsibilities and behaviour of employees have not been clearly identified.
- Leadership and direction provided by top managers is inadequate.
- Allocation of resources, including financial resources, is not aligned with the strategy of the organisation.
- Goals and incentives have not been sufficiently defined and are not well aligned with the strategy of the organisation.

Alexander (1985:91-97) surveyed 93 private sector organisations in the United States to determine which strategy implementation problems occurred most frequently as they attempted to implement strategic decisions. The respondents were the company presidents of the organisations, and the sample consisted of the strategic business units of medium and large organisations. Some 72 organisations (77%) were listed in the *Fortune* 500 list of leading industrials. The study focussed on implementing strategic decisions within individual strategic business units (SBUs). Responding vice-presidents were asked to select one recent strategic decision that had been implemented in their particular SBU. They were required to evaluate the extent to which some 22 possible implementation problems actually were a problem in the subsequent implementation of the strategic decision. This was done using a five-point Likert-type response scale. The ten most frequently-occurring problems associated with the implementation of strategy are depicted in table 2.2.

Table 2.2: Ten most frequently-occurring problems associated with implementing strategy

Potential strategy implementation problem	Frequency of any degree of the problem
Implementation took more time than originally allocated	76%
Major problems that had not been identified beforehand surfaced during implementation	74%
Co-ordination of implementation activities was not effective enough	66%
Competing activities and crises diverted attention from implementing the decision	64%
The employees involved were not sufficiently capable	63%
Training and instruction provided to lower level employees were not adequate	62%
Uncontrollable factors in the external environment had an adverse impact on implementation	60%

Potential strategy implementation problem	Frequency of any degree of the problem
The leadership and direction provided by departmental managers were not adequate	59%
Key implementation tasks and activities were not defined in enough detail	56%
The information systems used to monitor implementation were not adequate	52%

Source: Adapted from Alexander (1985:92).

Some of the least frequently-occurring problems associated with implementing strategy identified in the above-mentioned study are depicted in table 2.3.

Table 2.3: Least frequently-occurring problems associated with implementing strategy

Potential strategy implementation problem	Frequency of any degree of the problem
Support and endorsement by top management in this SBU and at corporate level were not adequate	21%
The available financial resources were not sufficient	27%
Changes made to organisational structure were not sufficient	33%
Changes in the roles and responsibilities of key employees were not clearly defined	38%

Source: Adapted from Alexander (1985:97).

One explanation for the above could be that organisations are so effective in the potential problem areas indicated in table 2.3, that it was possible to prevent those problems. Alternatively, it could be that the implementation problems identified in this study are more important than what the literature suggests. This study also suggests that 'high-success' organisations experience implementation problems to a significantly less extent than do 'low-success' organisations. In fact, 11 problems

were experienced to a significantly less extent by 'high-success' organisations when compared to 'low success' organisations.

Al Ghamdi (1998:322-327) replicated and extended the study of Alexander (1985:91-97) more than 15 years later for the purpose of identifying recurring implementation problems. One hundred questionnaires were mailed to organisations in the Bradford area of the United Kingdom. Six strategy implementation problems were experienced by more than 70% of the sample group. These problems are summarised in table 2.4.

Table 2.4: Six most frequently-occurring problems associated with implementing strategy

Potential strategy implementation problem	Frequency of any degree of the problem
Implementation took more time than originally allocated	92%
Major problems surfaced that had not been identified earlier	88%
The co-ordination of implementation activities was not effective enough	75%
Competing activities diverted attention from implementing this decision	83%
Key implementation tasks and activities were not sufficiently defined	71%
The information systems used to monitor implementation were inadequate	71%

Source: Adapted from Al Ghamdi (1998:322-327).

The research by Al Ghamdi (1998:322-327) confirmed that 'high-success organisations' experience less problems with implementation than 'low success' groups. In addition, it was established that communication, management support, and good information systems are key tools for the execution of the processes involved in effective strategy implementation.

Beer and Eisenstat (2000:29), in studying the strengths and barriers to the effective implementation of strategy, followed a specified process, which included involving senior management participants in the change strategy definition stage. This was followed by planning implementation with managers who occupied positions two to three levels below senior managers. The objective was to profile ten business units and two organisations. The 'organisational fitness profiling' process explored the organisation's responsiveness capabilities to changing competitive strategies. The sample size of internal and external customer representation is not defined. The task team, executive team and researchers analysed the findings of the task team to diagnose the source of the problems identified, and to simultaneously develop a change management implementation plan for the organisation. As part of their 'Organisational Fitness Profiling', Beer and Eisenstat (2000:29) mentioned the "six silent killers of strategy implementation" that should be counteracted in the form of six core capabilities for sustainable strategy implementation. Beer and Eisenstat (2000:29) identified various factors responsible for stifling the leadership and capacity development of middle managers. These factors are listed in table 2.5.

Table 2.5: Six "silent killers" of strategy implementation

Responsible factors	Frequency of occurrence
A top-down or <i>laissez-faire</i> approach to management.	9 of 12 cases
Unclear strategy and conflicting priorities	9 of 12 cases
An ineffective senior management team	12 of 12 cases
Poor vertical communication	10 of 12 cases
Poor co-ordination across functions, businesses or borders	9 of 12 cases
Inadequate down-the-line leadership skills and development	8 of 12 cases

Source: Adapted form Beer and Eisenstat (2000:29).

According to Beer and Eisenstat (2000:29-37), the six barriers to the effective implementation of strategy mentioned in table 2.5 can be confronted by employing various principles. These principles are presented in table 2.6.

Table 2.6: Confronting the six “silent killers” of strategy implementation

Barriers to strategy implementation	Principles for engaging and changing the barriers to strategy implementation
A top-down or <i>laissez-faire</i> management approach	The CEO creates a partnership in top management and lower levels built around the development of a compelling vision and mission, the creation of an enabling organisational context, and the delegation of authority to clearly-accountable individuals and teams.
Unclear strategy and conflicting priorities	Top managers, as a group, develop a strategy and priorities.
An ineffective senior management team	Top managers, as a group, are involved in all steps of the change process so that its effectiveness is tested and developed.
Poor vertical communication	An honest, fact-based dialogue is established with lower levels about the new strategy and the barriers to its implementation.
Poor co-ordination across functions, businesses or borders	A set of business-wide initiatives and new organisational roles and responsibilities are defined. These require ‘the right people to work on the right things in the right way’ as a means of implementing the strategy.
Inadequate down-the-line leadership skills and development	Lower-level managers develop skills through newly-created opportunities to lead change and to drive key business initiatives. Managers are supported with coaching, training and recruitment.

Source: Adapted from Beer and Eisenstat (2000:37).

Mankins and Steele (2005:64-72) found that, on average, most strategies deliver only 63% of their potential financial performance. This ‘strategy-to-performance gap’ can be attributed to a combination of factors. The authors believe that managers commence with a formulated strategy that they believe will generate an

expected level of financial performance. However, according to the executives surveyed, various factors dilute some of the potential of the formulated strategy. Table 2.7 indicates the factors that cause the 'strategy-to-performance gap'.

Table 2.7: Factors contributing to the 'strategy-to-performance gap'

Performance-loss percentage	Factor causing performance-loss
63%	Average realised performance
37%	Average performance loss
7.5%	Inadequate or unavailable resources
5.2%	Poorly-communicated strategy
4.5%	Actions required to implement strategy are not clearly defined
4.1%	Unclear accountability for implementation
3.7%	Organisational silos and culture are factors blocking implementation
3.0%	Inadequate performance monitoring
3.0%	Inadequate consequences or rewards for failure or success
2.6%	Poor senior leadership
1.9%	Uncommitted leadership
0.7%	Unapproved strategy
0.7%	Other obstacles

Source: Adapted from Mankins and Steele (2005: 64-72).

When asked how they would decrease the 'strategy-to-performance gap', the top responses, in order of frequency, were:

- Better communication of strategic decisions.
- Better identification of specific actions required to implement strategy.
- Better monitoring against key milestones and the progress of implementation.
- Holding individuals more accountable for delivering results.
- Providing people with more freedom and authority to implement strategy.

- Ensuring that the appropriate people are involved in the formulation of strategy from the beginning.
- Ensuring that there are consequences to both individual success and individual failure.

(Mankins and Steele, 2005: 64-72).

Hrebiniak (2005:3-14) contributed two studies to the debate on the barriers to effective implementation of strategy. Firstly, a recent Wharton-Gartner survey of 243 managers (who reported that they were involved in both the formulation and the implementation of strategy) focussed on various factors that impact on the effectiveness of strategy implementation. Secondly, a complementary Wharton Executive Education survey with responses from a sample of 200 managers was also undertaken (Hrebiniak, 2005:14-22). Table 2.8 shows the results of these research projects.

The Wharton-Gartner research also focussed on the impact of strategy implementation problems on performance results. In addition to “...not achieving desired execution outcomes or objectives”, managers ranked the following as additional results of poor methods of implementing strategy:

- Employees do not understand the contribution of their jobs to important execution outcomes.
- Resources are wasted as a result of insufficiency or bureaucracy in the execution process.
- Time is wasted in making execution decisions.
- The organisation reacts slowly or inappropriately to competitive pressures.

(Hrebiniak, 2005:20).

Table 2.8: Barriers to the implementation of strategy

Barriers to the implementation of strategy	Ranking Wharton-Gartner (n=243)	Ranking Wharton-Executive Education Survey (n=200)	Either Survey Top five Rankings
Inability to manage change effectively or to overcome internal resistance to change	1	1	✓
Trying to implement a strategy that conflicts with the existing power structure	2	5	✓
Poor or inadequate information sharing between individuals or business units responsible for strategy implementation	2	4	✓
Unclear communication of responsibilities and/or accountability for implementation decisions or actions	4	5	✓
Poor or vague strategy	5	2	✓
Lack of feelings of 'ownership' of a strategy or implementation plans among key employees	5	8	✓
Not having guidelines or a model to guide strategy implementation efforts	7	2	✓
Lack of understanding of the role of organisational structure and design in the implementation process	9	5	✓
Inability to generate 'buy-in' or agreement on critical implementation steps or actions	7	10	
Lack of incentives to support implementation objectives	9	8	
Insufficient financial resources to implement the strategy	11	12	
Lack of upper-management support of strategy implementation	12	11	

Source: Adapted from Hrebiniak (2005:17).

After examining the data from both these surveys, Hrebiniak (2005:22) concluded that there are eight major obstacles or barriers to the effective implementation of strategy:

- Developing a model to guide strategy implementation decisions or actions.
- Understanding how the formulation of strategy affects the implementation of strategy.
- Managing change effectively, including cultural change.
- Understanding power or influence and using it for strategy implementation success.
- Developing organisational structures that foster information sharing, co-ordination, and clear accountability.
- Developing effective controls and feedback mechanisms.
- Knowing how to create an implementation-supportive culture.
- Exercising implementation-biased leadership.

Kaplan and Norton (2004:277) highlighted the importance of intangible assets in strategy implementation and stated that effective strategy implementation is dependent on "...positive organisation capital". According to Kaplan and Norton (2004:277) "...negative organisation capital" is a major barrier to the effective implementation of strategy. An organisation with negative 'organisation capital' has the following characteristics:

- An organisational culture that does not support the implementation of strategy.
- A shortage of competent and committed leaders at all levels who should mobilise the organisation towards the implementation of the strategy.
- Individual, team and departmental goals and incentives are not aligned to the strategy of the organisation.
- A lack of teamwork and knowledge sharing required to support strategy implementation.

From the above discussion it is evident that there are many barriers to effective strategy implementation and that no single approach, suggestion or offered

guideline can counteract the deficiency experienced in the implementation of strategy. Poor communication of the strategy, a lack of information sharing and poor understanding of the strategy seem to be the major barriers to effective strategy implementation. Despite the fact that the implementation of strategy is an essential component of the strategic management process, no single winning 'recipe' exists for the implementation of strategy (Thompson and Strickland, 2003: 357) and the nature of strategy implementation and the reasons for its success or failure are still poorly understood (Noble, 1999:57).

2.6 KEY DRIVERS OF STRATEGY IMPLEMENTATION

Strategy implementation theory focuses largely on the importance of various 'drivers' and 'instruments' in the form of building blocks that are required for the effective implementation of strategy. The key to, and challenge posed by, the effective implementation of strategy is to align these drivers and instruments with the chosen strategy or strategies to create an alignment between the strategies that have been formulated and those that have to be implemented (Ehlers and Lazenby, 2004:181).

Various theoretical approaches to strategy implementation recognise the distinction between 'structural' and interpersonal or 'people' drivers of strategy implementation (Skivington and Daft, 1991:50). Ehlers and Lazenby (2004:181) also distinguished between 'structural drivers' of strategy implementation and 'human drivers' of strategy implementation.

The structural drivers of strategy implementation are:

- organisational structure; and
- resource allocation.

The human drivers of strategy implementation are:

- organisational culture;
- leadership (specifically strategic leadership); and
- reward systems.

In addition to the above-mentioned drivers of strategy implementation, organisations also make use of various instruments to aid the process of strategy implementation. These instruments support the strategy implementation process by focusing on what exactly needs to be done to ensure the effective implementation of strategy.

These instruments are:

- short-term objectives;
- functional tactics; and
- policies.

The following paragraphs will focus on a discussion of the above-mentioned drivers of strategy implementation.

2.6.1 Structural drivers of strategy implementation

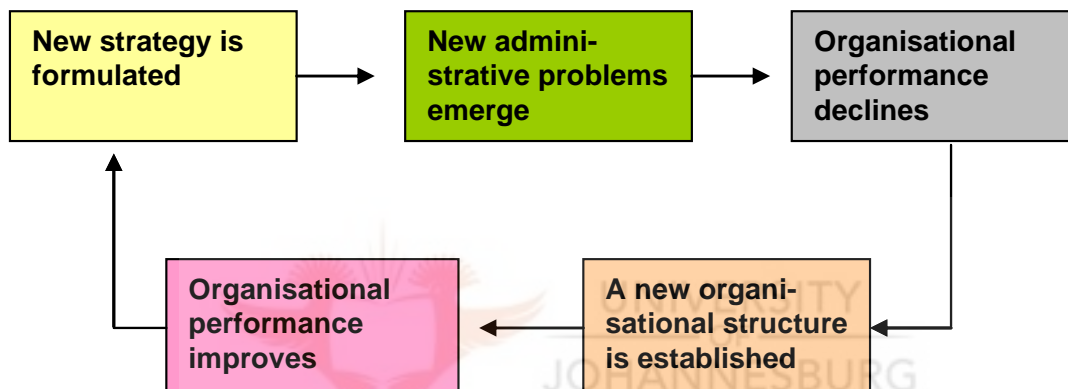
Organisational structure and resource allocation are the structural drivers of strategy implementation. Organisations have to adapt their strategies as the external environment changes. Consequently, as strategies evolve, it is important to ensure that the chosen organisational structure supports the strategy of the organisation. The allocation of resources must also be aligned with the chosen strategy in order to support the achievement of both the long-term goals and the short-term objectives (Ehlers and Lazenby, 2004:180).

(a) Organisational structure as a driver of strategy implementation

The contemporary business environment is characterised by rapid and discontinuous change, which necessitates changes in the strategies of organisations. In turn, changes in strategy often require changes in the way in which an organisation is structured, as the existing organisational structure may become ineffective (David, 2001:244).

David (2001: 245) wrote that, in a classic study of large organisations in the United States, Professor Alfred Chandler (Chandler, 1962) concluded that: "...structure follows strategy". Changes in the strategy of an organisation will necessitate changes in the organisational structure. He also concluded that a change in the organisational structure is the result of the fact that the old structure is ill-equipped to facilitate the change created by the new strategy. Figure 2.4 depicts the sequence, which is often repeated as organisations grow and change strategy over time.

Figure 2.4: Chandler's strategy-structure relationship



Source: David (2001:246).

The following sequence of events is evident from figure 2.4:

- A new strategy is formulated.
- New administrative problems emerge as a result of the changing demands created by the new strategy.
- Organisational performance declines as a result of the administrative difficulties.
- A new, more appropriate organisational structure is invented.
- Organisational performance returns to its previous level.

(David, 2001:246).

The organisational structure specifies the organisation's formal reporting relationships, procedures, controls, and authority and decision-making processes. Organisational structure essentially details the tasks necessary for the implementation of strategy and specifies how, and by whom, these tasks must be

accomplished in order to achieve the strategic goals of the organisation. An organisational structure can therefore be regarded as the framework within which strategy implementation must take place in order to achieve the objectives of the organisation (Hitt *et al*, 2007:346).

It is the responsibility of top managers to ensure an alignment between the strategy and the structure of the organisation, and to undertake the appropriate changes to either or both when required. The degree of alignment between the strategy and the structure influences the effective implementation of the strategy. For this reason, the ability to select an appropriate strategy and match it with an appropriate structure is viewed as an important characteristic of effective strategic leadership (Hitt *et al*, 2007: 346).

Pearce and Robinson (2005:340) agreed with this view and stated that "...building an organisation..." is one of the critical tasks of strategic leaders. Effective strategic leaders spend considerable time rebuilding or remaking their organisations in order to align the organisational structure with the continuously-changing external environment and the requirements highlighted in the strategy. A very important concern is determining the types of structural changes that are required in order to implement new strategies and how these changes can best be accomplished (David, 2001:251).

(b) Resource allocation as a driver of strategy implementation

As discussed in paragraph 2.5, one of the major barriers to the effective implementation of strategy is the 'resource barrier'. All organisations have at least four types of resources that can be used to achieve objectives and to implement strategy. These resources are:

- financial resources;
- physical resources;
- human resources; and
- technological resources.

It is critically important to allocate the organisation's resources in such a way that the allocation is aligned with the chosen strategy and that it supports the achievement of strategic objectives. This is essential to ensuring the effective implementation of strategy. The real value of any resource allocation program lies in the resultant achievement of the organisations' objectives. A change in strategy often requires a re-allocation of resources in order to support the achievement of the new strategic objectives (David, 2001:245).

Lynch (1997:666; 680) also mentioned resource allocation and budgeting as a driver of strategy implementation and stated that strategies necessitate the allocation of resources if they are to be implemented effectively. The author further described the resource allocation process as well as special circumstances that may affect the allocation of resources. Criteria for the allocation of resources include:

- The contribution to the mission and strategic objectives of the organisation.
- The support of key strategies.
- Risk profile.
- Special circumstances, such as unusual changes in the external environment, may support different criteria for the allocation of resources.

2.6.2 Human drivers of strategy implementation

Traditional thinking on the drivers of strategy implementation largely focuses on the importance of structural drivers and tangible assets – including physical and financial assets – that are required for the effective implementation of strategy (Gratton, 2000:3,11, 25-46; Kaplan and Norton, 2004:4-5). However, with intangible assets – human and information capital assets that are not measured by the financial system of the organisation – that constitute more than 75% the market value of an average organisation, strategy implementation efforts should explicitly address the mobilisation and alignment of these intangible assets as drivers of strategy implementation.

Kaplan and Norton (2004:4) identified three categories of intangible assets that are essential for the effective implementation of strategy:

- Human capital: Knowledge, skills and values.
- Information capital: Systems, databases and networks.
- Organisational capital: Culture and leadership, and the alignment of goals and rewards with the strategy; and knowledge sharing.

The components of organisational capital (culture, leadership, alignment of goals and incentives, and knowledge sharing) are widely regarded as the key drivers of strategy implementation, and the ability to create positive organisational capital is one of the best predictors of successful strategy implementation (Kaplan and Norton, 2004:52-64; 276).

During the latter part of the 20th Century, organisations shifted their internal focus from their products to their people. The contemporary business environment is characterised by massive change and uncertainty. In order to become or remain competitive in this business environment, organisations have to embrace change. Strategic change requires adaptive organisational cultures and strong strategic leadership, among other factors. Managers and employees must be competent enough to, and must be rewarded for, achieving the goals of the organisation. Culture, reward systems and leadership form the cornerstone of strategy implementation and are perhaps the most significant strategy implementation tools (Ehlers and Lazenby, 2004:180).

(a) Organisational culture as a driver of strategy implementation

Organisational culture refers to the shared assumptions, beliefs, values, and behavioural norms that the members of an organisation share (Handy, 1993: 180; Pearce and Robinson, 2005:345). Culture refers to 'the way we do things around here' and every organisation has its own unique culture or personality (Thompson and Strickland, 2003:420). A culture that is rare and not easily imitated can be a source of competitive advantage (Hitt *et al*, 2007:389). Kaplan and Norton (2004:281) viewed culture as the awareness and internalisation of the vision, mission, and core values required to effectively implement the strategy. In

addition, they asserted that most new strategies require dramatic changes in the existing organisational culture. Top managers generally believe that:

- Changes in strategy require basic changes in the way in which the organisation conducts its business.
- Strategies must be implemented through individuals on all levels of the organisation.
- New cultures (attitudes and behaviours) will be required throughout the organisation as a means of implementing the changes in the organisation.

Kaplan and Norton (2004:281) stated that organisational culture can be a barrier to, or an enabler of, strategy implementation and they referred to the high failure rate of mergers and acquisitions as a result of high 'cultural incompatibility'. However, the ability to incorporate new organisations into the existing organisational culture can also serve as a competitive advantage for an organisation pursuing a growth strategy. Thompson and Strickland (2003:423) concurred that an organisation's culture can either be an important contributor, or an obstacle, to the successful implementation of strategy. A strong culture promotes effective implementation of strategy when the vision, mission, strategy, and objectives of the organisation are aligned with the culture. The authors further stated: "A deeply rooted culture well matched to the strategy is a powerful lever for successful strategy implementation". Freedman and Tregoe (2003:151) agreed with this view and stated that: "It [culture] is an unmistakably positive force when it is in alignment with the strategy and an organisation's people management. When misaligned, however, it can be disruptive and a serious barrier to implementation".

Organisational culture and leadership are closely related. A major task of the leaders of an organisation is to 'shape' the corporate culture ((Ehlers and Lazenby, 2004: 285; Hitt *et al*, 2007:385; Pearce and Robinson, 2005:342; Bossidy and Charan, 2002:105; Hagen, Hassan and Amin, 1998:39-44; Raps, 2004:49-53; Govindarajan and Gupta, 2001:63-71; Ghoshal and Bartlett, 1994: 91-112; Thompson and Strickland, 2003: 422). Leaders are responsible for creating, maintaining and, if necessary, changing the culture of the organisation. The top management team must introduce new attitudes and behaviours to all employees

in order for a new strategy to be effectively implemented. The attitudes, beliefs and values of employees are an important manifestation of the organisational culture (Kaplan and Norton, 2004:289). Cultural change can only succeed when it is supported by the top- and middle managers of the organisation (Hitt *et al*, 2007:390). Organisational culture affects the commitment to the success of strategy implementation as well as the degree of the 'ownership' of the strategy implementation efforts that employees on all levels of the organisation take. Inappropriate organisational cultures that do not drive strategy implementation efforts must be changed (Hrebiniak, 2005:57). The role of sustaining an effective organisational culture in strategy implementation will be discussed in detail in chapter 4, paragraph 4.4.

(b) Reward systems as a driver of strategy implementation

Competent and motivated people are essential to the effective implementation of strategy (Lynch, 1997:721-722). Managers and employees must be motivated and committed to the implementation of both current and new strategies. One of the most powerful tools that an organisation can use to improve commitment and motivation, and to encourage behaviour that promotes the implementation of strategy, is establishing or adjusting the organisation's reward system (Thompson and Strickland, 2003:409).

'Reward systems' is the umbrella term for the different factors considered in performance evaluations and the allocation of monetary and non-monetary awards to these factors (Ehlers and Lazenby, 2004: 192). Performance evaluations and the subsequent reward for performance can be powerful methods used in order to effectively implement strategy (Lynch, 1997:721-722). Reward systems should be created in such a way that they are aligned with the strategy of the organisation. Rewards should be structured in such a way that the behaviours of employees change in order to support the effective implementation of strategy. Rewards should also be linked to the specific outcomes necessary to effectively implement the strategy, and must focus on rewarding managers and employees on all levels of the organisation for taking action and for achieving the desired results (Hrebiniak, 2005:189).

Reward systems reflect the attitude of top managers to performance and they exert an influence on organisational culture and leadership. Pearce and Robinson (2005: 299-308) stated that compensation rewards action and results. These authors discussed various bonus compensation plans that can provide executives and other top managers with incentives to ensure that they work toward achieving the goals of the organisation. However, in order to be effective as a driver of strategy implementation, reward systems should not only focus on top managers, but should also be extended to middle- and lower level managers (Thompson and Strickland, 2003:412).

Pearce and Robinson (2005:307) discussed the alignment of reward systems with the chosen strategy of the organisation and stated that a change in strategy requires a change in the reward system in order to ensure continued alignment with the strategy.

In line with shareholders' and stakeholders' drive for transparent and ethical reward systems, the King II report on corporate governance makes various recommendations on how remuneration should be controlled in order to ensure good corporate governance (Ehlers and Lazenby, 2004: 192).

(c) Leadership as a driver of strategy implementation

Kotter (2001:85-96) highlighted the differences between management and leadership. In essence, "...management is about coping with complexity", while "...leadership, by contrast, is about coping with change". The process of implementing strategy often requires change in an organisation and leaders are required to drive this strategic change (Ehlers and Lazenby, 2004:181). Kaplan and Norton (2004:277) defined leadership in the context of strategy implementation as the "...availability of leaders at all levels to mobilise the organisation towards its strategy". Hrebiniak (2005:25) believed that effective leadership must be implementation-biased and must drive the implementation of strategy by motivating ownership of, and commitment to, the process of implementing strategy.

Various authors support the view that strong leadership is a key driver of strategy implementation and is necessary to provide direction to integrated strategy formulation, implementation, and control (Collins, 2001; Useem, 1998; Useem, 2001; Locke, 1991). Hrebiniak (2005:61) argued that the climate created by leaders on all levels of the organisation, significantly impacts on the implementation of strategy. Leadership is pervasive and impacts on various factors, including change management, organisational culture and organisational power structures.

Leadership plays a critical role in translating the formulated strategy into action and results. In this regard, Freedman and Tregoe (2005:111) stated: “Ultimately, the successful transition from formulation to implementation depends on leadership”.

Kaplan and Norton (2004:291) mentioned that, from their Balanced Scorecard database, the desired competencies of leaders can be classified as follows:

- Creates value: the leader delivers bottom-line results that will lead to the effective implementation of strategy.
- Implements strategy: the leader mobilises and guides the process of change required to effectively implement a new strategy.
- Develops human capital: the leader builds the competencies required to effectively implement the strategy.

Rothschild (1996:18) focused on the question of the alignment of different leadership styles with different strategies. The author stated that, when a growth strategy is followed, leaders should pay more attention to managing relationships and inspiring people, and on communicating the objectives and strategies to people. The pursuance of growth strategies requires leaders that have a more democratic and participative leadership style in order to ensure that all the employees buy into the vision of the organisation. Decline strategies focus on cost reduction, asset reduction, divestiture or liquidation. Organisations that follow decline strategies require leaders who are task-orientated and who are able to focus on reducing costs and assets. Such a leader will often be less democratic

than those employed to follow a growth strategy. Corporate combinations strategies require leaders who are able to integrate different cultures and value systems and who are able to identify synergies. These leaders possess a combination of people skills and task skills.

2.6.3 Strategic leadership as a driver of strategy implementation

Strategic leadership can be defined as the “...ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary” (Hitt *et al*, 2007: 375).

Hitt *et al* (2007:384) argued that strategic leadership that positively contributes to effective strategy implementation has the following components:

- determining strategic direction;
- effectively managing the organisation’s resource portfolio;
- sustaining an effective organisational culture;
- emphasising ethical practices; and
- establishing balanced organisational controls.

Chapter 4 will focus on a discussion of the role of the above-mentioned strategic leadership components as drivers of strategy implementation.

2.7 CONCLUSION

The purpose of this chapter was to clarify the concept of strategy implementation within the strategic management context. Strategy implementation is a critical component of the strategic management process. However, the implementation of strategy is the most difficult component of the strategic management process and there is a high failure rate of strategy implementation efforts as a result. Reasons for this high failure rate can be found in the existence of various barriers to effective strategy implementation, specifically poor communication and understanding of the strategy. Various key drivers of strategy implementation exist to improve the effectiveness of strategy implementation efforts. These drivers can

be divided into structural drivers and human drivers. Strategic leadership is a key driver of strategy implementation and various strategic leadership actions contribute positively to the effective implementation of strategy. Chapter four will discuss the role of specific strategic leadership actions in strategy implementation.



CHAPTER 3

STRATEGIC LEADERSHIP

3.1 INTRODUCTION

The purpose of this chapter is to discuss the concept of strategic leadership within the strategic management context. This chapter begins with a conceptual definition and brief discussion of both leadership and strategic leadership. Paragraph 3.3 will address the importance of strategic leaders and their effect on organisational performance. This will be followed by a discussion of some of the pertinent issues in strategic leadership, including the role of top management teams in strategic leadership, strategic leadership succession, and the role of women as strategic leaders. Paragraph 3.5 will focus on a discussion of strategic leadership as a driver of strategy implementation. The roles and responsibilities of strategic leaders in ensuring the effective implementation of strategy will then be addressed.



3.2 LEADERSHIP AND STRATEGIC LEADERSHIP DEFINED

3.2.1 Leadership versus Management

Yukl (2006:5) stated that there is continuing controversy on the differences between management and leadership and that the degree of overlap of these two concepts is a point of disagreement. According to Yukl (2006:5), some authors (Bennis and Nanus, 1985; Zaleznik, 1997) are of the opinion that leadership and management are qualitatively different and that they are mutually exclusive. Other scholars (Bass, 1990; Hickman, 1990; Kotter, 1998; Mintzberg, 1973; Rost, 1991) view leadership and management as different types of processes, but do not assume that leaders and managers must necessarily be different types of people.

Kotter (2001:85-96), for example, argued that: "...management is about coping with complexity". Good managers facilitate order and consistency by formulating plans, designing organisational structures to support these plans, and controlling or monitoring results against these plans. Managers tend to be more analytical,

structured and controlled, and view their work as a quantitative science. In contrast, "...leadership is about coping with change" (Kotter, 2001:85-96). Leaders establish the strategic direction of the organisation by developing a vision of the perfect future of the organisation as well as a mission statement that serves as a means to accomplish this vision. Leaders then communicate this vision and mission in clear and concise terms and motivate and inspire employees on all levels of the organisation to achieve this vision. Leaders tend to be more experimental, visionary, flexible and creative, and they value the intuitive aspect of their work. However, in a recent publication, Mintzberg (2004:22) insisted that the dysfunctional separation of leadership and management should be stopped and that, instead of isolating leadership, it should be diffused throughout the organisation.

Leadership is not better than management, nor is it a replacement for it. Leadership and management complement each other, and expertise in both is required in order for organisations to effectively implement strategy (Ehlers and Lazenby, 2004:182). Maritz (2003:242) supported this view and stated that, in the contemporary business environment, organisations need strong leaders as well as strong managers in order to accomplish optimum effectiveness. Organisations need leaders to challenge the *status quo*, to create visions of the future, and to inspire the members of organisations to want to achieve these visions. In turn, competent managers are required to formulate detailed plans, create efficient organisational structures, and to oversee the day-to-day operations required to control or evaluate the achievement of the formulated plans.

However, Hsieh and Yik (2005:67-76) claimed that, whereas good managers deliver predictable results as well as occasional incremental improvements, leaders generate breakthroughs in performance by creating something that was previously absent. Leaders typically include three to five percent of the employees throughout the organisation who are able to deliver breakthrough results. The implementation of new strategies often entails a need for breakthroughs along a number of fronts and, as a result, organisations need stronger and more dominant leaders on all levels.

Storey (2005:89) drew a distinction between “...leadership in organizations” and “...leadership of organizations”. The former refers to team leaders and the latter to organisational or strategic leaders. Strategic leaders are those leaders responsible for formulating the vision, mission and strategic objectives of the organisation as well as for designing the structure of the organisation. Storey noted that, while there are many references to strategic leadership, and the vital importance of strategic leadership, the bulk of leadership research has been devoted to leadership at the lower levels of the organisation. According to Storey (2005:90), Zaccaro and Horn (2003) found that less than five percent of the leadership literature has focussed on strategic leadership. In addition, the development of leaders occurs primarily at the junior and middle management levels. According to Yukl (2006:353), Canella and Monroe (1997) agreed that much of the early leadership literature focussed on supervisors and middle managers. However, in recent years, the focus has shifted to strategic leadership by executives and top management teams.

3.2.2 Leadership defined

UNIVERSITY
OF
JOHANNESBURG

According to Yukl (2006:2), leadership has been defined in terms of traits, behaviours, influence, interaction patterns, role relationships, and occupation of administrative positions. Table 3.1 details some of the definitions of leadership formulated during the last fifty years.

Table 3.1: Definitions of leadership

Author	Perspective
Hemphill and Coons (1957)	Leadership is “...the behavior of an individual...directing the activities of a group toward a shared goal”.
Katz and Kahn (1978)	Leadership is “...the influential increment over and above mechanical compliance with the routine directives of the organisation”.
Burns (1978)	“Leadership is exercised when persons ... mobilize ... institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers.”

Author	Perspective
Smircich and Morgan (1982)	"Leadership is realised in the process whereby one or more individuals succeed in attempting to frame and define the reality of others."
Rauch and Behling (1984)	"Leadership is the process of influencing the activities of an organized group toward goal achievement."
Richard and Engle (1986)	"Leadership is about articulating visions, embodying values, and creating the environment within which things can be accomplished."
Jacobs and Jaques (1990)	"Leadership is the process of giving purpose (meaningful direction) to collective effort, and causing willing effort to be expended to achieve purpose."
Schein (1992)	Leadership is "...the ability to step outside the culture... to start evolutionary change processes that are more adaptive".
Drath and Palus (1994)	"Leadership is the process of making sense of what people are doing together so that people will understand and be committed."
House <i>et al</i> (1999)	Leadership is "...the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organisation...".
Yukl (2006:8)	"Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives."

Source: Adapted from Yukl (2006:3).

In the context of strategic management, Wehrich and Koontz (1993:490) described leadership as the art and process of influencing people so that they will strive willingly and enthusiastically to achieve the mission of the organisation. Maritz (2003:243) concurred with this description and defined leadership as: "...the ability to influence a group towards the achievement of goals". Leadership can, therefore, be regarded as an important determinant of organisational success.

It is evident from the above table that a number of definitions of leadership exist and that no one single definition can encompass the many different scenarios that

are evident in organisations. However, most definitions share the assumption that leadership involves an influencing process aimed at facilitating the performance of a collective task (Yukl, 2006:20).

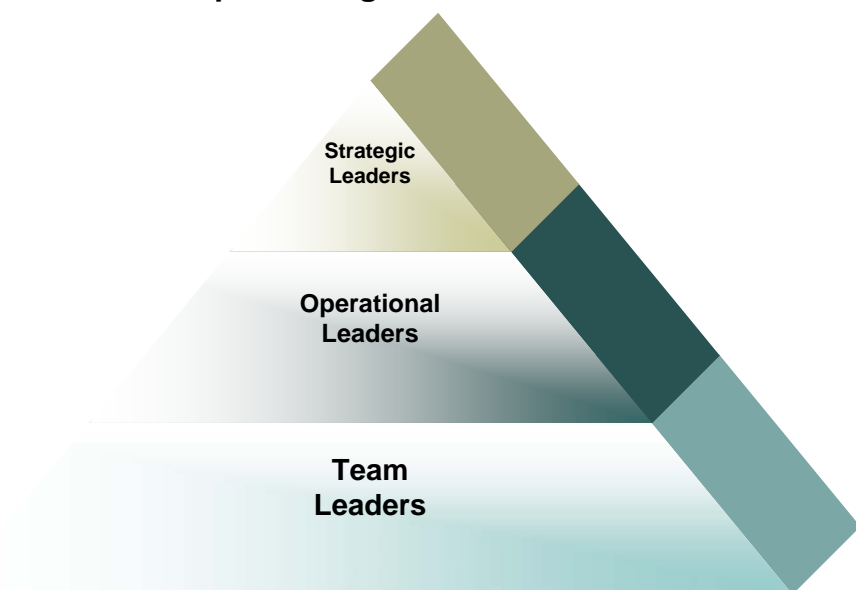
3.2.3 Levels of leadership

Leadership can exist on all levels of an organisation. According to Dent (2005:15), the following levels of leadership can be distinguished:

- **Team leaders:** leaders who operate at team level and whose prime responsibility is the people who work with them and the achievement of the goals for which they are jointly responsible.
- **Operational leaders:** leaders in the organisation who are responsible for a functional area of the organisation, all the human capital in that functional area, and for contributing to decisions in their own specialist area.
- **Strategic leaders:** leaders at the top level of the organisation who are responsible for a range of organisational functions and for contributing to major decisions.

Figure 3.1 depicts the above-mentioned levels of leadership in an organisational environment.

Figure 3.1: Levels of leadership in an organisation



Source: (Dent, 2003:14).

It is evident that strategic leaders represent a relatively small group of leaders who control the organisation and with whom the final authority and accountability for formulating, implementing and controlling the strategy of the organisation rest. Strategic leaders have substantial decision-making responsibilities that cannot be delegated. The primary responsibility for effective strategic leadership rests at the top of the organisation, in particular with the Chief Executive Officer (CEO). The CEO cannot delegate this responsibility to the manager of any other functional area of the organisation, regardless of how important that function might be. Other recognised strategic leaders include: members of the board of directors; the top management team; and divisional general managers.

Bass (2007:34) stated that providing strategic leadership is an important role for the CEO and for many other senior executives. Ready (2004:87) used the term “enterprise leader” to describe the strategic leaders of the organisation. He believed that enterprise leaders might be responsible for a business unit or for a major function in the organisation, but that they will make decisions with the entire organisation in mind. An enterprise leader is, therefore, not only a job title, but rather represents a way of thinking and behaving.

However, all managers throughout the organisation should be strategic leaders, to some extent, and their responsibility should include effectively formulating, implementing and controlling corporate and business-unit strategies (Hitt *et al*, 2007:376). According to Hitt *et al* (2007:24), strategic leaders can be individuals on different levels of an organisation who assist with the formulation of strategy and with its implementation and control. They use the strategic management process to assist the organisation to achieve its vision, mission, and strategic objectives and are committed to creating value for shareholders, customers and other stakeholders.

3.2.4 Strategic leadership defined

Bass (2007:36) stated that Sun Tzu’s Art of War (400 Before Christ) is widely cited as a source of principles for strategic leaders. According to Bass, McNeilly (1996) placed these principles for successful leaders into the following strategies:

- Avoid using expensive resources and price wars to destroy competition when other ways can be used to end the competition.
- Avoid attacking the strengths of competitors, instead attack their weaknesses.
- Know and deceive your competition.
- Be prepared to deal rapidly with opportunities.
- Create conditions that make it easy to overcome opposition.
- Treat people with consideration, justice and confidence.

There are few formal definitions of the concept of strategic leadership in the literature.

Rowe (2001:81-94) suggested that: "...strategic leadership involves a synergistic combination of managerial and visionary leadership to influence those with whom they work to make decisions on a voluntary basis".

Hagan *et al* (1998:39) stated that strategic leadership is an extremely complex, but critical form of leadership. According to these authors, Huey (1994) wrote that strategic leadership is multifunctional, involves managing through others, and helps organisations to cope with change that seems to be increasing exponentially in the contemporary business environment. The authors added that strategic leadership requires the ability to accommodate and integrate both the internal and external business environments of the organisation, and to manage and engage in complex information processing.

The definition of strategic leadership of Hitt *et al* (2007:375) is accepted for the purpose of this study. These authors defined strategic leadership as "...the leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary".

3.3 THE IMPORTANCE OF STRATEGIC LEADERS AND THEIR EFFECT ON ORGANISATIONAL PERFORMANCE

Yukl (2006:354) stated that the importance of strategic leaders and their effect on the performance of large organisations is a controversial issue. According to Yukl

(2006:354), some authors argue that leadership has a major influence on organisational performance (Finkelstein and Hambrick, 1996; Katz and Khan, 1978; Peters and Waterman, 1982), whereas others contend that leaders have very little impact on organisational performance (Hannan and Freeman, 1984; Meindl, Ehrlich and Dukerich, 1985; Pfeffer, 1977b). Some of the reasons why these authors doubt the importance of individual strategic leaders include the following:

- An individual strategic leader, such as the CEO, has little influence on organisational performance due to the many internal and external constraints in an organisation, including powerful stakeholders, internal coalitions, a strong organisational culture, scarce resources, strong competitors, and unfavourable economic conditions.
- The performance of an organisation is largely determined by factors in the external environment that are beyond the control of the strategic leader.
- The discretion of an individual strategic leader is limited by internal and external organisational factors.
- The influence of an individual strategic leader on an organisation tends to be exaggerated as a result of discounting the impact of other explanations such as industry performance and economic conditions.

Yukl (2006:380) stated that research does demonstrate that leaders have less influence over organisational events than is often assumed, but emphasised that the research in no way supports the conclusion that leadership is unimportant to organisational success. He concluded that, despite all the internal and external constraints, individual strategic leaders and top teams are still able to have a substantial influence on organisational effectiveness and performance.

According to Bass (2007:37), it has been demonstrated in many studies that the decisions and actions of strategic leaders have a strong influence on organisational success. As an example; Niehoff, Enz, and Grover (1990) found that strategic leadership actions have an effect on employee commitment and satisfaction. In addition, according to Bass, the profitability of an organisation depends on the actions of the CEO. CEOs whose organisations are consistently profitable maintain their focus on the 'bottom-line'.

Freedman and Tregoe (2003:ix) were of the opinion that strategic leadership ensures the effective implementation of the strategic management process. Rapid and discontinuous change and increased levels of volatility, uncertainty and competitive intensity in the business environment, have increased the need for strong strategic leadership on all levels of organisations. Without a strong strategic leadership team in place and a clear strategic management process that enables effective formulation, implementation, and control of strategy; no organisation can create a competitive advantage, maximise wealth, and survive in the long-term.

In addition, an organisation's chances of creating a competitive advantage, maximising wealth, and surviving in the long-term increase when the strategic leaders of the organisation continuously align the internal organisational environment with changes taking place in the complex external environment. Failure of CEOs is assured when they are unable to respond to changes in the external environment or to identify the need for change (Hitt *et al*, 2007:376).

Ireland and Hitt (1999:43) also highlighted the role of strategic leadership in achieving and maintaining strategic competitiveness in the 21st Century. The authors asserted that effective strategic leadership practices can assist organisations to improve performance, while competing in a turbulent and unpredictable business environment. The strategic leadership of an organisation can become a source of competitive advantage when strategic leadership actions are effectively practiced. This competitive advantage can, in turn, lead to survival in the long-term, as well as a competitive advantage for the organisation, and above-average returns.

Bass (2007:35) noted that strategic leaders have to free themselves from short-term goal orientations to focus more attention on long-term threats and opportunities. In addition, they are responsible for providing long-term leadership on strategic issues. Effective strategic leadership can positively contribute to organisational performance in both the short-term and the long-term. Hitt and Ireland (2002:3-14) believed that one of the major reasons for differences in organisational performance is the effectiveness of the leadership exhibited

throughout the organisation. Rowe (2001:81-94) noted that strategic leadership involves a synergistic combination of managerial and visionary leadership. Strategic leadership, therefore, enhances the long-term viability of the organisation, while simultaneously maintaining its short-term stability. It is thus critical for maintaining current levels of performance and for ensuring superior performance in the long-term.

Strategic leadership also plays a critical role in corporate governance. Strategic leaders must be openly and unequivocally committed to the principles of corporate governance in order for it to become ingrained in all the activities of the organisation. It is the responsibility of strategic leaders to ensure that all managers and employees understand the organisation's corporate governance and ethical codes, to observe them, and to report ethical and corporate governance violations. Strategic leaders must always set an example of ethical behaviour in their own actions. The result will be establishing a tradition of integrity both inside and outside the organisation (Ehlers and Lazenby, 2004:184).

3.4 PERTINENT ISSUES IN STRATEGIC LEADERSHIP

The following pertinent issues in strategic leadership research will be discussed in the paragraphs that follow:

- The role of the board of directors and top management teams in strategic leadership.
- Strategic leadership succession.
- The emergence of women as strategic leaders.

3.4.1 The role of the board of directors and top management teams in strategic leadership

As noted in paragraph 3.2.3, the primary responsibility for effective strategic leadership rests at the top of the organisation, in particular with the Chief Executive Officer (CEO). Other recognised strategic leaders include:

- members of the board of directors;
- the top management team; and
- divisional general managers.

The board of directors has an important role to play as a governance mechanism for monitoring the strategic direction of the organisation as well as for representing the interests of internal and external stakeholders. The board of directors should develop an effective relationship with the organisation's top management team in order to best serve the interests of all stakeholders (Hitt *et al*, 2007:379).

Yukl (2006:364) mentioned that most organisations have a top management team that includes the CEO and other top executives or strategic leaders. However, organisations may differ substantially in the way in which the top management team operates. The traditional approach is to establish a clear hierarchy of authority with the following positions:

- Chief Executive Officer (CEO);
- Chief Operating Officer (COO); and
- several subordinate executives who lead various sub-units of the organisation.

In South Africa, the King II Report on corporate governance requires boards of directors to provide strategic leadership. The King II Report recommends that the board of directors is responsible for the following:

- Providing strategic direction to the organisation.
- Appointing the CEO.
- Retaining control over the organisation.
- Monitoring management in implementing formulated strategies and plans.
- Complying with all relevant laws, regulations and codes of good practice.
- Identifying and monitoring non-financial aspects relevant to the organisation.
- Communicating with internal and external stakeholders.
- Identifying and monitoring key risk areas.

In addition, the King II Report also recommends that the chairperson of the board appraise the performance of the CEO at least annually. The board should include strong non-executive members and a remuneration committee should be appointed to make recommendations regarding the remuneration of executives and executive directors. The board of directors is seen as the focal point of corporate governance systems and is ultimately responsible and accountable for the performance and affairs of the organisation (King II Report on Corporate governance, 2002).

Yukl (2006:365) concluded that, regardless of the formal structure of an organisation, there will be differences in the extent to which strategic leadership is shared among the members of the top management team.

According to Yukl (2006:365), Ancona and Adler (1989); Bradford and Cohen (1984); Eisenstat and Cohen (1990); Hambrick (1987); and Nadler (1998) wrote that top management teams offer a number of potential advantages for an organisation. These advantages include:

- An executive team has more potential to make better strategic decisions when members have relevant competencies that the CEO lacks. Team members are able to compensate for weaknesses in the CEO's competencies.
- Decisions made by a team are more likely to represent the diverse interests of both internal and external stakeholders.
- Important tasks are less likely to be neglected when several individuals share the responsibilities of strategic leadership.
- Communication and co-operation among strategic leaders is improved when they meet regularly as a team.
- The top management team contributes to facilitating the succession of strategic leaders in large, diverse organisations.

Top management teams tend to be more important under the following conditions:

- In a complex, rapidly-changing environment that places many external demands on the CEO.
- In an organisation with highly diverse, but highly interdependent functional or business units, because a single leader may not possess all the expertise required to direct and integrate the activities of these units (Yukl, 2006:381).

However, the formulation of strategies and the ability to make strategic decisions is not the only responsibility for top management teams. The strategic plans must still be effectively implemented. In writing on the role of top management teams in strategy implementation, Yukl (2006:367) stated that, according to Schweiger and Sandberg (1991), member commitment is of critical importance for the effective implementation of strategic decisions made by top management teams. Although it is not necessary for every member to agree on all aspects of the strategic decision, some degree of consensus is necessary (Bourgeois, 1980; Eienhardt, 1989; Priem, 1990).

3.4.2 Strategic leadership succession

According to Bass (2007:41), the turnover of CEOs in the United States increased by 53% between the years 1995 and 2001. The average tenure of CEOs declined from 9.5 to 7.3 years. Poor financial performance was the primary reason provided for discharge or resignation. These statistics indicate that strategic leaders operate under immense pressure and that strategic leadership succession has become an important consideration in organisations.

The choice of strategic leaders is a critical decision with important implications for organisational performance (Sorcher and Brant, 2002:78). Organisations can select strategic leaders from two types of labour markets – the internal market and the external market (Hitt *et al*, 2007:381):

- Internal labour market: The ability to draw people for positions from qualified employees within an organisation.
- External labour market: The ability to draw people for positions from qualified people who are external to the organisation.

Various benefits exist for the appointment of a CEO from within the organisation:

- Familiarity with the organisation's products, markets, technologies and operating procedures as a result of their experience with the organisation.
- Ensuring that there is lower turnover among existing employees.
- Internal appointments are favoured when the organisation is performing well.

Benefits for the appointment of a CEO from outside the organisation include:

- Increases the ability to innovate or to create conditions that stimulate innovation.
- Major strategic change is less likely to be initiated by a CEO with a long tenure, or by an internal successor.

According to Yukl (2006:357), much research has been conducted on the effects of leadership succession on organisational performance. These studies have attempted to assess how a change in strategic leadership affects organisational performance. The implicit assumption of this research is that, if leadership is important, and conditions in the external environment of the organisation remain constant, new leadership should be associated with changes in organisational performance. Yukl (2006:359) concluded that "...the succession research is still limited and the results are not conclusive due to the many methodological problems in measuring leader effect. The research seems to indicate that top-level leadership can have a substantial effect on organization performance, but most of the succession studies do not explain how a (strategic) leader actually influences performance, nor do they measure the conditions that determine how much influence a particular leader will have".

3.4.3 The role of women in strategic leadership

Hitt *et al*, (2007:383) stated that many organisations have begun to utilise the potential of women as strategic leaders with substantial success and that many women are being selected for prominent strategic leadership positions. Organisations competing in the complex and demanding global economic environment can benefit from the appointment of females as strategic leaders, as diversity in leadership positions is critically important.

In the United States, only 1.2% of CEOs in the *Fortune* 500 companies are women (Hitt *et al*, 2003: 394). In South Africa, The Businesswomen's Association (BWA) initiated the 'Women in corporate leadership' census in 2004. This quantitative research examined the advancement of women in South Africa's major corporate and state-owned enterprises. The 2007 census measured 318 South African companies and, of these, 301 were JSE-listed companies with the remaining 17 being State Owned Enterprises (SOEs). The analysis was based on data available as at 30 September 2006. Key Findings of the 2007 Census are highlighted as follows:

- While women make up 51% of the adult population in South Africa, and only 42,9% of the working population, they constitute only 19,2% of all executive managers and only 13.1% of all directors in the country.
- Only 3.0% (nine of 301) of all JSE-listed companies have women chairs.
- Only 1.3% (four of 301) of all JSE-listed companies have female CEOs.
- Only 8.3% of JSE-listed companies have female directors.
- The largest (and oldest) South African industries have the lowest proportion of women directors, while more 'new economy' industries have a greater inclusion of women directors (www.bwasa.co.za, accessed 17 September 2007).

Despite evidence that the advancement of women as strategic leaders is being taken more seriously, South African organisations are not attracting and retaining enough female strategic leaders.

3.5 STRATEGIC LEADERSHIP AS A DRIVER OF STRATEGY IMPLEMENTATION

Strategy and leadership represent two sides of the same coin. Leadership in general, and specifically strategic leadership, are critical to ensuring that the strategies of organisations are effectively implemented (Maritz, 2003:241, 242). As stated in paragraph 3.2.4, strategic leadership can be defined as the "...ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary" (Hitt *et al*, 2007: 375).

Organisations need competent leaders who are able to translate strategy into actions and then results. Hsieh and Yik (2005:67-76) wrote: "The best-planned strategies are worthless if it can't be translated from concept to reality" and "...even the best strategy can fail if a corporation doesn't have a cadre of leaders with the right capabilities at the right levels of the organisation". These authors are of the opinion that one of the major reasons for the failure of strategy implementation efforts is that many organisations do not recognise the leadership capacity that new strategies will require, let alone treat leadership as the departure point of strategy. While most CEOs agree that leadership is important, few correctly assess the gap between the number of available leaders and those required in the organisation. Fewer still build the capabilities to develop leaders with the appropriate competencies required to effectively implement strategy. The failure to assess leadership capacity systematically, prior to implementing a selected strategy, can have significant negative consequences for an organisation. Clear and robust strategies can only be formulated and implemented when two essential criteria are in place. These criteria are an effective proven process that addresses the formulation, implementation and control of the strategy; and a leadership team that can meet the challenges presented in the volatile business environment. In addition, in order to implement strategy effectively and reduce the risk of strategic failure, organisations must consider ways in which to fill the leadership gap in the short-, medium- and long-term. In addition, leadership must be integrated with strategy formulation in order to match a portfolio of leaders with strategic opportunities.

According to Bass (2007:39), Canella and Monroe (1997) wrote that the successful implementation of strategies formulated by the CEO and top management will depend on their leadership and the quality of their relationships with managers and employees.

A change in strategy necessitates a change in leadership. Research by Rothschild (1996:17) confirmed this view and stated that, as the business environment changes, so does the choice of strategies in order to ensure alignment between the internal and the external environments of the organisation. Different types of strategies require different types of leadership styles:

- The implementation of a growth strategy will require a leader who is able to manage relationships.
- The implementation of a corporate combinations strategy requires a leader who is able to integrate different cultures and value systems and who is able to identify synergies, and who possesses a combination of people and task skills.
- The implementation of a decline strategy requires leaders who are task-orientated and who focus on reducing assets and costs.

Rothschild (1996:17) also found evidence of a correlation between the position of the organisation in its life-cycle and its required leadership style.

According to Bass (2007:38), there is interplay between the strategies formulated by the top management team, and what is required of them to implement the formulated strategy. As an example, a CEO who pursues a human assets strategy for the organisation, instead of one based on bureaucratic rules, will need to be more participative, consultative and considerate.

Ultimately, the successful transition from strategy formulation to the implementation of strategy depends on the strategic leaders of the organisation (Freedman and Tregoe, 2003:111; 117). Because strategy implementation is viewed as the prime responsibility of the strategic leaders of the organisation, strategic leaders must be personally and deeply engaged in the organisation and

must have an understanding of the business, the people and the environment (Bossidy and Charan, 2002:24).

It is only through effective strategic leadership that organisations are able to implement strategy effectively (Hitt *et al*, 2007:396). Strategic leaders and top management teams should be aware that reluctance or incompetence in crafting the process for implementing strategic change is the single most reliable predictor of its failure (Freedman and Tregoe, 2003:111; 117). Great leaders in top management positions are more likely to fail if they are not well versed in the conditions that affect the implementation of strategy (Hrebiniak, 2005:xviii). Effective strategic leaders are critical for the effective implementation of strategy. Ineffective strategic leaders and uncertain direction provided by top- and middle managers is one of the major problems experienced when the implementation of a strategy or strategies is attempted (Ehlers and Lazenby, 2004:178; 181). Strategic leadership is viewed as the most critical component required to effectively implement strategy. The process of implementing a chosen strategy or strategies requires a change in the internal environment of an organisation and effective strategic leaders are required to drive this change. A leader or leaders with a strong vision of the desired future and a willingness to guide the organisation towards achievement of this vision are required in order to affect the required change for the effective implementation of strategy. Such leaders are the strategic leaders of the organisation (Ehlers and Lazenby, 2004:178; 181).

Strategic leadership must, therefore, be biased towards strategy implementation and must drive the organisation forward towards the successful implementation of strategy (Hrebiniak, 2005:25).

Various authors and practitioners in strategic management highlight the importance of strategic leadership as a driver of strategy implementation:

- Thompson and Strickland (2003:355) emphasised the importance of strategic leadership as a key driver of effective strategy implementation and highlighted that successful strategy implementation depends on effective strategic leadership, among other factors. These authors discussed strategic

leadership as one of the principal strategy implementation tasks, more specifically, "...exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed".

- Hussey (1998:49) highlighted the importance of strategic leadership in strategy implementation and asserted: "The success of an organisation is at least as much related to the quality of leadership as it is to the formation of a superior strategy".
- Kaplan and Norton (2004:289) declared that leadership and, in particular, leadership to manage transformational change (strategic leadership) is a critical requirement for the effective implementation of strategy. The availability of qualified leaders at all levels of the organisation who are able to mobilise and sustain the transformation of the entire organisation is crucial for the effective implementation of strategy.

Effective strategic leadership is also critical for the effective evaluation or control of strategies. Effective strategic leaders are required to drive the strategy forward and to keep improving on how the strategy is implemented. Strategic leaders, therefore, also play a critical role in strategic control and continuous improvement efforts (Thompson and Strickland, 2003:357).

3.6 THE STRATEGIC LEADERSHIP ROLES REQUIRED TO ENSURE THE EFFECTIVE IMPLEMENTATION OF STRATEGY

Various authors discuss the roles required, and the responsibilities of, strategic leaders to ensure effective strategy implementation. Pearce and Robinson (2005:339) explained that strategic leadership is essential to the effective implementation of strategy and that strategic leadership involves:

- Embracing change: Leaders must stimulate commitment among all the internal and external stakeholders of the organisation to embrace change by clarifying strategic intent; designing an organisational structure to support strategy implementation; and "...shaping the culture..." of the organisation to ensure alignment with the chosen strategy.

- Recruiting and developing talented operational leaders. Strategic leaders have the responsibility of recruiting and developing managers with the required competencies to ensure the effective implementation of strategy.

Thompson and Strickland (2003:441) discussed the required roles of strategic leaders to ensure the effective implementation of strategy:

- Monitoring progress through regular contact with employees on all levels of the organisation.
- 'Shaping' the culture of the organisation through their behaviour as a means of mobilising and energising employees on all levels of the organisation to implement the strategy.
- Encouraging employees on all levels of the organisation to be responsive to the changing external environment.
- Exercising ethical leadership and insisting on socially-responsible corporate decision making.
- Taking corrective action and exercising continuous improvement to improve strategy implementation and overall strategic performance.

Thompson (1997:122, 123) stated that an effective strategic leader ensures that the organisation has a strategic vision and structure, which supports the effective implementation of strategy. He identified seven themes or key components of effective strategic leadership:

- strategic vision;
- governance and management;
- culture;
- structure and policies;
- communications network; and
- pragmatism.

Ehlers and Lazenby (2004:182) stated that various strategic leadership components play a key role in the process of implementing strategy. Strategic

leaders are typically responsible for the following activities related to the implementation of strategy:

- Establishing a strategic direction for the organisation in the form of a vision and/or mission statement in which as many as possible stakeholders have participated.
- Communicating the established strategic direction to employees and to the other internal and external stakeholders of the organisation.
- Motivating employees to achieve the strategic objectives which should be aligned with the established strategic direction of the organisation.
- Designing appropriate reward systems and structures which should be aligned with the strategy of the organisation.
- Developing and maintaining a culture to support the strategy of the organisation.
- Ensuring that the organisation continually incorporates ethical practices and the principles associated with good corporate governance into strategic and operational activities.

With specific reference to their role in strategy implementation, Bossidy and Charan (2002:57) discussed the following essential behaviours of strategic leaders:

- Know their people and their business.
- Insist on realism.
- Set clear goals and priorities.
- Follow through.
- Reward the 'do-ers'.
- Expand people's capabilities.
- Know themselves.

Ulrich *et al* (1999:6) focussed on achieving organisational results through the attributes of strategic leaders and categorised these attributes into four broad categories:

- Set direction: Positioning their organisation for and towards the future.
- Mobilise individual commitment: Turning the vision of the organisation into accomplishment by engaging others.
- Engender organisational capability: Building the processes, practices and activities that create value for the organisation.
- Demonstrate personal character: Living their personal values as well as those of the organisation.

Bass (2007:36) stated that strategic leaders play, amongst others, the following important roles in an organisation:

- Looking forward in time to set a direction for the organisation.
- Making and communicating decisions for their organisation's future.
- Scanning and scoping the business environment of the organisation.
- Formulating the organisation's goals and strategies.
- Developing structures, process controls and core competencies for the organisation.
- Choosing key executives and grooming the next generation of executives.
- Maintaining an effective organisational culture.
- Sustaining a system of ethical values.

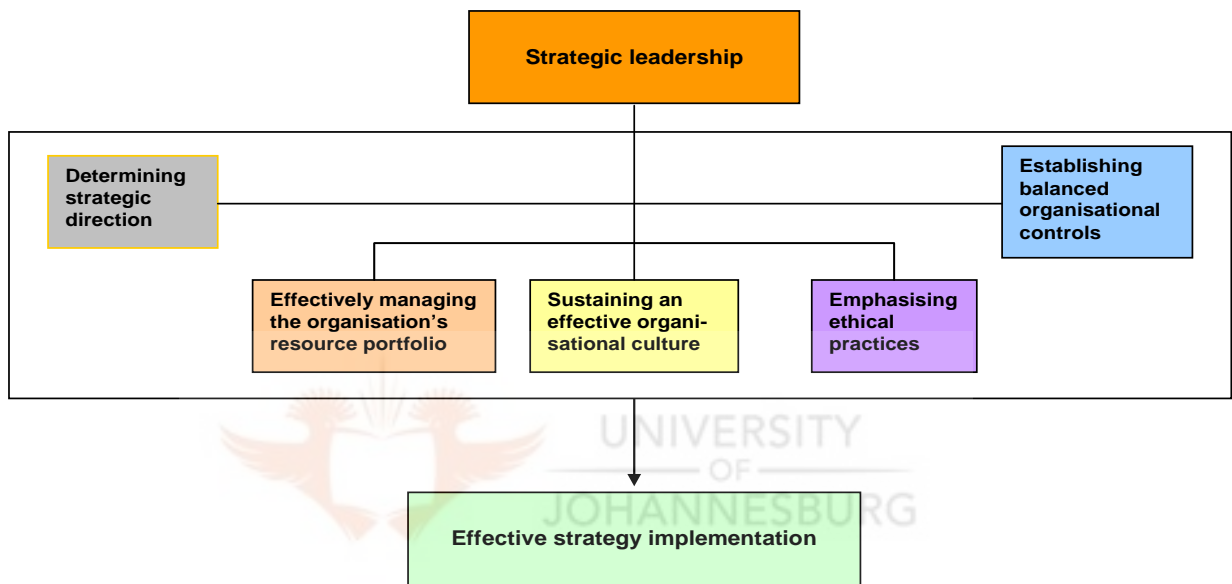
Hitt *et al* (2007:384) agreed with many of the above-mentioned strategic leadership roles and argued that strategic leadership that positively contributes to the effective implementation of strategy has the following components:

- Determining strategic direction.
- Effectively managing the organisation's resource portfolio.
- Sustaining an effective organisational culture.
- Emphasising ethical practices.
- Establishing balanced organisational controls.

Hitt *et al* (2007:384) stated that the above-mentioned actions characterise strategic leaders who are able to positively contribute to the effective implementation of an organisation's strategies. Many of these components interact

with each other. For example, developing human capital through executive training contributes to establishing strategic direction which, in turn, fosters an effective organisational culture, a means to exploit core competencies, the use of effective organisational control systems and the establishment of ethical practices. Figure 3.2 diagrammatically depicts selected competencies of strategic leaders and their role in the implementation of strategy.

Figure 3.2: Selected strategic leadership components



Source: Adapted from Hitt *et al* (2007:395).

A study by Hagen *et al* (1998:39-44) of 1000 randomly-selected CEOs from organisations throughout the United States found that the respondents ranked the importance of the above-mentioned strategic leadership actions as follows:

1. Determining the organisation's strategic direction (93%).
2. Developing human capital (91%).
3. Exploiting and maintaining core competencies (89%).
4. Sustaining an effective organisational culture (87%).
5. Emphasising ethical practices (85%).
6. Establishing organisational controls (83%).

The percentages in brackets indicate the percentage of respondents who either 'Strongly agreed' or 'Agreed' with the ranking.

Many other authors discuss components of effective strategic leadership practices. The factors mentioned by Hitt *et al*, feature in many of these discussions. As an example, Beer and Eisenstat (2000:29) stated that some of the components of strategic leadership that are required for formulating and implementing an effective strategy are:

- Top-down direction which accepts upward influence.
- Clear strategies and priorities.
- An effective top management team with a general management orientation.
- Open vertical communication.
- Effective co-ordination.
- Allocation of clear accountability and authority to middle management.

Bass (2007:42) wrote that effective strategic leadership practices include:

- Focussing attention on outcomes and processes.
- Seeking to acquire and leverage knowledge.
- Fostering learning and creativity.
- Improving work flows by giving attention to relationships.
- Anticipating internal and external environmental changes.
- Maintaining a global mindset.
- Meeting the interests of multiple stakeholders.
- Building for the long-term, while meeting short-term needs.
- Developing human capital.

Chapter 4 will focus on a detailed discussion of the role of the actions of strategic leaders in the implementation of strategy as depicted in figure 3.2.

3.7 CONCLUSION

This chapter focussed on a discussion of the concept of strategic leadership within the strategic management context. Most definitions of leadership assume an influencing process aimed at facilitating the achievement of a collective task or goal. Leadership exists at the team, operational and strategic levels. Strategic leadership refers to a leader's ability to anticipate, envision and maintain flexibility and to empower others to change. Strategic leaders can have an influence on organisational success. The role of strategic leaders as members of the board of directors and the top management team, succession of strategic leaders and the important role of women as strategic leaders are three of the pertinent issues in strategic leadership. Strategic leadership is a key driver of strategy implementation and strategic leaders perform various roles that positively contribute to the effective implementation of strategy.



CHAPTER 4

THE ROLE OF SELECTED STRATEGIC LEADERSHIP ACTIONS IN STRATEGY IMPLEMENTATION

4.1 INTRODUCTION

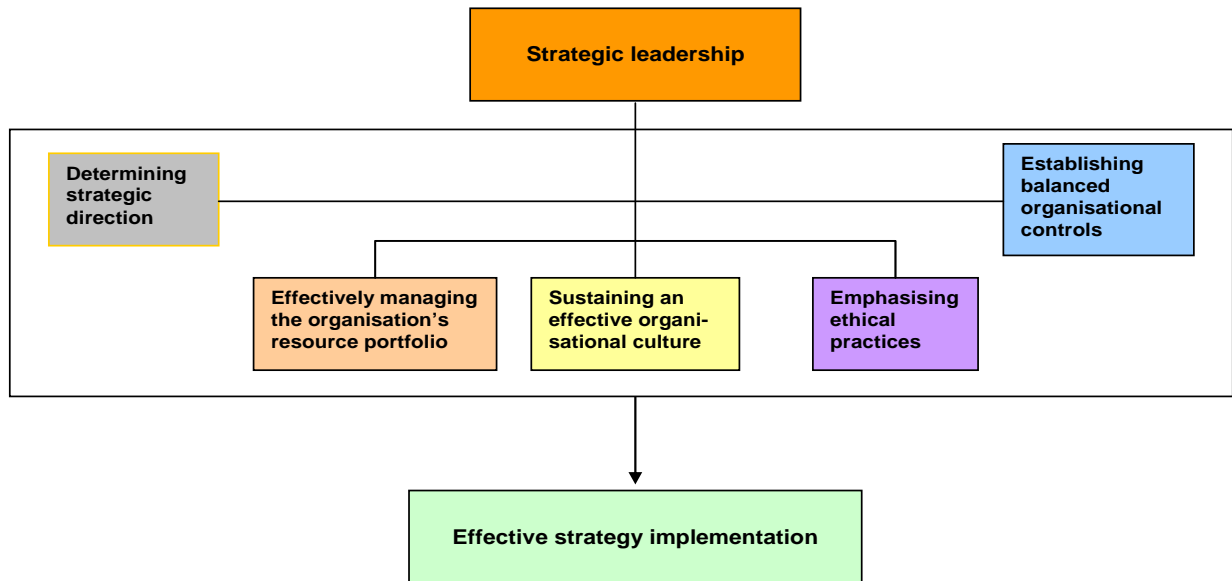
Chapter 3 dealt with strategic leadership. This chapter focuses on a discussion of each of the selected strategic leadership actions identified in chapter 3 and their role in the effective implementation of strategy. Effective strategic leadership is characterised by several identifiable key actions, which, in turn, positively contribute to the effective implementation of strategy (Hitt *et al*, 2007:385).

The role of each of the following strategic leadership actions in strategy implementation will be discussed in the paragraphs that follow:

- determining strategic direction (paragraph 4.2);
- effectively managing the organisation's resource portfolio (paragraph 4.3);
- sustaining an effective organisational culture (paragraph 4.4);
- emphasising ethical practices (paragraph 4.5); and
- establishing balanced organisational controls (paragraph 4.6).

Figure 4.1 diagrammatically depicts the selected strategic leadership actions that play a role in the effective implementation of strategy.

Figure 4.1: The role of selected strategic leadership actions in strategy implementation¹



Source: Adapted from Hitt *et al* (2007:385).

4.2 DETERMINING STRATEGIC DIRECTION

This paragraph deals with the following:

- Determining strategic direction as a strategic leadership role.
- Defining strategic direction.
- The role of determining strategic direction in the implementation of strategy.

4.2.1 Determining strategic direction as a strategic leadership role

Hitt *et al* (2007:385) proposed the strategic leadership framework depicted in figure 4.1. A study of 1000 randomly-selected CEOs from organisations throughout the United States done by Hagen *et al* (1998:39-44) explored the components of this framework and examined the CEOs' perceptions of the ranking of the importance of the components of the framework. The findings of their study are presented in table 4.1.

¹ Hitt *et al* (2007: 395) view "exploiting and maintaining core competencies"; "developing human capital"; and "developing social capital" as "effectively managing the firm's resource portfolio".

Table 4.1: American CEOs' perceptions of the importance of strategic leadership roles.

Strategic leadership role	Proposed Ranking	Percentage of respondents that either 'strongly agree' or 'agree' with the ranking
Determining strategic direction	1	93
Developing human capital	2	91
Exploiting and maintaining core competencies	3	89
Sustaining an effective organisational culture	4	87
Emphasising ethical practices	5	85
Establishing organisational controls	6	83

Source: Adapted from Hagen *et al* (1998:39-44).

It is evident from table 4.1 that the respondents ranked "determining strategic direction" as the most important strategic leadership role. It is widely accepted that determining the organisation's strategic direction is the major responsibility of a strategic leader (Bennis and Nanus, 1985:89; Rotemberg and Saloner, 2000:693; Hitt *et al*, 2007:385).

In addition, according to Bass (2007:38), studies of 1500 CEOs from the USA, Western Europe, Latin America and Japan by Konn/Ferry International in 1988 and Columbia University in 2000, found that almost all of the respondents agreed that it is very important for the CEO to convey a vision of the organisation's future.

4.2.2 Strategic direction defined

Various definitions of organisational strategic direction are offered in the literature (Ireland and Hitt, 1999:48) and many terms categorise the strategic direction of an organisation.

These terms include:

- vision;
- mission; and
- strategic intent.

Although these terms have slightly different meanings, in practice, they all involve the strategic leaders determining the strategic direction of an organisation in such a manner that it encourages participation from all stakeholders and leads to the allocation of resources to support the achievement of this desired future position (Ulrich *et al*, 1999:6). Many organisations base their strategic planning process on one or more of these concepts, while others combine some of the elements of these statements into one overarching statement. Although these terms are related and tend to overlap, each provides a different approach to determining the strategic direction of an organisation (Ehlers and Lazenby, 2004:47).

Vision, mission and strategic intent are three of the most widely-used tools to determine the strategic direction of an organisation. A study by Bain and Company, an international management-consulting organisation, found that, in the year 2000, vision and mission statements were the second most popular management tools worldwide. Strategic planning occupied the first place. Recently, organisations have also started to use strategic intent as a tool for determining strategic direction (Ehlers and Lazenby, 2004:47). Despite the importance of vision and mission statements in strategic management, many organisations have not yet developed a formal vision or mission statement (David, 1989:90-92; Pearce and David, 1987:110).

A vision statement answers the question: “What do we want to become?”, and serves as a roadmap for determining the strategic direction of the organisation (David, 2001:50; Kaplan and Norton, 2004:32). The vision statement is also referred to as a ‘dream’, ‘perfect future’, or ‘enduring promise’ (Ehlers and Lazenby, 2004:49). Bennis and Nanus (1985:89) defined leadership in terms of the capacity to create a compelling vision, to translate it into action, and to sustain it in the long-term.

The mission statement is derived from the vision statement and deals with the question: “What is our business and what sets us apart from other similar organisations?” A mission statement describes an organisation’s product, market and technological areas of emphasis in such a way that it reflects the values and philosophies of the strategic leaders (Pearce and Robinson, 2005:26). The mission statement must provide the basis for strategic decision making and acts as a foundation for the formulation of long-term goals, as well as the selection, implementation and control of strategies. The mission statement should also address the claims of internal- and external stakeholders of the organisation, as required by the King II Report on corporate governance in South Africa (Ehlers and Lazenby, 2004:52).

Thompson and Strickland (2003:6) differentiated between vision and mission statements and explained that the main concern of the vision statement is with an organisation’s future business scope, in other words, “Where we are going?”, whereas the mission statement deals with an organisation’s present business scope, in other words, “Who are we and what we do?”. Lipton (1996:83-82) was of the opinion that a vision differs from mission, goals and objectives in the sense that it does not fluctuate with changes in the business environment, as is the case with the mission statement. Instead, it serves as an enduring statement.

In the opinion of Hamel and Prahalad (1989:63-77), “...strategic intent...” is a critical ingredient of the strategic direction of successful organisations. According to these authors, strategic intent “...envisions a desired leadership position and establishes the criterion the organisation will use to chart its progress”. Strategic intent is, therefore, about setting an ambitious organisation-wide goal, which focuses on success in the long-term. Strategic intent can impact on the strategic direction of the organisation as it provides a sense of direction and purpose to employees on all levels of the organisation, it drives strategic decision making, and it provides a basis for resource allocation. Strategic intent, therefore, refers to leveraging the organisation’s internal resources, capabilities, and core competencies to accomplish what may, at first, appear to be unattainable goals in the competitive environment.

4.2.3 The role of determining strategic direction in the implementation of strategy

Determining the strategic direction of the organisation is viewed as one of several identifiable strategic leadership actions that positively contribute to the effective implementation of strategy (Dyck, Mauws, Starke and Mischke, 2002:143; Hitt *et al*, 2007:385). The following paragraphs will provide a motivation on the important role of determining strategic direction in the implementation of strategy.

(a) Determining strategic direction is an important component of the strategic management process

Determining the strategic direction of an organisation is widely regarded as the first step in the strategic management process, and one that precedes the implementation of strategy and strategic control (David, 2001:5; Pearce and Robinson, 2005:3; Thompson and Strickland, 2003:7). It is necessary to determine the strategic direction of the organisation prior to formulating an appropriate strategy for an organisation. The formulation of strategy, therefore, begins with determining the strategic direction of the organisation.

The formulation of strategy and the implementation of strategy are part of an integrated strategic management process. The formulation of strategy (including determining the strategic direction of the organisation) and the implementation of strategy, are interdependent processes. Determining the strategic direction of the organisation affects the implementation of strategy, and the implementation of strategy or the lack of implementation efforts can, in turn, have an impact on the future direction of the organisation (Hrebiniak, 2005:8-9).

(b) The relationship between strategic direction and the implementation of strategy

The chosen strategic direction, the related strategy and the assumptions upon which this would have been based have an impact on the effectiveness of strategy implementation efforts. The effective implementation of strategy is, therefore,

dependent on the effective formulation of strategy, with the critical component being an understanding of the strategic direction of an organisation. Determining strategic direction, and the requisite skills and capabilities necessary to achieve this direction, is critical for success in strategy implementation efforts. Strategy defines the arena (customers, markets, technologies, products and logistics) necessary for the implementation of strategy and, without the guidance of the formulated strategy, and in particular the strategic direction, the implementation of strategy is doomed to failure (Hrebiniak: 2005:23).

The entire process involved in implementing strategy should be aimed at achieving the strategic direction of the organisation. Effective implementation of the current strategy, or the lack thereof, can have an impact on the choice of the future strategic direction of organisation. Therefore, when the strategic direction of the organisation is determined, it is critically important that strategic leaders consider strategy implementation issues and challenges (Hrebiniak, 2005:8-9; Ehlers and Lazenby, 2004:7).

The effective implementation of strategy is required to shift an organisation from its present position to its desired future state. The chosen strategic direction will have an impact on resource allocation, organisational structuring, human capital management, and other tasks related to the effective implementation of strategy. A change in strategic direction may require that changes be made in the internal organisational environment in order to achieve the strategic direction. Organisations need strategic leaders with a strong vision of the desired future and a willingness to guide the organisation towards achievement of this vision in order to affect the required internal changes to effectively implement strategy (Ehlers and Lazenby, 2004:181).

4.3 EFFECTIVELY MANAGING THE ORGANISATION'S RESOURCE PORTFOLIO

It is evident from figure 4.1 that effective management of an organisation's resource portfolio is a critical strategic leadership action. Hitt *et al* (2007:385) believed that effective management of an organisation's portfolio of resources is

“...probably the most important task for strategic leaders”. In addition, it is evident that effective management of the organisation’s resource portfolio plays an important role in the effective implementation of strategy (Dyck *et al*, 2002:143; Hitt *et al*, 2007:384). Leaders at all levels of the organisation must acquire, develop, and effectively manage resources in order for their organisations to be successful in the dynamic, uncertain and complex competitive environment (Hitt and Ireland, 2002:3).

4.3.1 The organisation’s resource portfolio

Strategic management is concerned with aligning the internal resources of the organisation to the opportunities that arise in the external environment in order to maximise wealth, survive in the long-term and achieve above-average returns. Most developments in the field of strategic management during the 1980s focussed on the competitive position of the organisation in the business environment. During the 1990s there was a changing emphasis in strategic management, away from the interface between strategy and the external environment, towards the interface between strategy and the internal organisational environment (the resources and capabilities of the organisation). The role of organisational resources and capabilities in the strategy of the organisation and as the basis of competitive advantage emerged into what became known as the “...resource-based view of the firm” (Grant, 2002:132).

The Resource-Based View of the firm (RBV) is a dominant theoretical approach in the field of strategic management. This approach highlights the link between organisational resources and competitive success. Central to the RBV is the argument that organisations with the most valuable and rare resources gain a competitive advantage. In addition, if the valuable and rare resources are also difficult to imitate and not easy to substitute, the competitive advantage that has been achieved can also be maintained in the long-term (Barney, 1991:99-120). However, Hitt and Ireland (2002:3) argued that merely possessing these resources is an insufficient position from which to achieve and maintain a competitive advantage. Resources must be effectively managed and the essence of strategic leadership is managing the resource portfolio of the organisation.

According to Barney and Hesterly (2006:76-77), an organisation's internal resources can be classified into four broad categories:

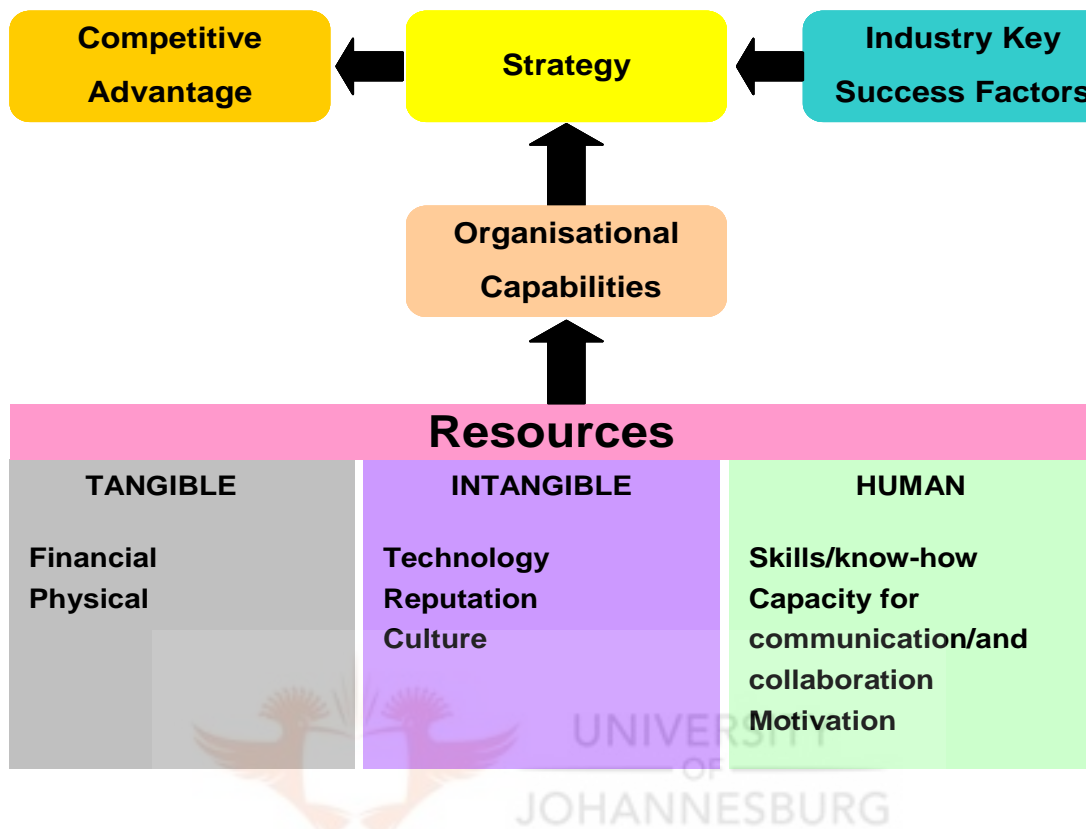
- **Financial resources:** The financial capital that organisations use to formulate and implement strategies, which includes cash from entrepreneurs, equity holders, bondholders, and financial institutions, as well as retained earnings.
- **Physical resources:** The physical technology used in an organisation, which includes the plant and equipment, location, and access to raw materials required by an organisation.
- **Human resources:** Includes the training, experience, judgement, intelligence, relationships, and insight of managers and employees in the organisation.
- **Organisational resources:** The attributes of groups of individuals in the organisation, which includes the organisation's planning, structure, controlling and co-ordinating systems, culture, reputation, and informal relationships among groups in the organisation.

In their discussion on the Resource-Based View of the firm (RBV), Barney and Hesterly (2006:76) distinguished between the terms 'resources' and 'capabilities':

- **Resources:** "...the tangible and intangible assets that a firm controls, which it can use to conceive and implement strategies".
- **Capabilities:** "...tangible and intangible assets that enable a firm to take full advantage of other resources it controls". Capabilities enable leaders in an organisation to formulate and implement strategies. Some examples of capabilities include marketing skills, teamwork and co-operation among managers.

In his discussion on RBV, Barney (1991:99-120) claimed that an organisation is essentially a pool of resources and capabilities and that these resources and capabilities are essentially the primary determinants of the formulation, implementation, and control of the strategy of the organisation. Figure 4.2 indicates the relationships between resources, capabilities, strategy, and competitive advantage in an organisation.

Figure 4.2: The links between resources, capabilities and competitive advantage



Source: Grant (2002:139).

It is evident from figure 4.2 that resources lead to organisational capabilities that impact on the formulation and implementation of strategy. An organisation can achieve a competitive advantage within a given industry provided these resources are utilised effectively.

Pearce and Robinson (2005:151) and Grant (2002:139) discussed the three basic resources that can create the foundation for distinctive competitive advantage in an organisation, namely, tangible assets, intangible assets and organisational capabilities.

- **Tangible assets:** The physical and financial means used by an organisation to deliver value to its customers, which includes production facilities, raw materials, financial resources, property and electronic equipment. These

assets are included in the financial statements of the organisation, particularly in the balance sheet.

- **Intangible assets:** Less visible than tangible assets and cannot be touched. They are, however, critical for creating a sustainable competitive advantage and, for most organisations, contribute more to total asset value than tangible resources. These assets are largely invisible in financial statements. Because these assets are less visible, competitors may find it more difficult to acquire or imitate them which makes it a more lasting basis for competitive advantage. Intangible assets include brand names, reputation, organisational morale, technical knowledge, patents and trademarks.
- **Organisational capabilities:** Grant (2002:145) defined organisational capabilities as: "...a firm's capacity for undertaking a particular productive activity". Organisational capabilities are not specific inputs like tangible or intangible assets, they are, instead, skills and processes in an organisation. Organisational capabilities refer to the ability of the leaders of an organisation to combine assets, people and processes to transform inputs to outputs. Human capital (the skills, knowledge and values of employees) is the basis for organisational capabilities. Human capital combines the tangible and intangible assets of the organisation to create value from them and to convert them into core competencies or distinctive organisational capabilities. For this reason, human capital and the development of human capital are increasingly viewed as among the most significant organisational capabilities and sources of competitive advantage.

The following paragraphs will discuss core competence, human capital, and social capital as organisational resources.

(a) Core competence

In this chapter, the terms 'capability' and 'core competence' will be treated as synonyms. Grant (2002:145) remarked that the literature uses the terms 'capability' and 'competence' interchangeably. According to Grant (2002:145),

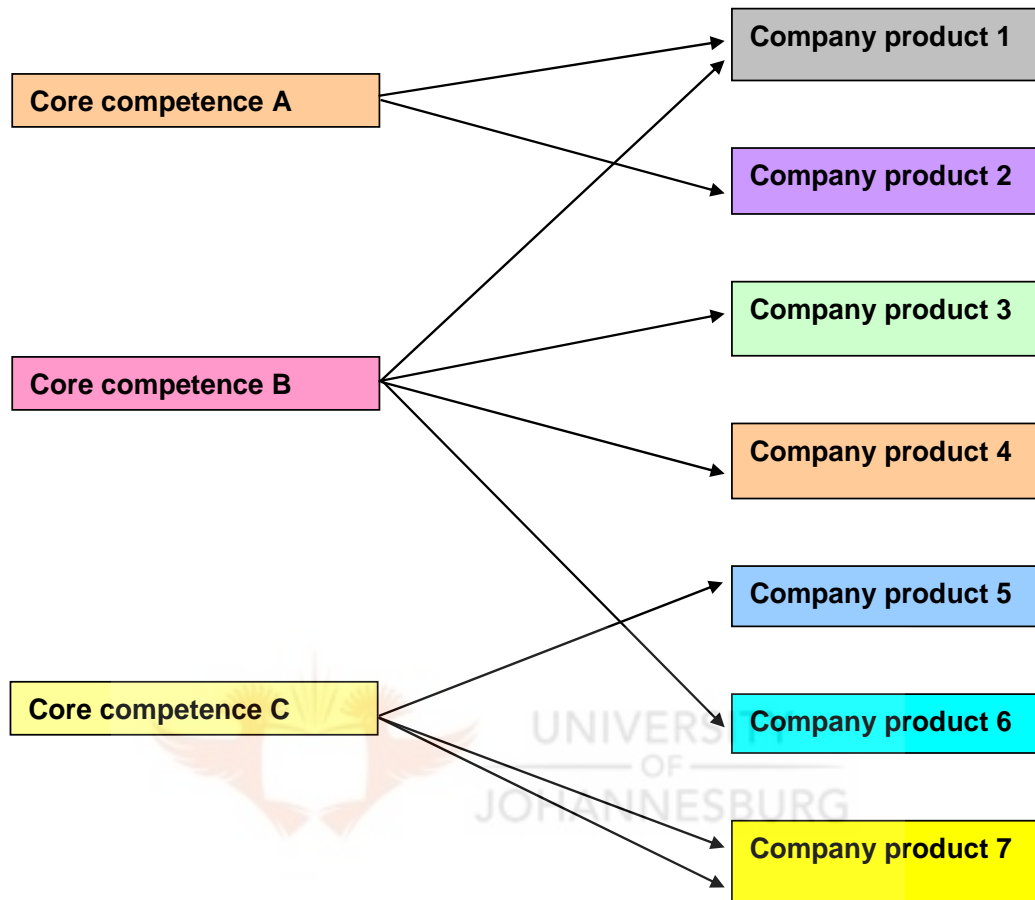
Hamel and Prahalad (1992) wrote that “...the distinction between competencies and capabilities is purely semantic”, and that Hamel and Prahalad (1992) coined the term “core competence” to distinguish those organisational capabilities, which:

- are fundamental to an organisation’s strategy and performance;
- make a disproportionate contribution to ultimate customer value, or to the efficiency with which that value is delivered; and
- provide a basis for entering new markets.

Hitt *et al* (2007:17) defined core competencies as “...the capabilities that serve as a source of competitive advantage for a firm over its rivals”. Core competencies typically involve the functional skills of an organisation, which includes production, finance, marketing, and research and development. Thompson and Strickland (2003:122) defined **core competence** as “...something that a company does well relative to other internal activities”...and “...gives a company competitive capability and thus qualifies as a genuine company strength and resource”. In turn, **distinctive competence** refers to “...something a company does well relative to competitors”. A core competence only becomes a basis for competitive advantage if it is regarded as a distinctive competence.

According to Lynch (1997:258), Hamel and Prahalad (1994) explored the area of core competencies in detail and defined a core competence as “...a group of production skills and technologies that enable an organisation to provide a particular benefit to customers”. Core skills are a basic fundamental resource of the organisation, while core competence refers to an integration of skills, knowledge and technology, which, in turn, leads to core products which form the basis of the business of an organisation. Figure 4.3 details how core competence can link to the main business of an organisation.

Figure 4.3: How core competence can link to the main business of an organisation



Source: Hamel and Prahalad (1994) in Lynch (1997:259).

According to Lynch (1997:259), Hamel and Prahalad (1994) suggested that there are three areas that distinguish the major core competencies:

- **Customer value:** This core competence makes a real impact on how the customer perceives the organisation and its products or services.
- **Competitor differentiation:** This core competence differentiates the organisation from its competitors in the industry.
- **Extendable:** The extent to which a core competence is capable of providing the basis of products or services that go beyond those currently available in order to exploit it throughout its operations.

In summary, Lynch (1997:261) stated that core competence may be a difficult concept for an organisation to quantify. Core competencies do, however, represent a real basis for the development of competitive advantage.

(b) Human capital

Hitt and Ireland (2002:4) stated: "...in today's knowledge-based economy, human capital may be the most important resource in corporations of all types" This importance is true in old economy organisations (for example, manufacturing) and new economy organisations (for example, Internet-based retailers). Hitt, *et al* (2001:13-28) were of the opinion that as the dynamics of competition accelerate, human capital is perhaps the only truly sustainable source of competitive advantage. According to Gratton, Hope-Hailey, Stiles and Truss (1999:17) the source of sustainable competitive advantage lies not only in access to financial and capital resources, but in the people who are capable of effectively implementing the strategy of the organisation and the processes employed in the organisation.

Various definitions exist for the term 'human capital'. Hitt *et al* (2007:388) defined human capital as "...the knowledge and skills of a firm's entire workforce". Kaplan and Norton (2004:13) defined it as "...employees' skills, talent, and knowledge", while Ulrich *et al* (1999:55) proposed the following definition for human capital:

Human capital = employee capability x employee commitment.

This equation suggests that human capital is the result of the knowledge, technical and interpersonal skills of employees as well as their level of motivation and productivity.

Along with structural capital, human capital denotes an organisation's entire intellectual capital (Hitt and Ireland, 2002:4). Human capital is reflected by an individual's education, experience and specific identifiable skills (Hitt *et al*, 2001:13-28). Structural capital "...consists of everything that remains when the employees go home – that is, the infrastructure that supports the company's

human capital, including the information technology and physical systems to transmit intellectual capital” (von Krogh, Ichijo and Nonaka, 2000:92-93).

Gratton (2000:xiii) made the following propositions with respect to human capital:

- Fundamental differences exist between human capital and traditional tangible assets, including finance or technology.
- An understanding of these differences creates a whole new mindset in the organisation.
- Corporate and business strategies can only be effectively implemented through people.
- Creating a strategic approach to human capital requires strong dialogue across all functional areas of the organisation.

Human capital is often enhanced through social capital (Lepak and Snell, 1999:31-48).



(c) Social capital

Social capital involves the relationships between individuals and organisations that facilitate action and create value for customers and shareholders (Adler and Kwon, 2002:17-40). Strategic leaders must be concerned with social capital within their units and organisations (internal social capital), as well as with social capital outside the organisation (external social capital).

- Internal social capital is concerned with the relationships between strategic leaders and their followers as well as co-operation between functional units and employees.
- External social capital refers to relationships between strategic leaders with other organisations and external stakeholders in order to gain access to the limited resources and capabilities that the organisation needs to compete effectively (Hitt and Ireland, 2002:5).

4.3.2 The role of effectively managing the organisation's resource portfolio in the implementation of strategy

The effective implementation of strategy is dependent on organisational capabilities as well as competent people (Thompson and Strickland, 2003:359). Hitt *et al* (2007:397) declared that the ability to manage the resource portfolio of an organisation is a critical strategic leadership action that plays an important role in the effective implementation of strategy. The ensuing paragraphs will discuss the role of each of the identified organisational resources in the implementation of strategy.

(a) The role of exploiting and maintaining the organisation's core competence in the implementation of strategy

Core competence plays an important role in strategy implementation. In this regard, Thompson and Strickland (2003:257) claimed that "...building an organization..." is one of the principal tasks for the implementation of strategy. This involves creating an organisation with the core competence to effectively implement the strategy. Ulrich *et al* (1999:84) stated that core competencies serve as the key to the transition from the formulation of strategy to the implementation of strategy.

The core competence of an organisation must continuously be aligned with the demands of the changing external environment and the organisation's strategy in order to ensure the effective implementation of strategy (Thompson and Strickland, 2003:369). Different strategies demand different sets of core competencies (Hrebiniak, 2005:89-91). One of the major reasons for failures in strategy implementation efforts is the fact that strategic leaders do not make a realistic assessment of whether the organisation has the core competencies required to implement the chosen strategy (Bossidy and Charan, 2002:169).

In addition, strategic leaders must ensure that the core competencies of the organisation are continuously emphasised during the implementation of strategy (Hitt *et al*, 2007:385). Whereas the formulation of strategy requires the strategic

leaders of the organisation to select the core competencies to support the strategy, the implementation of strategy requires building and strengthening the core competencies of the organisation (Thompson and Strickland, 2003:367). An organisation's core competencies can be eroded by time and competition and strategic leaders must, therefore, continuously invest in, and upgrade, the core competencies of the organisation in order to create and maintain a competitive advantage (Collis and Montgomery, 1995: 118-128).

Lastly, core competencies, and the management of these competencies, have an effect on organisational performance. According to Hrebiniak (2005:90), a study by himself and Charles Snow examined the relationship between strategy and distinctive competence, and its effect on organisational performance in 88 organisations across four different industries. This study validated the following two hypotheses:

- Strategy demands investments in, and development of, specific competencies or capabilities consistent with the chosen strategy.
- Organisations that invest in, and develop, competencies and capabilities that are consistent with the chosen strategy, will outperform those in which the requisite competencies and capabilities are not developed.

(b) The role of developing human capital in the implementation of strategy

Human capital and the development thereof are regarded as a key driver of effective strategy implementation (Pearce and Robinson, 2005; Kaplan and Norton, 2004; Raps, 2004; Thompson and Strickland, 2003; Bossidy and Charan, 2003; Gratton *et al*, 1999; Ulrich *et al*, 1999). Recent research indicates that human capital is progressively becoming the key success factor in the implementation of strategy and organisational performance (Raps, 2004; Kaplan and Norton, 2004; Gratton, 2000). Talented employees with the required knowledge, skills and values are a resource that drive the effective implementation of strategy and are also a source of competitive advantage (Thompson and Strickland, 2003:361).

In order for strategic leaders to effectively implement strategies, they need to align human capital and other intangible assets of the organisation with the chosen strategy (Kaplan and Norton, 2004:200-203). Strategic leaders must ensure that the organisation has the right quantity and quality of human capital to effectively implement the strategy. Strategic leaders should assess the current leadership pool to determine the competencies they will require in future in order to effectively implement the strategy of the organisation. The gap between the current competencies and the required competencies should be addressed through continuous development of human capital. The HR function can also contribute to the effective implementation of strategy by ensuring that the correct people are recruited and developed (Bossidy and Charan, 2003:141).

Effective training and development programmes are critical for the development of strategic leaders and increase the probability that managers will become effective strategic leaders capable of effectively implementing strategy. In addition, developing human capital is vital to the effective execution of strategic leadership as it contributes to improving the skills that are critical for the effective execution of the other strategic leadership actions, namely, determining the organisation's strategic direction, exploiting and maintaining core competencies, developing an organisational culture that emphasises and supports ethical practices and establishing balanced organisational controls. Strategic leaders must also develop the skills required to develop human capital in their area of responsibility (Hitt *et al*, 2007:388).

Training and development should focus on developing the knowledge, skills and values required to effectively implement the strategy of the organisation. Training and retraining is particularly important when the organisation moves towards implementing a new strategy that requires different knowledge and skills from the workforce. In addition, in industries where technical know-how is changing so rapidly that organisations are likely to lose their ability to compete unless the workforce have cutting edge knowledge and skills, training and development are even more critical to the effective implementation of strategy . Effective strategy implementers ensure that the training function is aligned with the strategy of the organisation, and that training programmes are well-funded and effective (Pearce

and Robinson, 2005:318). The learning strategy of an organisation should be based on the capabilities and competencies required to implement the chosen strategy (Bossidy and Charan, 2003:77).

Strategic leaders have a role to play in coaching and developing employees' competencies and capabilities in order to ensure that the strategy is effectively implemented (Kaplan and Norton, 2004:296; Bossidy and Charan, 2003:77).

Pearce and Robinson (2005:343) mentioned that recruiting and developing talented operational leaders is one of the critical strategic leadership actions that drives the effective implementation of strategy. The contemporary business environment places demands on young managers to develop the competencies required in order to implement the strategy of the organisation. The ability to develop human capital is regarded as one of the most desired leadership competencies. The "...leadership competency model..." of Kaplan and Norton (2004:291) focuses on the specific competencies desired from leaders to contribute to the effective implementation of strategy. These competencies are as follows:

- **Create value:** the leader delivers financial and operational results.
- **Execute strategy:** The leader mobilises and guides the process of change to effectively implement strategy.
- **Develop human capital:** The leader develops the competencies required to effectively implement the chosen strategy.

Ulrich *et al* (1999:191) explained that the development of human capital, and specifically leadership development, can lead to the achievement of organisational results in the following areas:

- Employee results: employee capability and commitment.
- Organisational results: learning, speed and accountability.
- Customer results: customer intimacy and value propositions.
- Investor results: increasing shareholder value by reducing costs, by

increasing growth, or by increasing management equity.

These authors highlighted that the ultimate responsibility for leadership development rests with the strategic leaders of the organisation and they suggested that effective leadership requires connecting the attributes of leaders (what leaders need to know) with the desired organisational results (what leaders need to do). Leadership development should focus, firstly, on those results required to effectively implement the strategy of the organisation and then on how to identify and develop those attributes required to achieve the desired organisational results (Ulrich *et al*, 1999:203).

(c) The role of developing social capital in the implementation of strategy

As mentioned in paragraph 4.3.1(c), social capital refers to the relationships inside and outside the organisation that assist the leaders of the organisation to accomplish tasks and create value for customers and shareholders.

Effective internal social capital enables the members of the organisation to collaborate in ways that can contribute to creating and using competitive advantage in the organisation (Cross, Nohria and Parker, 2002: 67-75). Organisations comprise many units, each with their own specialised responsibilities and tasks. Effective co-ordination and integration of these units is necessary for the effective implementation of strategy. However, such co-operation requires strategic leaders to work closely with individuals and teams in other organisational units (Hitt and Ireland, 2002:6).

External social capital has also become critical to the effective implementation of strategy. Few organisations have all the resources to compete in domestic and international markets. Strategic leaders are, therefore, often required to establish alliances with other organisations in order to gain access to these resources (Hitt and Ireland, 2002:6).

Retaining qualified human capital and maintaining strong internal capital can be strongly affected by the culture of the organisation. (Hitt *et al*, 2007:389).

4.4 SUSTAINING AN EFFECTIVE ORGANISATIONAL CULTURE

The key to the effective implementation of strategy is to align the values and related behaviours of employees on all levels of the organisation with the defined strategic direction. This can only be done once a strategic direction has been determined and the organisational resources have been established. As indicated in figure 4.1, sustaining an effective organisational culture is viewed as one of several identifiable strategic leadership actions that positively contribute to the effective implementation of strategy (Dyck *et al*, 2002:143; Hitt *et al*, 2007:385). Organisational culture can be a source of competitive advantage for an organisation as it influences the way in which an organisation conducts its business and regulates and influences the behaviours of employees on all levels of the organisation (Gupta and Govindarajan, 2000: 71-80; Fiol, 1991:191-211; Barney, 1986:656-665; Hitt *et al*, 2007:389).

4.4.1 Organisational culture defined

According to Kaplan and Norton (2004:287), Reichers and Schneider (1990) wrote that organisational culture arose from anthropology and that it identifies the symbolism, myths, stories and rituals embedded in the organisational consciousnesses or sub-consciousness. Table 4.2 presents various definitions for organisational culture.

Table 4.2: Organisational culture defined

Definition	Author (s)
“Organisational culture is the set of important assumptions (often unstated) that members of an organisation share in common.”	Pearce and Robinson (2005); Handy (1993).
“An organisational culture consists of a complex set of ideologies, symbols, and core values that are shared throughout the firm and influences the way business is conducted.”	Hitt <i>et al</i> (2007).

Definition	Author (s)
Corporate culture "...refers to a company's values, beliefs, business principles, traditions, ways of operating and internal work environment".	Thompson and Strickland (2003).
"Culture reflects the predominant attitudes and behaviors that characterize the functioning of a group or organization."	Kaplan and Norton (2004).
Culture is "...the combined effect of behaviors, values, heritage, thinking, and relationships and the way these are embedded in an organization and its performance".	Freedman and Tregoe (2003).
An organisation's culture is "...the sum of its shared values, beliefs, and norms of behaviour".	Bossidy and Charan (2002).

The beliefs and practices that become embedded in the culture of the organisation can originate from an influential individual, work group or department in the organisation. The culture of an organisation can often originate from its founder or certain strong strategic leaders who would have defined and sustained them over time (Kotter and Heskett, 1992:7).

Handy (1993:183-191) described four main types of organisational cultures as follows:

- **The power culture**, which depends on a single source of power and influence originating from a central figure.
- **The role culture**, often stereotyped as a bureaucracy, works by logic and rationality and which is built on strong functional areas.
- **The task culture**, which is job-orientated or project-orientated, seeks to bring together the correct resources and people, and uses the unifying power of the group.
- **The people culture** where the individual is the central point and any structure exists to serve the individuals within it.

Thompson and Strickland (2003:424-429) divided organisational cultures into four broad categories:

- **Strong cultures:** Values and behavioural norms are intensely held, widely shared, and difficult to change. A strong culture that is aligned with the strategy of the organisation is a valuable asset. However, a strong culture that is not aligned with the strategy is a liability.
- **Weak cultures:** The culture is fragmented into many sub-cultures. A weak culture seldom assists strategy implementation efforts.
- **Unhealthy cultures:** This type of culture is characterised by internal politics, hostility to change, not supporting entrepreneurial skills, and an overemphasis on the internal environment.
- **Adaptive cultures:** This type of culture is characterised by receptiveness to risk-taking, innovation and experimentation.

4.4.2 Sustaining an effective organisational culture as a strategic leadership role

Organisational culture and strategic leadership are closely related, and establishing and sustaining an effective culture that supports strategy implementation efforts is the responsibility of the strategic leaders of the organisation (Ehlers and Lazenby, 2004: 285; Hitt *et al*, 2007:385; Pearce and Robinson, 2005:342; Bossidy and Charan, 2002:105; Hagen *et al*, 1998:39-44; Raps, 2004:49-53; Govindarajan and Gupta, 2001:63-71; Ghoshal and Bartlett, 1994: 91-112; Thompson and Strickland, 2003: 422).

The values and behaviours of strategic leaders will ultimately determine and sustain the culture of the organisation (Bossidy and Charan, 2002:105; Thompson, 1997:126), and the most important manifestation of culture can be found in the values, beliefs and assumptions of the strategic leaders of the organisation. The values of the strategic leaders impact on the entire strategic management process, guide the attitudes and behaviours of employees on all levels of the organisation and, ultimately, impact on organisational performance (Hitt *et al*, 2007:389).

Strategic leaders are responsible for changing the culture of the organisation, if necessary, to align it with the strategy of the organisation (Kaplan and Norton, 2004:289; Hitt *et al*, 2007:390; Thompson and Strickland, 2003:420; Bossidy and Charan, 2002: 105). In particular, the CEO has the greatest influence on the culture of an organisation (Freedman and Tregoe, 2003: 156-157).

4.4.3 The role of sustaining an effective organisational culture in the implementation of strategy

Organisational culture is required in order to mobilise and sustain the process of change required to implement the strategy. In the context of strategy implementation, organisational culture refers to: "...an awareness and internalisation of the shared mission, vision, and values needed to execute the strategy" (Kaplan and Norton, 2004:275). The following paragraphs will discuss the role of strategic leaders in sustaining an effective organisational culture as part of their strategy implementation effort.

(a) Organisational culture is a driver of strategy implementation

Thompson and Strickland (2005: 423) stated: "... a deeply rooted culture well matched to the strategy is a powerful lever for successful strategy execution". Organisational culture is widely accepted as a driver of effective strategy implementation (Kaplan and Norton, 2004:281; Freedman and Tregoe, 2003:151; Hitt *et al*, 2007:389; Pearce and Robinson, 2005:342; Hrebiniak, 2005:57; Thompson and Strickland, 2003: 422; Fogg, 1999:3-7; Bossidy and Charan, 2002:30).

(b) The impact of organisational culture on the implementation of strategy

The culture of an organisation is the result of shared assumptions regarding the external and internal environments of the organisation. These shared assumptions lead to shared values and beliefs in the organisation, which, in turn, have an impact on the behaviour of the members of the organisation towards achieving the formulated vision, mission, strategy and strategic objectives. Organisational culture can affect strategy implementation and strategy implementation can, in

turn, affect the organisational culture (Hrebiniak, 2005: 267). According to Ireland and Hitt (1999:53) "...culture provides the context within which strategies are formulated and implemented".

(c) Aligning organisational culture to the strategy of the organisation

A strong culture promotes effective strategy implementation when the vision, mission, strategy, and objectives of the organisation are aligned with the culture. According to Freedman and Tregoe (2003:151), "It [culture] is an unmistakably positive force when it is in alignment with the strategy and an organisation's people management. When misaligned, however, it can be disruptive and a serious barrier to implementation".

Kaplan and Norton (2004: 281) believed that strategy dictates culture, rather than culture dictating strategy. The implementation of new strategies often requires dramatic changes in an organisation's existing culture. The strategic leaders of these organisations must then introduce new attitudes and behaviours in all employees for the implementation of the new strategy to be effective. Thompson and Strickland (2003: 424) asserted that, when an organisation's culture is not aligned with what is required to effectively implement strategy, the culture has to be changed as fast as possible. Occasionally, matching the strategy to the culture implies changing the strategy to align it with the culture. However, more often than not, it implies changing the culture of the organisation to match the chosen strategy.

The strategy-culture fit must be managed by the strategic leaders of the organisation to contribute to the effective implementation of strategy. Managing the strategy-culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the compatibility between those changes and the organisation's existing culture (Pearce and Robinson, 2005: 347-352).

Thompson and Strickland (2003:429) stated that: "...it is the strategy maker's responsibility to select a strategy compatible with the sacred or unchangeable parts of prevailing corporate culture. It is the strategy implementer's task, once strategy is chosen, to change whatever facets of the corporate culture hinder effective execution". However, changing the culture of an organisation to align it with the strategy of the organisation is one of the most complex and arduous long-term challenges faced by strategic leaders. Changing the culture of an organisation is often more difficult than maintaining it (Hagen *et al*, 1998:39-44; Freedman and Tregoe, 2003:156; Hrebiniak, 2005:286). Research evidence suggests that cultural change can only succeed if, and when, the strategic leaders of the organisation support it (Hornsby, Kuratko, and Zahra, 2002: 253-273).

(d) Culture can be a barrier to the effective implementation of strategy

Sterling (2003:30) argued that one of the major causes of failure of strategy implementation efforts is an insufficient understanding of the strategy among those who need to implement it. A lack of awareness and internalisation of the strategy by the workforce can, therefore, be a major barrier to the effective implementation of strategy. Employees on all levels of the organisation need to buy-in to the strategy and the best way to create buy-in is to make them part of the process of formulating the strategy.

Kaplan and Norton (2004:281) cited a study by Chadhuri and Tabrizi (1999) which found that a large percentage of mergers and acquisitions fail to deliver synergies. Kaplan and Norton (2004:281) also cited a study by Schmidt (2002) which found that a prime reason for these failures is "...cultural incompatibility...".

(e) Organisational culture can be a source of competitive advantage

Organisational culture can be a source of competitive advantage. This is because organisational culture influences the way in which an organisation conducts its business and also controls and influences the behaviour of employees on all levels of the organisation (Ireland and Hitt, 1999:53).

(f) The influence of organisational culture on performance

Culture both affects organisational performance and is affected by organisational performance (Ireland and Hitt, 1999:54). Culture elicits and reinforces certain behaviours that can be reinforced by incentives and controls and that can, in turn, affect organisational performance and the implementation of strategy. Conversely, organisational performance can also have an impact on the culture of the organisation. Poor performance can lead to changes in the incentives, people and structures and this can have an impact on the culture of the organisation. These changes, as well as changes in behaviours, can shape the culture of the organisation (Hrebiniak, 2005:266). A gap between the formulation of strategy and its implementation can foster a culture of underperformance in an organisation. The gap between strategy and performance is reinforced by a shift in culture in many organisations. This shift in culture is a result of the following:

- Unrealistic goals and expectations are set. This creates an expectation that these plans will not be achieved.
- When this expectation turns into reality, it becomes the norm that set goals and expectations will not be met.
- Targets and expectations are not viewed as binding undertakings with consequences.
- Managers and employees continuously make excuses for underperformance instead of looking for ways to improve performance to meet targets (Mankins and Steele, 2005:64-72).

(g) The role of organisational culture in corporate governance

Organisations that are truly committed to corporate governance must incorporate it into their cultures. In order to be exemplary corporate citizens, leaders should ensure that the recommendations of the King II report in terms of social responsibility, stakeholder engagement and sustainability are fundamental components of the organisational culture (Ehlers and Lazenby, 2004:187). The leaders of the organisation must ensure that an ethical culture prevails in their organisations (Hitt *et al*, 2007:389).

A strong corporate culture, founded on ethical business principles and moral values, is a vital driving force behind successful strategy implementation efforts. Leaders of organisations that are truly committed to the principles of emphasising ethical business practices make a concerted effort to entrench ethical practices into the organisational culture (Thompson and Strickland, 2003:431).

4.5 EMPHASISING ETHICAL PRACTICES

The issue of business ethics is becoming increasingly important (David, 2001:19). Notwithstanding this, corporate fraud is still rife. In the latest Ernst & Young Global Fraud Survey, it was found that one in five organisations interviewed reported "...significant fraudulent activity in the past two years..." (www.fin24.co.za. Accessed 2 October 2006). Maritz (2003:255) stated that the topic of leadership and ethics has received very little attention in management literature and only recently have the implications of ethics on leaders been considered. According to Maritz (2003:255), Havenga (1999) reported that in a recent survey on fraud, respondents in Africa declared that 80% of them have been exposed to fraudulent practices and a further 60% admitted that they were convinced that these practices formed part of an organised crime network.

As indicated in figure 4.1, emphasising ethical practices is viewed as one of several identifiable strategic leadership actions that positively contribute to the effective implementation of strategy (Dyck *et al*, 2002:143; Hitt *et al*, 2007:385).

4.5.1 Ethical practices defined

Table 4.3 presents some of the definitions of ethical practices.

Table 4. 3: Ethical practices defined

Definition	Author (s)
The term ethics refers to: "...the moral principles that that govern the actions of an individual or group".	Pearce and Robinson (2005)
"Business ethics can be defined as principles of conduct within organizations that guide decision making and behavior."	David (2001:19)
"Business ethics encompasses the standards and conduct that an organisation sets itself in dealings with the organisation and with its external environment."	Lynch (1997)

It is evident that ethical practices deal with principles that should guide the behaviour of individuals and groups within an organisation.

According to Pearce and Robinson (2005:62), strategic leaders can consider three fundamental ethical approaches:

- **Utilitarian approach:** This approach judges the effect of a particular action on the individuals directly involved, in terms of what produces the greatest good for the greatest number of people.
- **Moral rights approach:** This approach judges whether decisions and actions are in-keeping with maintaining fundamental individual or group rights.
- **Social justice approach:** This approach judges the consistency of actions with principles of equity, fairness and impartiality in the distribution of rewards and costs among individuals and groups.

Pearce and Robinson (2005:62) wrote that organisations and strategic leaders can use a continuum of four types of social commitment:

- **Economic responsibilities:** This is the most basic social responsibility of organisations and refers to the responsibility to provide products and services to the community at an acceptable cost, whilst still providing jobs and paying

taxes.

- **Legal responsibilities:** This reflects the responsibilities of the organisation to comply with the laws and regulations of the business environment.
- **Ethical responsibilities:** This reflects an organisation's notion of what is accepted or unaccepted behaviour and it transcends legal requirements.
- **Discretionary responsibilities:** These are the responsibilities that are voluntarily assumed by an organisation and include corporate social responsibility.

It is evident from the above that strategic leaders should consider the potential impact of their behaviours and decisions on the internal and external stakeholders of the organisation. The following paragraphs will discuss the role of strategic leaders in emphasising ethical practices as well as the role of ethical practices in the implementation of strategy.

4.5.2 Emphasising ethical practices as a strategic leadership role

The responsibility to ensure ethical practices and behaviours rests with the strategic leaders of the organisation (Doh and Stumpf, 2005:6; Robbins, 1993:366; David, 2001:19). Strategic leaders are responsible for developing, communicating, reinforcing, and emphasising the ethical practices of the organisation (David, 2001:19; Ireland and Hitt, 1999:51). The first and most important requirement in order to foster a culture of good ethics in an organisation is for the top management team to lead by example. In a report on ethics policy and practice issued by 250 large American organisations, the role of top managers was emphasised as one of the most important determinants of ethics in organisations (Daft, 1997:161). The positions that strategic leaders hold enable them to influence and model the behaviour of employees on all levels of the organisation.

Strategic leaders must be openly and unequivocally committed to ethical values, behaviours and practices in the organisation. Strategic leaders should never assume that the organisation conducts its business in an ethical manner or that employees on all levels of the organisation are able to handle difficult ethical issues (Thompson, Gamble and Strickland, 2004:320).

Emphasising ethical practices is a challenge for strategic leaders (Ireland and Hitt, 1999:51). However, strategic leaders can enforce ethical issues in the organisation by means of the following:

- Setting an example to the rest of the organisation in terms of their own values and behaviour (Thompson *et al*, 2004:320).
- Employing ethics training programs (Thompson and Strickland, 2003:437; David, 2001:22).
- Developing a code of ethics (Thompson *et al*, 2004:320; David, 2001:22; Murphy, 1998:907-915; Hitt *et al*, 2007:393).
- Setting specific goals to describe the organisation's ethical standards (Hitt *et al*, 2007:393).
- Rewarding ethical behaviours and punishing unethical behaviours (Hitt *et al*, 2007:393; Robbins, 1993:366; Thompson *et al*, 2004:320).
- Developing procedures for discussing and reporting unethical behaviours (David, 2001:22).
- Incorporating ethical considerations into strategic planning, performance management and strategic control (David, 2001:22).

4.5.3 The role of ethical practices in the implementation of strategy

Ethical practices play an important role in strategy implementation (Hitt *et al*, 2007:393). The following paragraphs contain a motivation on the importance of ethical practices in the implementation of strategy.

(a) Ethical practices permeate the strategic management process

All strategy formulation, implementation and evaluation decisions have an ethical impact on an organisation (David, 2001:19). Ethical considerations should, therefore, be integrated into strategic decision making (Key and Popkin, 1998:331), and strategic leaders must consider the moral and ethical implications of the strategies that they formulate for the organisation, as well as the means for implementation that will be applied to these strategies (Maritz, 2003:256). Ethics should be incorporated in the entire strategic management process of organisations. This could be done as part of mission formulation. It is generally

accepted that the mission statement must be translated into strategic objectives, which should then be pursued through the strategy of the organisation. The strategy should then be implemented by using various levers, or drivers; including leadership, culture and rewards. Once this has been accomplished, the strategies should be evaluated and controlled. This approach ensures that business ethics and ethical practices permeate the entire strategic management process, including the implementation of strategy (Lynch, 1997:435).

(b) Ethical practices contribute to the effective implementation of strategy

The effectiveness of the processes used to implement strategy increase when they are based on ethical practices. The leaders of organisations that operate ethically encourage and enable employees to act ethically in their actions to implement the strategy of the organisation (Hitt *et al*, 2007: 393).

(c) Ethical practices influence decision making during the implementation of strategy

Employees in organisations that operate ethically are encouraged to behave ethically at all times and to exercise ethical judgement during decision making (Hitt *et al*, 2007:393). Strategic leaders can employ ethical practices as a means of evaluating their potential courses of action and their decisions. In the contemporary business environment, establishing and continuously emphasising ethical practices is a challenge, but strategic leaders must practice honesty, trust and integrity as the foundations for making decisions (Ireland and Hitt, 1999:51).

(d) Ethical practices impact on organisational culture and behaviour during the implementation of strategy

A culture of ethics needs to permeate the entire organisation (David, 2001:21). Strategic leaders who emphasise the ethical practices of the organisation through their own values and related behaviours, develop and sustain an organisational culture in which ethical practices thrive and are the behavioural norm (Ireland and Hitt, 1999:51).

Strategic leaders who behave unethically, implicitly encourage employees to also behave unethically. Conversely, strategic leaders who visibly live out the ethical practices of the organisation encourage their followers to do the same and, therefore, raise the general standard of ethical behaviour in the organisation. The strategic leaders of an organisation are thus responsible for setting the ethical tone of the organisation. Strategic leaders convey what is acceptable and what is unacceptable in terms of values and behaviour through their own words and actions (Robbins, 1993:366).

(e) Ethical practices impact on good corporate governance

Following several corporate scandals in the United States in 2000 and 2002, including Enron and WorldCom and the subsequent failures of these organisations, President George Bush signed the Sarbanes-Oxley Act into law on 30 July, 2002. This revolutionary act applies to all public companies with securities. The act states that the CEO and Chief Financial Officer (CFO) must certify every report containing the company's financial information. The act also includes provisions restricting the corporate control of executives, accounting firms, auditing committees, and attorneys, as well as a new proposed corporate governance structure for American companies with the highlighted role of internal auditors (Pearce and Robinson, 2005:39). In South Africa, the King II Report on corporate governance was published in March 2002. This set of corporate governance guidelines is viewed as the backbone of corporate governance in South Africa. One of the purposes of the King II Report is to recognise the increasing importance placed on reporting on social, ethical, environmental, health and safety measures. The Code of Practices and Conduct included in the King II Report provide recommendations for good corporate governance on, among others, organisational ethics, the role of the board of directors, and risk management (King Committee on Corporate Governance, 2002).

(f) Ethical practices influence other strategic leadership actions

Emphasising ethical practices impacts on all the other strategic leadership roles. For example, ethical strategic leaders include ethical practices as fundamental to the strategic direction of the organisation (Soule, 2002: 114-124; Milton-Smith,

1995: 863-693). Strategic leaders can inspire employees on all levels of the organisation to develop and support an organisational culture in which ethical practices are the expected behavioural norm (Leinicke, Ostrosky and Rexroad, 2000: 69-71). Ethical practices create 'social capital' in the organisation in that there is an increase in the goodwill available to individuals and groups in the organisation (Adler and Kwon, 2002: 17-40). Conversely, when unethical practices begin to permeate the organisation, they become like a contagious disease that can impact negatively on the implementation of strategy (Brass, Butterfield and Skaggs, 1998: 14-31).

(g) Ethical practices ensure that the needs of all stakeholders are taken into account

Not all leaders of organisations believe that they have a role beyond business and that they exist solely for the benefit of their shareholders. Such leaders are unlikely to include business ethics issues in their strategic management processes and specifically in their mission statements. The leaders of other organisations believe that it is to the benefit of all the stakeholders to play a role beyond the minimum requirements of the law and such organisations are likely to reflect these ethical beliefs and values in their strategic management processes. However, these beliefs will not be reflected in the organisations' mission statements. On the other hand, the leaders of some organisations believe that the organisations exist solely or primarily for the benefit of society and these organisations are likely to include some statement of their beliefs and values in their mission statement (Lynch, 1997:436). Emphasising the ethical practices of the organisation ensures that the legitimate claims of all the internal and external stakeholders of the organisation are considered in both decision making and in the day-to-day activities of the organisation. This will lead to an ethical organisational culture that will be beneficial to all the stakeholders of the organisation (Ireland and Hitt, 1999:51; Key and Popkin, 1998:331)

(h) Ethical practices have an effect on organisational success

The leaders of organisations who are guilty of unethical behaviour, such as fraud or having to restate their financial results, suffer tremendously as a result of a drop

in their stock value (Wallace, 2000: 675-682). In a survey of more than 400 respondents, Lepsinger (2006:56-57) found that leadership behaviour is an important driver of both the effectiveness of strategy implementation efforts and employee confidence. Leaders must behave in a way that is consistent with the values and priorities of the organisation in order to contribute to the effective implementation of strategy. The research indicates that 'Walking the talk' or actually doing what you say you will do, is still an important contributor to the effective implementation of strategy.

4.6 ESTABLISHING BALANCED ORGANISATIONAL CONTROLS

The following paragraphs will deal with defining organisational controls, establishing balanced organisational controls as a strategic leadership role and discussing the role of establishing balanced organisational controls in the implementation of strategy.

4.6.1 Organisational controls defined

Strategic control entails continuous monitoring, reviewing and updating of the strategy in order to ensure the continuing efficacy of strategy implementation efforts (Freedman and Tregoe, 2003:23). Muralidharan (1997:64-73) distinguished between traditional managerial control and strategic control and observed that authors often use the term 'strategic control' to describe a managerial process, which is different from traditional management control. However, he noted that, while a cursory study of the literature on strategic control indicates that some of the managerial processes, which are called 'strategy control', are different from those associated with traditional management control, others are similar. Table 4.3 indicates the differences between strategic control and traditional management control.

Table 4.4: Differences between strategic control and traditional management control

	Management control	Strategic control as the control of strategy implementation efforts	Strategic control as the control of strategy content efforts
Purpose	Ensure that strategy is implemented as planned	Ensure that strategy is implemented as planned	Change the content of the strategy in light of invalid planning assumptions and emerging opportunities/threats
Process	Set standards of desired performance, track actual performance and use deviations to take corrective action	Set standards of desired performance, track actual performance and use deviations to take corrective action	Collect data to monitor the validity of planning assumptions and to identify opportunities/threats, interpret the data and respond to the information contained in the data
Focus	All aspects of strategy implementation	Key success factors	Planning assumptions and potential opportunities/threats

Source: Muralidharan (1997:64-73).

(a) Traditional management control

Traditional management control refers to the process of using control systems to track actual performance against performance standards, and the use of deviations to inform corrective actions to ensure that strategies are implemented as planned (Muralidharan 1997:64-73). This type of control focuses mainly on the short-term and corrective actions are only taken once deviations from the performance standards have occurred (Ehlers and Lazenby, 2004:232). Ireland and Hitt (1999:52) stated that the emphasis of traditional management control is

usually on short-term financial performance goals, which may encourage risk-adverse managerial decisions and behaviours.

(b) Strategic controls

Strategic control focuses on the outcomes and key success factors of strategy implementation efforts. The focus is mainly on the long-term and it is mainly concerned with guiding the strategy with the end results still several years away. Strategic control is concerned with the ongoing review and evaluation of a strategy as it is being implemented, reviewing changes in the internal and external environments and the related underlying premises. It also deals with making adjustments to ensure the effective implementation of the strategy and with verifying the content of the strategy (Pearce and Robinson, 2005:366; Freedman and Tregoe, 2003:23; Ehlers and Lazenby, 2004:232).

As a result of the long time lapses between the formulation of strategy and the implementation of the strategy, many unanticipated changes can take place in the internal and external environments of the organisation. This places pressure on managers and necessitates that controls be set up to provide feedback and that managers be kept abreast of changes (Hrebiniak, 2005:10; Pearce and Robinson, 2005:366).

(c) Balanced organisational controls

Strategic leaders are responsible for the development and effective use of traditional and strategic controls to ensure the effective implementation of strategy. Effective strategic leaders use a balanced set of strategic and traditional or financial controls. This can be done by using strategic controls to focus on the long-term, while simultaneously using traditional management control to focus on the short-term aspects of strategy implementation. By practicing this principle, strategic leaders are able to use strategic controls to increase the probability that their organisation will reap the benefits of the formulated strategy, but not at the expense of the financial performance that is critical to successful strategy implementation processes, as well as satisfying the conflicting needs of stakeholders (Ireland and Hitt, 1999:52; Hitt *et al*, 2007:394).

While financial metrics are mostly dominant in business, more and more successful organisations are choosing balanced metrics that help them to not only evaluate their financial performance, but also to assess whether the overall strategy is succeeding or not. However, it is important to choose metrics that can change as the conditions in the market change (Mankins and Steele, 2005:64-72).

The Balanced Scorecard is a tool that can be used to effectively implement strategy. The Balanced Scorecard allows strategic leaders to develop and implement a balanced set of controls that focus on finance, customers, internal processes, and learning and growth (Kaplan and Norton, 2001:41-42). The underlying principle of the Balanced Scorecard is that organisations may jeopardise their future performance possibilities if traditional financial controls are overemphasised at the expense of strategic controls (Becker *et al*, 2001:21). The Balanced Scorecard approach is intended to 'balance' financial- and non-financial and internal- and external perspectives in the implementation and control of a strategy or strategies. The Balanced Scorecard is not only a measurement system, but also a strategic management system that enables the leaders of organisations to clarify their strategies (strategy formulation), translate them into action (strategy implementation), and provide meaningful feedback (strategic control) (Pearce and Robinson, 2005:383).

The Institute of Management Accounting recently surveyed its members to determine how well performance measures advance strategy and execution. Over half of the respondents believe their performance measures are "...poor or less than adequate in communicating strategy to employees". Only organisations using the Balanced Scorecard rated their systems as effective in supporting and communicating strategy (Sterling, 2003:27-34).

4.6.2 Establishing balanced organisational controls as a strategic leadership role

As indicated in figure 4.1, establishing balanced organisational controls is viewed as one of several identifiable strategic leadership actions that positively contribute to the effective implementation of strategy (Dyck *et al*, 2002:143; Hitt *et al*, 2007:385).

Establishing balanced organisational controls is one of the most important roles of strategic leaders. Strategic leaders are responsible for the development and effective use of balanced organisational controls to ensure the effective implementation of strategy. Many authors and practitioners in field of strategic management support this view (Bossidy and Charan, 2002:127; Freedman and Tregoe, 2003:178; Ireland and Hitt, 1999:52; Hrebiniak, 2005:222; Mankins and Steele, 2005:64-72).

However, Hrebiniak (2005:23) found that developing effective strategic controls could be a barrier to the effective implementation of strategy. Research by Kaplan and Norton (2005:72-80) reported that senior managers spend very little time reviewing strategy. Their research suggests that 85% of strategic leadership teams spend less than one hour per month discussing the strategies of their units, with 50% spending no time at all. In the study by Hagen *et al*, (1998:39-44), mentioned in paragraph 4.2.1, the respondents ranked "...establishing strategic control..." as the least important strategic leadership action in the provided list. These authors believe that the reason for this low ranking is that establishing organisational controls is traditionally viewed as the final step in rational strategic management and in the strategic leadership models in the literature.

Lepsinger (2006:56-57) pointed out that establishing organisational controls might actually be the most critical factor in the strategic management process. Ireland and Hitt (1999:43-57) believed that strategic leaders who are able to establish organisational controls that facilitate flexible, innovative employee behaviour are able to create a competitive advantage for their organisations.

4.6.3 The role of establishing balanced organisational controls in the implementation of strategy

The following paragraphs will highlight some of the most important reasons why establishing balanced organisational controls plays an important role in the implementation of strategy.

(a) Establishing organisational controls is an important component of the strategic management process

Establishing balanced organisational controls and, more specifically, strategic controls, has long been viewed as an important component of the strategic management process in that they play an important role in ensuring that the organisation achieves the desired outcomes detailed in the formulated strategy (Gittel, 2000:101-117). It is critical for organisations to continuously evaluate and control their strategic choices in order to create or sustain a competitive advantage in the long-term in an environment characterised by rapid and discontinuous change (Freedman and Tregoe, 2003:23). Strategic control allows leaders to provide feedback on the formulation and implementation phases of the strategic management process. This feedback is used to indicate whether the correct strategies have been formulated to align the organisation with the changes in its external environment, and also to indicate the effectiveness of strategy implementation efforts as a means of achieving the desired outcomes detailed in the strategy. This feedback can also be used to inform adjustments to the strategy formulation and strategy implementation phases of the strategic management process. Alternatively, the feedback may indicate that there is no need to make any adjustments (Ehlers and Lazenby, 2004:231).

(b) Organisational controls ensure the effective implementation of the formulated strategy

Balanced organisational controls provide strategic leaders with an opportunity to assess the quality of strategy implementation efforts. The role of strategic controls in strategy implementation is to evaluate the chosen strategy to determine whether the results produced by the strategy are as they were intended. This can be done

by setting standards of performance, by tracking actual performance, and by using deviations to inform corrective actions (Ehlers and Lazenby, 2004:232; Freedman and Tregoe, 2003:178; Muralidharan, 2004:520). An essential question for strategic leaders is how they should measure performance both during and after the process of implementing the strategy. The strategic control function is the key factor in an effective strategy implementation process (Noble, 1999:119-134). A strategic control system is essential to both developing and providing the necessary information to indicate with reasonable certainty that strategic initiatives are, and can be, implemented as intended (Raps, 2004:49-53).

(c) Organisational controls provide leaders with an opportunity to obtain feedback and take corrective action

Organisational controls provide leaders with an opportunity for feedback to indicate the need for corrective actions during the implementation of strategy. Strategic controls provide leaders with feedback on the actual performance of the organisation and provide corrective mechanisms. Feedback is critical as it is a means of informing the strategic leaders of the organisational changes required to effectively implement the strategy (Hrebiniak, 2005:220). Strategic control systems are among the most fundamental and critical management tools because of their ability to allow managers to monitor performance and to redirect organisational action when necessary (Muralidharan, 2004:590). In addition, strategic controls provide the parameters within which strategies are to be implemented, as well as corrective actions to be taken when adjustments relating to strategy implementation are required (Hitt *et al.*, 2007:394).

(d) Organisational controls allow leaders to monitor changes in the external environment

Leaders can employ balanced organisational controls to assess the alignment of the internal organisational environment with the strategy (Ireland and Hitt, 1999:52). Establishing balanced organisational controls allows leaders to monitor changes in the external and internal organisational environments and facilitates an evaluation of the validity of key assumptions made during the process of formulating the strategy. This provides leaders with an indication of the viability of

the strategy and allows them to shape the content of the strategy during the strategy implementation process (Freedman and Tregoe, 2003:178; Ireland and Hitt, 1999:52; Muralidharan, 2004:590; David, 2001:310; Bossidy and Charan, 2002:22). In essence, the role of strategic controls in strategy implementation efforts is to facilitate a review of the content of the strategy in the light of changes in the external environment; to control the implementation process to ensure that implementation activities are performed effectively and efficiently; and to make leaders aware of deviations from the strategic plan so that they are able to take corrective action, if required. (Ehlers and Lazenby, 2004:232).

(e) The failure of organisational controls can have a negative impact on the organisation

Organisational controls and feedback mechanisms as components of the strategy implementation process often fail miserably, despite their importance. The failure of control measures has a negative impact on the reputation of an organisation and diverts the attention of strategic leaders away from actions that are critical to effectively utilising the strategic management process and specifically the process of implementing strategy. Effective feedback and control mechanisms present formidable challenges to leaders to effectively implement strategy because of longer timeframes required and the involvement of more people in the strategy implementation process – more so than in the formulation of strategy process. As a result of this, these issues can impact on the success or failure of strategy implementation efforts and the success of an organisation. In turn, if managed well, these issues also present an opportunity for ensuring a competitive advantage in the long-term (Hitt *et al*, 2007:394; Hrebiniak, 2005: 26).

(f) Organisational controls provide leaders with an opportunity for continuous improvement, change and learning

Balanced organisational controls provide leaders with an opportunity for continuous improvement, change and learning. Continuous feedback is critical to the effective strategy implementation process as it provides information on the performance of the organisation. This management information can then be utilised to determine whether the strategy should be adapted and whether

changes to the objectives and the implementation process itself should be undertaken. Regular strategic reviews are a means to support the effective implementation of strategy. Strategic reviews contribute to the effective implementation of strategy by encouraging strategic discussions, by clarifying the strategy, and by assisting with the formulation of implementation-related objectives. This allows strategic leaders to understand their subordinates and to facilitate learning and organisational change (Hrebiniak, 2005:220-226).

(g) Organisational controls contribute to good corporate governance

Balanced organisational controls contribute to effective corporate governance. The King II report on corporate governance in South Africa contains several recommendations that require strategic controls as a component of the strategic management process. These include:

- The board must monitor the implementation of board plans and strategies, as well as operational performance and management.
- The board should identify and monitor the financial and non-financial aspects relevant to the organisation's operations.
- The board must ensure that adequate internal controls exist and that the information systems can cope with the strategic direction of the organisation. Ehlers and Lazenby (2004:240).

These and other duties pertaining to control must be contained in a charter that must appear in the annual report of the organisation.

(h) Ineffective organisational controls can be a barrier to the effective implementation of strategy

Ineffective organisational controls can be a barrier to the effective implementation of strategy (Hrebiniak, 2005:23:26; Mankins and Steele, 2005:64-72). One of the major reasons for the gap between the formulation of strategy and its subsequent implementation is that organisations rarely track performance against formulated strategic objectives and strategy. In a study of 197 organisations worldwide with sales exceeding \$500 Million, less than 15% of the respondents made it a regular

practice to compare business results with performances for each unit in the strategic plans of previous years. In addition, up to 3% of the estimated performance loss of 37% between the process of formulating the strategy and implementing it could be attributed to 'inadequate performance monitoring'. The fact that so many organisations routinely monitor actual versus planned performance can be a reason why these organisations continue to fund ineffective strategies rather than searching for new and better options. Strategic leaders must reduce the time taken to monitor performance and should do so more frequently than what they may have done in the past. It is only then that the strategic controls will be more effective in the contemporary business environment. (Mankins and Steele, 2005:64-72).

4.7 CONCLUSION

This chapter focused on the role of specific strategic leadership actions in the implementation of strategy. The role of specific strategic leadership actions in the implementation of strategy was discussed. It was established that each of the following strategic leadership actions contribute positively to the effective implementation of strategy:

- Determining strategic direction.
- Effectively managing the organisation's resource portfolio.
- Sustaining an effective organisational culture.
- Emphasising ethical practices.
- Establishing balanced organisational controls.

The chapter is also the conclusion of the literature study. Chapter 5 will address the research methodology followed in the empirical study.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

Chapter 1, paragraph 1.4 briefly referred to the research methodology followed in this study as a means of investigating **the perceived role of strategic leadership in the implementation of strategy in South African organisations?** However, since an effective research design is a critical component of the research process, a more detailed discussion of the methodology is required.

Areas of discussion with respect to the research methodology that will be addressed in this chapter include:

- research design;
- choice of population and sampling;
- research instrument;
- pilot study;
- response rate and characteristics of the respondents;
- research data and statistical analysis;
- limitations of the research; and
- ethical considerations.

5.2 RESEARCH DESIGN

Research design refers to the overall research approach that was used to achieve the primary and secondary objectives of this study and to reach a conclusion on the thesis statement. As stated in chapter 1, paragraph 1.3, the primary objective of this study is to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. The secondary objectives of this study are to investigate the following as a means of achieving the primary objective:

- The perceived importance of strategy implementation as a component of the strategic management process in South African organisations.
- The perceived importance and effectiveness of strategy implementation in South African organisations.
- The perceived barriers to the effective implementation of strategy in South African organisations.
- The perceived drivers of strategy implementation in South African organisations.
- The perceived roles of strategic leaders in South African organisations in general, and their role in the implementation of strategy in particular.

In the light of the above-mentioned problem statement, research question and research objectives, the thesis statement of this study is that strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations.

Social research in the form of an empirical investigation will be undertaken to achieve each of the secondary objectives which, in turn, will lead to the achievement of the primary objective, and a conclusion on the thesis statement.

Neuman (2000:21) described the three purposes of social research:

- Exploratory research aims to explore a new topic.
- Descriptive research aims to describe a social phenomenon.
- Explanatory research aims to test the predictions or principles involved in a theory.

The main purpose of this study is exploratory in the sense that it focuses on exploring a contemporary topic (strategy implementation) from a new perspective (strategic leadership). The primary purpose of the study is, therefore, to examine the role of strategic leadership in the implementation of strategy. Quantitative research is often used in exploratory research, as is the case with this study. Quantitative research is used to explore and explain the topic by collecting data

from a population or a sample that represents the population. A structured self-administered mail questionnaire was used as a means of collecting data from the sample (Leedy, 1997:106).

A variety of research designs are available to researchers (Mouton, 2003:148). Survey methodology was used to achieve the primary and secondary objectives of this study and to reach a conclusion on the thesis statement. Survey methodology attempts to elicit information from a limited number of individuals who possess the required information, who are able and willing to communicate and who are intended to be representative of a larger group (Hofstee, 2006:122). Survey methodology is appropriate for research questions about self-reported beliefs or about the behaviours, opinions and attitudes of individuals (Neuman, 2000:247).

A variety of survey methods could have been used to achieve the primary and secondary objectives of this study and to reach a conclusion on the thesis statement. Neuman (2000:271) listed some of these options as follows:

- Mail and self-administered questionnaires.
- Telephonic interviews.
- Individual interviews (face-to-face interviews).
- Focus groups.

It was decided that survey methodology would be employed. This would be accomplished by means of a structured self-administered mail questionnaire aimed at directly studying the characteristics of the population of interest. Neuman (2000:271) mentioned the following advantages of structured self-administered mail questionnaires:

- They are more cost effective than face-to-face and telephonic interviews.
- They can be assessed by a single researcher.
- Questionnaires can be sent to a wide geographical area.
- The respondent is able to complete the questionnaire when convenient and can consult personal records, if necessary.
- It offers anonymity and avoids interviewer bias.

- It is a very effective means of research.

In addition to the above-mentioned advantages of structured self-administered mail questionnaires, Eiselen, Uys and Potgieter (2005:2) listed additional advantages as follows:

- It is relatively easy to administer.
- Most people are familiar with the concept of a questionnaire.
- It is perceived to be less intrusive than telephone interviews, face-to-face interviews or focus groups. This may increase the chance of respondents responding truthfully to questions that might potentially be sensitive.

However, structured self-administered mail questionnaires also have various disadvantages. Neuman (2002:272) mentioned some of these disadvantages as follows:

- Low response rates, specifically if respondents perceive the content to be of a sensitive nature.
- Response rates can be improved by sending reminders to respondents. However, this impacts negatively on costs.
- Some questionnaires are returned after a long period of time has elapsed.
- Conditions under which questionnaires are completed cannot be controlled.
- Do not allow for observation of, and rapport with, the respondents.
- A person other than the intended respondent can open and complete the questionnaire without the knowledge of the researcher.
- Incomplete questionnaires.

Whilst the advantages and disadvantages of structured self-administered mail questionnaires as a research instrument have been highlighted, it is viewed as the preferred method and has been selected as the research instrument of choice, over telephonic interviews, individual interviews or focus group interviews. In addition to the above-mentioned factors, structured self-administered mail questionnaires limit the risk of subject bias by guaranteeing anonymity and confidentiality, by maximising the representative sample size nationally to increase

confidence levels, and by facilitating individual opinion. Creating an environment in which individual opinion can be expressed freely, anonymously and confidentially is particularly important to this study.

5.3 RESEARCH METHODOLOGY

The research methodology is a detailed discussion of the use of the research design discussed in paragraph 5.2. Leedy (1997:9) stated that: "...the core concept underlying all research is its methodology". This paragraph will describe in detail the use of survey methodology by means of a structured self-administered mail questionnaire. The aim of this paragraph is to present a motivation on the appropriateness of the chosen research methodology to collect the data. In addition, the form of analysis used to achieve the primary and secondary objectives of this study and to reach a conclusion on the thesis statement will also be discussed. The following paragraphs will address the following components of the research methodology in detail:

- The choice of population.
- Research instrument.
- Data collection.
- Statistical analysis.

UNIVERSITY
OF
JOHANNESBURG

5.4 THE CHOICE OF POPULATION AND SAMPLING

Strategic leadership is defined as "...the leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary" (Hitt *et al*, 2007:375).

Hitt *et al* (2007:376) stated that: "The primary responsibility for effective strategic leadership rests at the top of the organisation, in particular with the CEO. Other commonly recognized strategic leaders include members of the board of directors, the top management team, and divisional general managers".

An investigation into the perceptions of South African strategic leaders of the role

of strategic leadership in the implementation of strategy in South African organisations was launched in order to achieve the objectives of this study and to reach a conclusion on the thesis statement.

5.4.1 Universe

The term “population” is sometimes used interchangeably with the term “universe” and refers to “...the set of all units that the research covers, or to which it can be generalized” (Neuman, 2000:142). The universe of this study includes all the strategic leaders in South Africa. However, since it is impractical and logistically impossible to research the entire universe, it was necessary to identify a target population.

5.4.2 Target population

The term “...target population...” refers to the “...specific pool of cases...” that a researcher wants to study (Neuman, 2000:201). The strategic leaders in the *Financial Mail* Top 200 companies (2006) were defined as the target population for this study (Annexure C).

The main reasons for selecting strategic leaders in the *Financial Mail* Top 200 companies (2006) as the target population, include the following:

- The names of these organisations are published in an annual special edition of the *Financial Mail*, which is a respected South African financial magazine.
- All of these organisations are publicly-listed companies on the Johannesburg Securities Exchange (although some are dually listed on more than one stock exchange) and vast amounts of information on these organisations are a matter of public record.
- All of these organisations are South African, which makes it a study of a geographically-comparable population with similar exposure to the factors in the external business environment.
- These organisations represent several industries in the South African economy, which increases the possibility of generalising the findings to

organisations in all industries.

- These organisations can be regarded as financially successful because the criteria used by the *Financial Mail* in selecting the Top 200 companies include Internal Rate of Return (IRR), Earnings Per Share (EPS) growth, Return on Equity (ROE), Return on Assets (ROA), dividend yield, and growth in pre-tax profits calculated over a five-year period.

However, it was impractical to investigate all the strategic leaders on all levels of all the *Financial Mail* Top 200 companies (2006). As a result, sampling had to be used to obtain a sample that would be representative of the target population in order to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations.

5.4.3 Sampling

The primary goal of sampling in quantitative research "...is to get a representative sample or small collection of units or cases from a much larger collection, or population, such that a researcher can study the smaller group and produce accurate generalizations about the larger group" (Neuman, 2000:195).

If a complete sampling frame is not available, as is the case with this study, it is difficult, if not impossible, to select a probability sample. A non-probability sampling technique must be used in this case. These techniques, often used for their practical utility, all suffer from the same problem – generalisation to the target population cannot readily be made. The reason for this is the lack of an initial accurate sampling frame.

Various methods of non-probability sampling could have been used to identify a representative sample. Neuman (2000:196) discussed the following types of non-probability sampling:

- **Haphazard sampling** selects any case in any manner that is convenient.

- **Quota sampling** selects a preset number of cases in each of several predetermined categories that will reflect the diversity of the population, using haphazard methods.
- **Purposive or judgemental sampling** selects all possible cases that fit particular criteria, using various methods.
- **Snowball sampling** selects cases using referrals from one or a few cases, and then referrals from those cases, and so on.
- **Deviant case sampling** selects cases that differ substantially from the dominant pattern.
- **Sequential sampling** selects cases until there is no additional information or new characteristics.
- **Theoretical sampling** selects cases that will help reveal features that are theoretically important about a particular topic.

The purposive or judgemental sampling technique was used as it is an acceptable type of sampling for special situations. It uses the judgement of an expert to select cases or it involves selecting cases with a specific purpose in mind. Neuman (2000:198) stated that judgemental research is particularly appropriate in the following situations:

- Where a researcher wants to select unique cases that are especially informative.
- To select members of a difficult-to-reach specialised population.
- When a researcher wants to identify particular cases for in-depth investigation.

The researcher regarded strategic leaders in the *Financial Mail* Top 200 Companies (2006) to be especially informative in this study. The strategic leaders in the *Financial Mail* Top 200 Companies (2006) are, by their nature, a very specialised and difficult-to-reach population. In addition, the directors of these organisations were identified as particular cases for an in-depth investigation. The main reason for this is that members of the boards of directors of listed companies can be regarded as strategic leaders.

The judgemental sampling technique was, therefore, used to define the directors of the *Financial Mail* Top 200 Companies (2006) as the unit of analysis of this study. The researcher used his judgement to select cases from a difficult-to-reach population, which he believed to be especially informative.

Valid research characteristics require that all sample units in the target population have to have a known non-zero probability of being selected (Rosnow and Rosenthal, 1996:205). As a result of cost, time and logistical limitations, it was not possible to send questionnaires to all the directors of all the *Financial Mail* Top 200 (2006) companies. It was, therefore, decided to randomly select a maximum of five directors from each of the identified 200 companies. The following process was followed:

- The researcher contacted The *Financial Mail* via electronic mail and requested that a copy of the *Financial Mail* top 200 companies (2006) be forwarded to him.
- After receiving the list from the *Financial Mail*, the corporate websites of these organisations as well as the corporate website of the Johannesburg Securities Exchange (www.jse.co.za) were accessed to identify the members of the boards of directors.
- In cases where more than five directors were listed, the researcher randomly selected five directors of each organisation from the given list.
- In cases where less than five directors were listed, all the directors from the given list were selected.
- A database was compiled (making use of Microsoft Access). This database included the following fields: initials; first name; middle name; last name; title; organisation name; and postal address. (The database contained a sample size of 930 usable addresses.)
- All organisations with corporate headquarter addresses outside South Africa were excluded from the study.
- The database was used to print address labels, which were pasted on the University of Johannesburg envelopes.

The perceived role of strategic leadership in the implementation of strategy in South African organisations was, therefore, investigated by surveying five randomly-selected directors in the *Financial Mail* Top 200 companies (2006).

It is important to note that strategic leaders represent a relatively small group of leaders who control the organisation and with whom the final authority and responsibility for formulating, implementing and controlling of the strategy of the organisation rests. Strategic leaders have substantial decision-making responsibilities that cannot be delegated. Strategic leadership is multifunctional in nature and involves managing through others, managing an entire organisation (rather than a functional sub-unit) and, in particular, coping with change. However, all managers throughout the organisation should be strategic leaders, to some extent, who have the responsibility for effectively formulating and implementing corporate and business-unit strategies (Hitt *et al*, 2007:376).

It should be noted that this study is a cross-sectional study. The target population was not randomly selected, but rather self-selected by the researcher. The target population therefore represents a specific period in the history of the company. In addition, a non-probability sampling technique was used to select the sample.

5.5 RESEARCH INSTRUMENT

As mentioned in paragraph 5.2, it was decided that survey methodology would be used and that a structured self-administered mail questionnaire would be preferred (Annexure B).

A questionnaire is a set of questions designed to gather information from respondents. Hofstee (2006:133) described questionnaires as a form of structured interviewing, where all the respondents are asked the same set of questions and are often offered the same options in answering these questions. In addition, he stated that questionnaires may include open questions, but that that it is usually better to avoid this as far as possible as respondents may differ in their ability and willingness to write answers, and that answers to open-ended questions may be difficult to analyse.

Validity and reliability are important criteria in the research instrument. According to Leedy (1997:32), validity is concerned with the soundness and the effectiveness of the measuring instrument. Validity would, for example, raise such questions as: 'What does the test measure?', 'Does it, in fact, measure what it is supposed to measure?', 'How well, how comprehensively and how accurately does it measure?'. Validity, as a concept, examines the end-result of the measurement and asks the principal question whether what has to be measured has, in fact, been measured. Factor analysis presents a technique for assessing validity. The assessment of the validity of the questionnaire used in this study will be discussed in greater detail in chapter 6.

Reliability deals with accuracy. It raises questions such as: 'How accurate is the instrument that is used to make the measurement?' (Leedy, 1997:34). A popular approach in measuring reliability is the Cronbach coefficient (alpha). It is one of the most commonly-accepted methods used to measure reliability for a set of two or more construct indicators. Values range between 0 and 1.0, with higher values indicating higher reliability among the indicators (Hair, Anderson, Tatham and Black, 1995:618).

5.5.1 Reasons for the choice of the research instrument

As mentioned in paragraph 5.2, mail questionnaires have several advantages as well as disadvantages. After careful consideration of these advantages and disadvantages, it was decided that a structured self-administered mail questionnaire would be used. The main reasons for this choice include the following:

- **Cost:** Because of the geographical distribution of the target population, it would have been very expensive to use other data collection methods such as telephonic interviews and personal interviews.
- **Volume:** Postal questionnaires could be sent to the entire target population simultaneously, and they could complete the questionnaires in their own time.

- **Anonymity and confidentiality:** Questionnaires offer anonymity and respondents were ensured of confidentiality. This could have a positive impact on the response rate.
- **Bias:** Respondents were not influenced by the presence or opinion of the researcher.
- **Analysis:** Questionnaires are generally easier to analyse and offer the potential for transforming the data into quantifiable results.

It would have been almost impossible to contact the target population in any other way. For example, the 'fire-walls' of most organisations would not allow electronic mail correspondence from unknown sources, and the busy schedules of the target population would make it almost impossible to conduct personal or telephonic interviews. The geographic location of respondents would make focus groups impractical. It is very difficult to gain access to the members of the selected target population.

5.5.2 Design of the research instrument

Eiselen *et al* (2005:2) stated that questionnaires usually form an integral part of description and opinion-related surveys and that the formulation of the questions and the structure of the questionnaire are critical to the success of the survey. Questionnaires can take on one of the following formats:

- **Self-administered:** respondents are requested to complete the questionnaires in their own time.
- **Structured interviews:** the interviewer (very often the researcher) writes down the respondent's answers during a telephonic or face-to-face interview.

For reasons mentioned in paragraph 5.2, it was decided that a self-administered questionnaire would be used in this study. Eiselen *et al* (2005:2) have provided guidelines on the design of an effective and efficient questionnaire. The following steps were followed to ensure that the questionnaire design complies with these guidelines:

- Formulation of the research question, research objectives, and thesis statement.
- Defining the target population in order to formulate questions in such a way that the respondents understand them.
- Studying the existing literature to find questions that may be relevant to this study.
- Formulation of the questionnaire questions in a manner that is focussed on finding an answer to the research question, achieving the research objectives, and reaching a conclusion on the thesis statement.
- Organising the questions in a logical order, such as starting with non-threatening and interesting questions in the first section of the questionnaire.
- Consulting experts once the first draft of the questionnaire is completed. This included consultations with subject matter experts (to ascertain whether all relevant issues had been addressed and to ensure that the questions were formulated in an understandable and unambiguous manner), as well as experts in questionnaire design and quantitative research (to assist with the formulation of questions as well as the response format).
- Conducting a pilot study among five respondents (two subject matter academics, and three individuals in practice) to identify and rectify possible problems prior to the main study and to provide an indication of the expected response rate.

5.5.3 Structure of the research instrument

The following factors relating to the structure of the questionnaire were taken into account:

- The logical order of the questions so that each section of the questionnaire relates to a particular topic of the research.
- Placing the biographical information in the last section (Section D) of the questionnaire, and positioning interesting and thought-provoking questions in the first section (Section A) as a means of gaining the attention of respondents.

- Because of the busy schedules of the respondents, ensuring that the time taken to complete the questionnaire does not exceed 15 minutes and that the number of pages does not exceed eight.
- Attractive technical design of the questionnaire.
- Including a covering letter on the letterhead of the University of Johannesburg (Annexure A).

The covering letter was used to provide the following information:

- Information pertaining to the researcher.
- The reason why the study is being conducted.
- The importance of an acceptable response rate.
- Time taken to complete the questionnaire.
- Information on how the questionnaire should be completed and returned.
- Contact details of the researcher.
- Ensuring the respondent of his/her anonymity and ensuring that responses will remain confidential.

5.5.4 Choice of questions and question format

Eiselen *et al* (2005:10) stated that the wording of questions is critically important and that a 'good' question should satisfy all of the following criteria:

- Questions should be short, simple and to the point.
- Questions should have a clear instruction.
- Questions should not contain double negatives.
- Respondents should be asked to express opinions about their own views and not what they think the view of somebody else might be.
- Questions should be phrased neutrally.
- Questions should not contain emotional language.
- Questions should not make the respondent feel guilty.
- Questions should not have prestige bias.
- Questions should accommodate all possible answers.

- The response alternatives should be mutually exclusive.
- The questions should not make assumptions.
- The questions should not ask about hypothetical situations.

Care was taken to ensure that the format of questions complies with all of the above-mentioned criteria.

There are essentially two question formats that can be used in questionnaire surveys. These formats are open-ended questions (also called unstructured or free response questions) and closed-ended questions (also called structured or fixed response questions). Open-ended questions are questions to which respondents can provide any answer. A closed-ended question both asks a question and provides the respondent with fixed responses from which to choose. Each of these question types has some advantages and disadvantages. However, the crucial question is not which of these question formats is the best, but rather under which conditions would each of these forms be most appropriate. A researcher's choice to use open-ended or closed-ended questions should be guided by the purpose and practical limitations of a research project. This study made exclusive use of closed-ended questions, specifically for the following reasons (Neuman, 2000:260):

- The demands of using open-ended questions in terms of time consuming coding are impractical for this project.
- It is quicker and easier for respondents to answer.
- The answers of different respondents are easier to compare.
- Answers are easier to code and to analyse statistically.
- The response options can clarify the meaning of the questions for respondents.
- Respondents are more likely to answer questions on issues that are potentially sensitive and confidential (such as strategy).
- There are fewer irrelevant and potentially confusing answers to questions.
- Replication is easier.

Scaled questions were predominantly used. However, some ranking and multiple-choice questions were asked. No open-ended questions were asked in this questionnaire.

5.5.5 Choice of scale

Neuman (2000:180) stated that scaling creates an ordinal interval, or ratio measure of a variable expressed as a numerical score. Scales are commonly used in research such as this study, where the researcher aims to measure how individuals feel or their thoughts on an issue.

The Likert scales are widely used and are very common in survey research. Likert scales are also called 'summated rating' or 'additive' scales because a respondent's score on the scale is computed by summing the number of responses that the respondent provides. The use of a Likert scale presents respondents with a number of statements that request an indication of whether they agree or disagree with respect to the attitude that is being measured. It conveys the idea of a continuum, and assigning numbers helps the respondents to evaluate quantities (Neuman, 2000:182).

A decision was made to use the Likert scale in the research after the other most commonly-used scales in survey research had been considered. These scales included Thurstone scaling, semantic differential, and Guttman scaling. The most important reasons for this choice include:

- It is widely used and very common in survey research.
- Simplicity and ease of construction and use.
- It is adaptable and can easily be designed and marked.
- More comprehensive multiple indicator measurement is possible when several items are combined.
- A wide range of constructs can be measured.
- Factor analysis can be linked to the Likert scale.

However, the Likert scale also has some distinct disadvantages that must be taken into consideration. Neuman (2000:185) mentioned two of these disadvantages:

- Different combinations of several scale items can result in the same overall score or result.
- The response set is a potential drawback.

The use of Likert scales require a minimum of two categories, such as 'agree' or 'disagree'. However, the presence of two choices only creates a crude measure and forces distinctions into only two categories. The number of categories can be increased but should, however, be kept to a maximum of eight or nine. The choices should be evenly balanced, for example, 'strongly agree' and 'agree' should be balanced with 'strongly disagree' and 'disagree' (Neuman, 2000:182).

Survey researchers have debated, without reaching consensus, whether a neutral category such as 'don't know' or 'undecided' should be included. A neutral category implies an odd number of categories. Some researchers fear that respondents will choose neutral options to evade making a choice. On the other hand, some researchers are of the opinion that, by offering a neutral choice, researchers can identify those respondents who occupy neutral positions or those who have no opinions. This would ensure that valuable information that would otherwise have been lost can be included – this is made possible by the fact that the neutral category has been explicitly provided (Neuman, 2000:262).

It was decided that a five-point Likert scale with a 'neutral' category would be used in this study. Section A1 of the questionnaire made use of the following five-point Likert scale:

- 'Strongly disagree'.
- 'Disagree'.
- 'Neutral'.
- 'Agree'.
- 'Strongly agree'.

Sections B1, B2, B3, and C1 made use of the following five-point Likert scale:

- 'No extent'.
- 'Small extent'.
- 'Moderate extent'.
- 'Large extent'.
- 'Very large extent'.

The questionnaire design contains a balance between positive and negative statements to counter the "...response bias..." phenomenon (Neuman, 2000:183), in which respondents have a tendency towards a dominant selection of a particular weighted category (for example, 'I agree') for all questions, regardless of the content of the statement.

Section A2 of the questionnaire was designed to measure the respondents' perceptions of the importance of specific strategic leadership roles in an organisation. The respondents were requested to rank, in order of importance, the given roles of a strategic leader in any organisation. This was done in an effort to compare the research results with an earlier study by Hagen *et al* (1998:39-44). The study was conducted among 1000 randomly-selected CEOs from organisations throughout the United States.

The following scale was used:

- 1 = The most important role in the list.
- 2 = The second most important role in the list, and so on.
- 7 = The least important role in the list.

Section D of the questionnaire requested biographical data from the respondents and requested that they select only one item from a given list of mutually-exclusive alternatives.

5.5.6 Content of the research instrument

The questionnaire had a sufficient number of questions for collection of the

relevant information required to achieve the primary and secondary research objectives and to reach a conclusion on the thesis statement. However, care was taken to avoid too many questions, as this could have discouraged the respondents from completing the questionnaire, which could have had a negative impact on the response rate. This is particularly true in view of the fact that the target population are individuals with extremely busy schedules.

The questionnaire consists of the following sections:

(a) SECTION A: Generic issues in strategic management, strategy implementation, and strategic leadership.

Section A of the questionnaire consisted of two sub-sections, Section A1 and Section A2.

One of the objectives of this study is to investigate the perceived importance of strategy implementation as a component of the strategic management process in South African organisations. Section A1 of the questionnaire was designed to address this and other generic issues in strategic management and strategic leadership. This section contained attitude-measuring questions in which the respondents reflected their opinions or attitudes on generic issues regarding strategic management and strategic leadership. The respondents' level of agreement with each of the statements was measured on a five-point Likert scale, where one represents 'strongly disagree' and five represents "strongly agree". Section A1 was purposely placed at the beginning of the questionnaire in an attempt to attract the immediate attention of the target population. The questions in Section A1 were non-threatening, but were interesting and thought-provoking.

It is one of the objectives of this study to investigate the perceived roles of strategic leaders in South African organisations in general. Section A2 of the questionnaire was specifically designed to measure the respondents' perceptions of the importance of specific strategic leadership roles in an organisation. Respondents were requested to rank, in order of importance, seven selected roles of a strategic leader in any organisation by making use of the following scale:

- 1 = The most important role in the list.
- 2 = The second most important role in the list, and so on.
- 7 = The least important role in the list.

Respondents were specifically requested to use each of the numbers one to seven once only.

(b) SECTION B: The importance and effectiveness of strategy implementation, barriers to, and drivers of strategy implementation.

The questions in section B of the questionnaire were specifically designed to investigate the following:

- The perceived importance and effectiveness of strategy implementation in South African organisations.
- The perceived barriers to the effective implementation of strategy in South African organisations.
- The perceived drivers of strategy implementation in South African organisations.

Section B of the questionnaire consisted of three sub-sections, namely B1, B2, and B3.

It is one of the objectives of this study to investigate the perceived importance and effectiveness of strategy implementation in South African organisations. Section B1 of the questionnaire was designed to measure the respondents' perceptions of the effectiveness and importance of strategy implementation in their organisations. Section B1 of the questionnaire contained attitude-measuring questions in which the respondents reflected their opinions or attitudes on the importance and effectiveness of strategy implementation in their organisations. The respondents' level of agreement with each of the statements were measured on a five-point Likert scale, where one represents 'no extent' and five represents 'very large extent'.

An objective of this study was to investigate the perceived barriers to the effective implementation of strategy in South African organisations. Section B2 of the questionnaire was designed to measure the respondents' perceptions of the perceived barriers to the effective implementation of strategy in their organisations. Respondents were requested to indicate to what extent they believe that each of the mentioned items is a barrier to the effective implementation of strategy in their organisations. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'.

A further objective of this study was to investigate the perceived drivers of strategy implementation in South African organisations. Section B3 of the questionnaire was designed to measure the respondents' perceptions of the perceived drivers of effective strategy implementation in their organisations. Respondents were requested to indicate to what extent the mentioned items contribute positively to effective strategy implementation in their organisations. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'. In section B of the questionnaire, the respondents were alerted to the fact that, in this questionnaire, the term 'YOUR ORGANISATION' refers to the 2006 *Financial Mail* Top 200 Company that forms part of the target population.

(c) SECTION C: The perceived role of selected strategic leadership actions in strategy implementation.

Investigation of the perceived roles of strategic leaders in South African organisations, specifically in terms of strategy implementation, was an objective of this study. Section C1 of the questionnaire was designed to measure the respondents' perceptions of the role of specified strategic leadership actions in strategy implementation in their organisations. The respondents' perceptions of the extent to which specific strategic leadership actions contribute positively to effective strategy implementation in their organisations were measured. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'.

(d) SECTION D: Demographic information

The overall aim of Section D of the questionnaire was to collect demographic information of the respondents and their organisations.

Section D of the questionnaire deals with information pertaining to the respondents and their organisations. Respondents were assured that this information is confidential and would only be used to compare groups of respondents.

5.5.7 Alignment of questionnaire with the research objectives and the thesis statement

It is critical to align the content of the research instrument with the research objectives and the thesis statement. Table 5.1 indicates this alignment.

Table 5.1: Alignment of questionnaire with the research objectives and the thesis statement

Research objective/thesis statement	Section of questionnaire
To investigate the perceived role of strategic leadership in strategy implementation in South African organisations (primary objective)	All (specifically A1.5)
To investigate the perceived importance of strategy implementation as a component of the strategic management process in South African organisations (secondary objective).	A1.1; A1.2; A1.3; A1.4 B1.4; B2.5; B1.6; B1.7; B2.8
To investigate the perceived effectiveness of strategy implementation in South African organisations (secondary objective).	B1.1; B1.2; B1.3; B1.8
To investigate the perceived barriers to the effective implementation of strategy in South African organisations (secondary objective).	B2.1 – B2.15
To investigate the perceived drivers of strategy implementation in South African organisations (secondary objective).	B3.1 – B3.7

Research objective/thesis statement	Section of questionnaire
To investigate the perceived roles of strategic leaders in South African organisations in general and specifically in terms of strategy implementation (secondary objective).	A2 C1.1 - C1.7
Strategic leadership is perceived to positively contribute to effective strategy implementation in South African organisations (thesis statement).	All (specifically A1.5)
Personal and organisational information	Section D

It is evident from table 5.1 that the content of the questionnaire used in this study is closely aligned with the research objectives and the thesis statement of this study.

5.6 PILOT STUDY

Neuman (2000:166) asserted that the validity and reliability of the research instrument could be improved by making use of a pilot study. The concept questionnaire was tested and refined before being distributed to the target population.

A pilot study was performed in order to test the statistical analysis procedures and related results in terms of the research objectives and the thesis statement. The aim of the pilot study was to determine whether any problems were likely to be encountered with the completion of the questionnaire. A draft questionnaire was sent out to the following individuals:

- A senior lecturer in strategic management at a leading South African University.
- A former professor and head of department in strategic management at a leading South African university.
- A director and consultant of a private training and development company.

- An individual responsible for strategic management at a leading South African financial institution.
- An executive board member of a leading South African sports franchise.

These individuals were requested to comment on the questionnaire content and its construction. The pilot study also provided an opportunity to establish the following:

- To determine whether there are any irrelevant questions that should be removed.
- To determine whether there are any questions that should be added.
- To ensure that the respondents are able to understand the terminology used in the questionnaire.
- To ensure that the questionnaire is not too long.

Questions that were problematic were indeed reformulated, and some questions were deleted. Footnotes were added as a means of explaining some of the terms used in the questionnaire. The questionnaire was also quality controlled by STATKON (The Statistical Consultation Service of the University of Johannesburg) and specifically by Dr Riette Eiselen, to ensure that the format of the questions complies with the conditions of the statistical methods used for the analysis of data. The findings of the pilot study indicated that the researcher could confidently proceed with the major study and indicated that the research objectives are likely to be achieved in the major study.

5.7 QUESTIONNAIRES SENT OUT AND RECEIVED BACK (RESPONSE RATE)

A total of 930 questionnaires were posted to the target population on the 14th of March 2007. Each of these questionnaires was placed in an official University of Johannesburg envelope. A return envelope was not included as a result of cost constraints.

A total of 73 completed questionnaires were received back by 31 March 2007. These questionnaires were posted, faxed or sent by electronic mail. This represents a response rate of 7,8%.

According to Neuman (2000:272), a low response rate, specifically if the respondent perceives the content to be of a sensitive nature (as is the case in this study), is the biggest disadvantage of self-administered mail questionnaires. The response rate can be improved if reminders are sent to respondents. However, cost, time, and logistical constraints prevented this in this study. Some of the questionnaires were returned after the expiry of a long period of time and some were incomplete. A number of completed questionnaires were received long after the requested submission date. These questionnaires were disregarded as the statistical analysis was already in progress or, in some cases, even completed

Neuman (2000:268) stated that response rate is a major concern for mail questionnaires. A response rate of 10% to 50% is common for a mail survey. Neuman (2000:272) specifically referred to the challenges of surveying "...white-collar elites..." such as the target population of this study. He specifically mentioned the following challenges that may arise when powerful leaders in business are surveyed:

- They are very difficult to reach.
- Assistants may intercept questionnaires.
- They have restricted access.
- Access is facilitated when a prestigious source sends a letter or makes an appointment. In this study, the letterhead of the University of Johannesburg was used on the covering letter and both the letter and questionnaire were placed in an envelope that displayed the logo of the University of Johannesburg.

The above-mentioned proved to be true in this study. The following particular challenges were experienced:

- Electronic mails were received from personal assistants indicating that the

- Letters and electronic mails containing explanations for non-response were received from organisations. These explanations included that it is against company policy to participate in research projects or that the information required is too sensitive.
- In some cases, blank questionnaires were received.

The response rate of 7.8% is low, but it is acceptable in view of the above-mentioned challenges, all of which were experienced during the course of the research. STATKON was consulted to establish whether it would be possible to continue with the research despite the fact that the response rate was only 7.8%. Dr. Riette Eiselen indicated that the number of completed and returned questionnaires would be sufficient to continue with factor analysis. Once the promoter and several other experts in the fields of strategic management and statistics had been consulted, it was decided to continue with confidence with the study and that the data would be of sufficient quantity and quality to draw reliable conclusions, once the data had been analysed. Returned and completed questionnaires were sent to STATKON to be statistically analysed and interpreted.

5.8 CHARACTERISTICS OF THE RESPONDENTS – SECTION D OF THE QUESTIONNAIRE

The following section will discuss the profiles of the respondents in order to provide a background of the respondents and their organisations.

5.8.1 Age category of respondents

Question D1 of the questionnaire requested that respondents indicate their age category. Table 5.2 depicts the age category of the respondents.

Table 5.2: Age category of respondents

Age	Percentage	Cumulative Percentage
Younger than 30 years	1.4	1.4
30 - 39 years	15.5	16.9
40 - 49 years	32.4	49.3
50 - 59 years	36.6	85.9
60 - 69 years	12.7	98.6
70 years or older	1.4	100.0
Total	100.0	

It is evident from table 5.2 that:

- A large percentage of the respondents (36.6%) are 50 - 59 years old.
- The largest proportion (69%) of the respondents are in the age category 40 – 59 years.
- The least number of respondents are younger than 30 years (1.4%) or 70 years or older (1.4%).

5.8.2 Gender classification of respondents

Question D2 of the questionnaire requested that respondents indicate their gender classification. Table 5.3 indicates the gender classification of the respondents.

Table 5.3: Gender classification of respondents

Gender	Percentage
Male	85.7
Female	14.3
Total	100.0

It is evident from table 5.3 that:

- Only 14.3% of the respondents were female.
- The vast majority of the respondents (85.7%) were male.

5.8.3 Current primary job title of respondents

Question D3 of the questionnaire requested that respondents indicate their current primary job title. Table 5.4 indicates the current primary job title of the respondents.

Table 5.4: Current primary job title of respondents

Current primary job title	Percentage	Cumulative Percentage
Chairperson	7.0	7.0
CEO – Chief Executive Officer	21.1	28.2
CFO – Chief Financial Officer	12.7	40.8
COO - Chief Operating Officer	2.8	43.7
MD - Managing Director	7.0	50.7
Executive Director	16.9	67.6
Non-Executive Director	5.6	73.2
General Manager	18.3	91.5
Other	8.5	100.0
Total	100.0	

Table 5.4 indicates that:

- The largest proportion of the respondents (21.1%) are currently the CEO of their organisations.
- 73.2% of the respondents are the chairperson, CEO, CFO, COO, executive director, or non-executive director of their organisations. These individuals can all be regarded as forming the top management structure of the organisation.
- Only 18.3% of the respondents form part of the general (middle or lower level) management category.

5.8.4 Current specialist area of respondents

Question D4 of the questionnaire requested that respondents indicate their current specialist area. Table 5.5 indicates the current specialist area of the respondents.

Table 5.5: Current specialist area of respondents

Current specialist area	Percentage
Marketing	1.4
Human resources	5.7
Finance	18.6
Operations	10.0
General management	44.3
Legal	2.9
Other	17.1
Total	100.0

Source: Question D4.

It is evident from table 5.5 that the largest proportion (44.3%) of the respondents indicated that their current specialist area is general management. The specialist area of the respondents should be clearly differentiated for the current primary job title referred to in paragraph 5.8.3.

5.8.5 Highest academic qualifications of respondents

Question D5 of the questionnaire requested that respondents indicate their highest academic qualification. Table 5.6 indicates the highest academic qualification of the respondents.

Table 5.6: Highest academic qualification of respondents

Highest qualification	Percentage	Cumulative Percentage
PhD	7.0	7.0
Masters degree	32.4	39.4
Honours degree	28.2	67.6
Undergraduate degree	16.9	84.5
Post-school diploma	8.5	93.0
Other	7.0	100.0
Total	100.0	

It is interesting to note from table 5.6 that:

- The largest proportion of the respondents (32.4%) have a Masters degree.

- 39.4% of the respondents indicated that their highest qualification is a Masters degree or higher.
- 67.6% of the respondents have a post-graduate qualification.

5.8.6 Experience of respondents

Question D6 of the questionnaire requested that respondents indicate their number of completed years in the roles related to either strategy formulation or strategy implementation in any organisation. Table 5.7 indicates the number of completed years that respondents have been involved roles related to strategy formulation and implementation in any organisation, not only their current organisation.

Table 5.7: Respondents' number of completed years in the roles related to strategy formulation and implementation in any organisation

Years	Percentage	Cumulative Percentage
1 to 3 years	5.7	5.7
4 to 7 years	20.0	25.7
8 to 10 years	14.3	40.0
11 to 20 years	42.9	82.9
21 or more years	17.1	100.0
Total	100.0	

It is evident from table 5.7 that:

- A large percentage of the respondents (42.9%) have 11 to 20 years of experience in strategy formulation and implementation in any organisation.
- 60.0% of the respondents have 11 years or more of experience in formulating and implementing strategy in any organisation.
- Only 5.7% of the respondents have less than four years of experience in formulating and implementing strategy in any organisation.

5.8.7 Dominant business strategy of respondents' organisations

Question D7 of the questionnaire requested that respondents indicate the dominant business strategy of their organisation. Table 5.8 indicates the dominant business strategy of the respondents' organisations.

Table 5.8: Dominant business strategy of respondents' organisations

Business strategy	Percentage
Consolidation	15.5
Growth	80.3
Other	4.2
Total	100.0

It is clear from table 5.8 that the vast majority (80.3%) of the respondents indicated that their organisation's dominant business strategy is currently a growth strategy (entering new markets or producing new products).

5.8.8 Industry in which organisations operate

Question D8 of the questionnaire requested that respondents indicate in which industry their organisations operate. Table 5.9 indicates the industry in which their organisations operate.

Table 5.9: Industry in which organisations operate

Industry	Percentage	Cumulative Percentage
Mining	12.7	12.7
Manufacturing	21.1	33.8
Construction	5.6	39.4
Wholesale	1.4	40.8
Retail	8.5	49.3
Financial services	12.7	62.0
Business services	4.2	66.2
Real estate	4.2	70.4
Telecommunication	11.3	81.7
Other	18.3	100.0
Total	100.0	

The following is evident from table 5.9:

- The respondents are representative of all the major industries in the South African economy.
- The largest proportion (21.1%) of the respondents currently operate in the manufacturing industry.
- 16.9% are in the service industry (financial services and business services).
- The least number of responses (1.4%) were received from the wholesale industry.

5.9 RESEARCH DATA AND STATISTICAL ANALYSIS

Hofstee (2006:117) stated that, in order to turn data into information, it has to be statistically analysed.

5.9.1 Data capturing and processing

The software program, SPSS, exclusively designed for statistical processing and available from the statistical consultancy service of the University of Johannesburg (STATKON) was used for processing the data. In addition to using the usual descriptive statistical methods such as frequency distribution, means, medians and standard deviations, the following statistical techniques were used in this study:

- Assessment of the internal validity of the research instrument by using factor analysis.
- Assessment of internal reliability of the research instrument by using Cronbach Alpha.
- Assessment of the normal distribution of data by using Skewness and Kurtosis tests.
- Investigating the existence of significant differences and/or associations between identified groupings of respondents by using the independent-sample t-test, Mann-Whitney U-tests, and Fisher's Exact test.

These statistical methods will be discussed in the following paragraphs.

5.9.2 Factor analysis

Factor analysis was used extensively in this study as a technique for data reduction. Hair *et al* (1995:366) defined factor analysis as follows: "...factor analysis is a generic name given to a class of multivariate statistical methods whose primary purpose is to define the underlying structure in a data matrix. Broadly speaking, it addresses the problem of analysing the structure of the interrelationships (correlations) among a large number of variables by defining a set of common underlying dimensions, known as factors".

Neuman (2000:502) stated that: "The fundamental logic of factor analysis is based on the idea that it is possible to manipulate statistically the empirical relationships among several indicators to reveal a common unobserved factor or hypothetical construct". Factor analysis is, therefore, a statistical technique that identifies underlying constructs in the data and/or is used to reduce the number of variables to a more manageable set. The underlying construct is termed a 'factor'. A factor is thus a variable or construct that is not directly observable, but that must be inferred from the input variables (Aaker and Day, 1980:398-399).

Factor analysis was used in an attempt to gain an insight into the factorial validity of the items in sections B1; B2; B3; and C1 of the questionnaire. Each of these sections was organised around a different aspect of strategy implementation and strategic leadership. In turn, each of these aspects was organised around a number of dimensions, which were exposed to factor analysis with the aim of investigating and developing its single-dimensional nature.

The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was conducted to determine whether or not adequate correlation exists between the individual items contained within each of the sections of the questionnaire, before a factor analysis could be conducted (Hair *et al*, 1998:99). Principal factor analysis (true-factor analysis) was used with an oblique rotation, in other words, direct oblimin for

extraction and the Varimax with Kaiser normalisation rotation method. The decision on which factors to use rests with the researcher and, in the case of this study, is based on the number of factors expected in terms of the theory and the interpretability of the factors.

Section A was designed to address generic issues in strategic management, strategy implementation and strategic leadership in any organisation. It did not address one specific issue. No factor analysis was done on item level for the questions in Section A, as these questions were more descriptive in nature.

5.9.3 Cronbach Alpha

A popular approach in measuring reliability is the Cronbach Coefficient (Alpha value). It is one of the most commonly-accepted methods used as a measure of reliability for a set of two or more construct indicators. Values range between 0 and 1.0, with higher values indicating higher reliability among the indicators. A low alpha value suggests that some items underlying the factor do not relate to it. Such items must then be considered to be omitted from the factor as a means of increasing the alpha value of the factor (Hair *et al*, 1995:618).

5.9.4 Skewness and Kurtosis

The data was analysed to determine whether the results obtained for each of the identified dimensions or factors show a normal distribution on the scale of measurement.

Skewness is the lack of symmetry of a distribution (www.uj.ac.za/statkon - accessed 4 October 2007). The normal distribution is symmetric and has a Skewness value of zero. As a guideline, a Skewness value of more than two times its standard error is taken to indicate a departure from symmetry (Eiselen *et al*, 2005: 98-99).

Kurtosis is the degree of peakedness of a frequency function near its mode. The normal distribution is taken as a standard. The value of the Kurtosis statistic is zero for a normal distribution (www.uj.ac.za/statkon).

5.9.5 Independent sample t-test and Mann-Whitney U test

The independent sample t-test indicates whether two samples, independent of each other (for example, individuals randomly assigned into two groups), have equal means and variances and, therefore, whether significant differences exist between these groupings. The Mann-Whitney U test is a non-parametric test that examines the differences between two independent samples. In other words, it tests whether the populations from which two samples are drawn have the same location. This test is a non-parametric equivalent of the parametric independent t-test (www.uj.ac.za/statkon - accessed 4 October 2007).

5.9.6 Fisher's Exact test

Fisher's Exact test is an alternative to a traditional Chi-square test when expected frequencies are small. It tests for a lack of association in a 2 x 2 contingency table. Fisher's test calculates the probability that, under the null hypothesis, a table of results is obtained which differs from the expected as much as, or even more, than the observed table (Morgan, Reicher and Harrison, 2002: 38; www.uj.ac.za/statkon, accessed 4 October 2007).

5.10 RESEARCH METHODOLOGY LIMITATIONS

Hofstee (2006:118) asserted that limitations are inherent in academic work. The limitations of the research methodology are what separate it from perfection. The research method used in this study has the following limitations:

- A low response rate and subsequent low confidence levels as a result of the sensitivity of information required and the time constraints experienced by the target population.
- The use of a questionnaire is a possible limitation, as it does not allow for observation of, and rapport with, the respondents.
- The research is limited to the strategic leaders of the *Financial Mail* Top 2006 companies (2006), which may have a negative impact on the extent to which the results can be generalised.
- Addressees could have passed on the questionnaires to other individuals to complete.
- Cost and time constraints limited the research design options.

Despite the above-mentioned limitations, the research is still regarded as worthwhile in respect of its contribution to the strategic management and strategic leadership fields of study.

5.11 ETHICAL CONSIDERATIONS

All efforts have been made to ensure that the research adheres to strict ethical guidelines. One of the potential ethical problems is the identification of research participants and their organisations. This is specifically true as a result of the sensitivity of the information involved. The covering letter ensured the participants of their anonymity and every effort has been made to protect the anonymity of the respondents. While there was the potential for harm in this study, all reasonable attempts have been made to counteract it.

5.12 CONCLUSION

Chapter 5 discussed the research methodology employed to achieve the primary and secondary research objectives of this study and to reach a conclusion on the thesis statement.

A structured mail questionnaire was posted to 930 individuals. A total of 73 (7.8%) questionnaires were completed and returned. The responses in the completed and returned questionnaires were quantitatively analysed. Chapter 6 will deal with the statistical analysis and discussion of the results of this study.



CHAPTER 6

ANALYSIS AND DISCUSSION OF THE RESEARCH RESULTS

6.1 INTRODUCTION

This study consists of a literature study (chapters 2, 3 and 4) and an empirical investigation (chapters 5 and 6). Strategy implementation was placed into context in the literature study (chapter 2), strategic leadership, specifically in the context of strategy implementation, was investigated in chapter 3, and the selected key actions of strategic leaders and their role in effective strategy implementation was discussed in chapter 4. The research methodology that was followed during the empirical investigation was discussed in chapter 5.

The primary objective of this study was set out in chapter 1, paragraph 1.3.1, namely to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. The secondary objectives were set out in chapter 1, paragraph 1.3.2, namely to investigate the following as a means of achieving the primary objective:

- The perceived importance of strategy implementation as a component of the strategic management process in South African organisations.
- The perceived importance and effectiveness of strategy implementation in South African organisations.
- The perceived barriers to the effective implementation of strategy in South African organisations.
- The perceived drivers of strategy implementation in South African organisations.
- The perceived roles of strategic leaders in South African organisations in general, and their role in the implementation of strategy in particular.

Paragraph 1.3.3 detailed the thesis statement, namely that strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations. The purpose of this chapter is to analyse and

discuss the research results of the empirical investigation in order to achieve the above-mentioned primary and secondary research objectives and to reach a conclusion on the thesis statement. The validity, reliability and normal distribution of the data will be assessed first. This will be followed by a detailed analysis and interpretation of the data, including reference to descriptive statistics, significant differences and associations between independent variables, as well as correlations between identified factors.

6.2 ASSESSING INTERNAL VALIDITY, RELIABILITY AND NORMAL DISTRIBUTION

The research instrument used in this study should be subjected to validity and reliability assessments. In addition, a determination should be made of whether the results obtained for each of the identified factors show a normal distribution on the scale of measurement. Factor analysis was used to assess internal validity. Cronbach Alpha was used to assess internal reliability. Skewness and Kurtosis tests were used to assess the normal distribution of the data.

6.2.1 Assessing internal validity

The face, or content validity approach, can be used to assess the internal validity of a measurement – or the degree to which a measurement measures that which it is supposed to measure. Factor analysis techniques can be used to assess the structural validity of the questionnaire (Diamantopoulos and Schlegelmilch, 1997:216).

The researcher examined whether or not the questions in the questionnaire were indeed measuring what they were supposed to measure by using the face or content validity test. The individuals who took part in the pilot study also validated the questions.

Factor analysis was used in an attempt to gain an insight into the structural validity of the items in sections B1, B2, B3 and C1 of the questionnaire. Once the frequencies of the individual items of the questionnaire had been calculated, it was

found that sections B1, B2, B3, and C1 of the questionnaire were suitable for performing factor analysis.

The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was conducted to determine whether or not adequate correlation exists between the individual items contained within each of the sections of the questionnaire, before a factor analysis could be conducted. A KMO statistic, an associated Bartlett's p-value, and an Anti-image Correlation statistic are established using this test. A KMO statistic of greater than 0.7, an associated p-value of less than or equal to 0.05, and an Anti-image Correlation statistic of greater than 0.6 indicate that the adequate correlation exists to justify factor analysis (Hair *et al*, 1998:99).

It is evident from table 6.2 that, for each of the identified sections of the questionnaire, the KMO statistics are greater than 0.7, the associated Bartlett's p-value is less than or equal to 0.05 and the Anti-image Correlation statistic is greater than 0.6 between the items in each of the sections.

A factor analysis for a particular dimension can be performed once adequate correlation has been found between the items assessed within an identified dimension (Diamantopoulos and Schlegelmilch, 1997:216). Principal factor analysis (true-factor analysis) with an oblique rotation, in other words, direct oblimin for extraction and the Varimax with Kaiser Normalisation rotation method, were used. According to Churchill (1992:390), a factor loading of greater than or equal to 0.3 is an indication of a relationship between items. The structural validity results for each of the dimensions, as well as the subsequent factor analysis, are reported in table 6.1.

Table 6.1: Structure validity and results of the factor analysis

Section	Dimension	KMO statistic	Bartlett's p-value	Cumulative percentage of variance explained
B1*	Importance and effectiveness of strategy implementation (8 items)*	0.768	0.000	47.755
B2**	Barriers to effective strategy implementation (15 items)**	0.902	0.000	56.749
B3	Drivers of strategy implementation (7 items)	0.838	0.000	53.562
C1**	Role of selected strategic leadership actions in strategy implementation (7 items)**	0.776	0.000	45.715

Table 6.2 indicates each of the identified factors and their factor loadings. The factor loading is a quantity that results from the factor analysis and indicates the relationship between a variable and a factor. Items with a loading of less than 0.3 indicate a weak relationship and the elimination of such items should be considered.

* Results of second order factor analysis without item B1.3.

** Results of second order factor analysis.

Table 6.2: Factor analyses

Statements	Factor 1 [*]	Factor 2 ^{**}	Factor 3	Factor 4 ^{**}
B1.1	.549			
B1.2	.495			
B1.3	-			
B1.4	.786			
B1.5	.749			
B1.6	.559			
B1.7	.527			
B1.8	.682			
B2.1		.732		
B2.2		.725		
B2.3		.815		
B2.4		.708		
B2.5		.784		
B2.6		.794		
B2.7		.825		
B2.8		.678		
B2.9		.787		
B2.10		.763		
B2.11		.514		
B2.12		.793		
B2.13		.773		
B2.14		.716		
B2.15		.512		
B3.1			.767	
B3.2			.717	
B3.3			.698	
B3.4			.761	
B3.5			.568	
B3.6			.628	
B3.7			.586	
C1.1				.465
C1.2				.614
C1.3				.538
C1.4				.531
C1.5				.768
C1.6				.773
C1.7				.521

* Results of second order factor analysis without item B1.3.

** Results of second order factor analysis.

Since the labelling of a factor is essentially a subjective procedure which the researcher determines (Boyd, Westfall and Stasch, 1989:630), it was decided that each of the factors would be named in accordance with the commonality of the items determined during factor analysis. Each of the identified factors for this study were named as follows:

- Factor 1: **‘Effectiveness and importance of strategy implementation’**.
- Factor 2: **‘Barriers to effective strategy implementation’**.
- Factor 3: **‘Drivers of strategy implementation’**.
- Factor 4: **‘Roles of strategic leadership actions in strategy implementation’**.

As mentioned in chapter 5, paragraph 5.9.2, section A of the questionnaire was designed to address generic issues in strategic management and strategic leadership, and was not designed to address one specific issue. Therefore, no factor analysis was done on item level for the items in Section A, as these questions were more descriptive in nature. Each of the above-mentioned factors will be reviewed in detail in the forthcoming paragraphs.

(a) Factor 1: Effectiveness and importance of strategy implementation

The aim of Section B1 of the questionnaire was to measure the **‘effectiveness and importance of strategy implementation’**. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) in section B1 indicated an initial KMO statistic of 0.734. Item B1.3 indicated an Anti-image Correlation statistic of 0.535 which is less than the acceptable value of greater than 0.6 (all the other items indicated an Anti-image Correlation statistic value greater than 0.6). Exploratory factor analysis was performed on items B1.1 – B1.8 of the questionnaire and this yielded two first order factors from eight items (item 1.3 did not indicate a high loading). However, one of the identified factors only contained two items with high loadings. As a result, a single factor (excluding item B1.3) was forced (which increased the KMO statistic to 0.768). Table 6.2 indicates that the loadings of all the items on this single factor exceed 0.45. Eight items were reduced to a single factor which explains 47.7% of the variance as depicted in table 6.1.

(b) Factor 2: Barriers to effective strategy implementation

Section B2 of the questionnaire was aimed at measuring '**barriers to effective strategy implementation**'. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was conducted on the items in section B2 and indicated a KMO statistic of 0.902. All the items indicated an Anti-image Correlation statistic greater than 0.6. Exploratory factor analysis was performed on items B2.1 – B2.15 of the questionnaire and this yielded two first order factors. However, one of the identified factors only contained one item with a high loading. As a result, a single factor was forced. Table 6.2 indicates that the loadings of all the items on this single factor exceed 0.5. A single factor extracted 56.75% of the variance from a total of 15 items as depicted in table 6.1.

(c) Factor 3: Drivers of strategy implementation

The '**drivers of strategy implementation**' were measured in Section B3 of the questionnaire. The KMO statistic in Section B3 was 0.838. An Anti-image Correlation statistic of greater than 0.6 was indicated on all the items. Exploratory factor analysis was applied on items B3.1 – B3.7 to confirm the underlying factors that best describe this dimension. Table 6.2 indicates that the loadings of all the items on this factor exceed 0.5. Seven items were reduced to a single factor which explains 53.56 of the variance as depicted in table 6.1.

(d) Factor 4: Roles of strategic leadership actions in strategy implementation

The aim of Section C1 of the questionnaire was to measure the '**role of selected strategic leadership actions in strategy implementation**'. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was conducted on section B2. A KMO statistic of 0.776 was indicated. All the items indicated an Anti-image Correlation statistic greater than 0.6. Exploratory factor analysis was performed on items C1.1 – C1.7 of the questionnaire and this yielded two first order factors. However, one of the identified factors only contained one item with a high loading. As a result, a single factor was forced. Table 6.2 indicates that the loadings of all

the items on this single factor exceed 0.45. Seven factors were reduced to a single factor which explains 45.72% of the variance as depicted in table 6.1.

6.2.2 Assessing internal reliability

Coefficient alpha (Cronbach Alpha) is a well-known statistical technique that can be used to determine the reliability of a measuring instrument. Coefficient alpha is calculated to determine the internal reliability of the items or variables underlying an identified factor in a research instrument. According to Churchill (1992:390), coefficient alpha is a good indication of the internal correlation that exists between a set of items or variables. If the coefficient alpha value of a set of items is low, it implies that some of the items underlying the factor do not relate to the factor. It should then be considered to omit these items from the factor. The criterion that is used to determine whether an item should be omitted, is the item-to-total correlation of each item. All the items with a low item-to-total correlation, which will increase the coefficient alpha value of the factor if it is omitted, must, therefore, be considered to be omitted from the factor.

Cronbach Alpha was used to determine the internal reliability of the questionnaire used in this study. Values range between 0 and 1.0 and, whilst 1.0 indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Hair *et al*, 1995:618). The reliability statistic for each of the identified factors is presented in table 6.3.

Table 6.3: Reliability statistics

Section	Identified factors	Cronbach Alpha
B1	Importance and effectiveness of strategy implementation	0.818
B2	Barriers to effective strategy implementation	0.945
B3	Drivers of strategy implementation	0.854
C	Role of selected strategic leadership actions in strategy implementation	0.795

It is evident from table 6.3 that Cronbach's Alpha for each of the identified factors is well above the lower limit of acceptability of 0.70. The results indicate that the questionnaire (sections B1, B2, B3, and C) used in this study have a high level of reliability. Tables with the item-to-total values for the individual items of each of the

identified factors have not been included in this research, but are available on request. These tables indicate that each of the items relates to the identified factor and that the coefficient alpha value of the identified factor will not increase if some of the items are omitted.

6.2.3 Assessing normal distribution

Before the results can be presented, it is necessary to determine whether the results obtained for each of the identified dimensions or factors show a normal distribution on the scale of measurement. The Kurtosis and Skewness of the distribution of the result are measured for each of the identified dimensions.

The normal distribution is symmetric and has a Skewness value of 0. As a guideline, a Skewness value of more than two times its standard error is taken to indicate a departure from symmetry (Eiselen *et al*, 2005: 98-99). In terms of Kurtosis, the normal distribution is taken as a standard. For a normal distribution, the value of the Kurtosis statistic is 0 (www.uj.ac.za/statkon). The researcher anticipated that certain dimensions could fall outside the acceptable limits, especially where importance is measured, since respondents tend towards the higher end of the scale when indicating levels of importance. Table 6.4 indicates the Skewness and Kurtosis statistics for each of the identified factors.

Table 6.4: Skewness and Kurtosis

Factors	Minimum Statistic	Maximum Statistic	Mean Statistic	Standard Deviation	Skewness		Kurtosis	
				Statistic	Statistic	Std. Error	Statistic	Std. Error
Effectiveness and importance of strategy implementation (factor 1)	1.29	4.71	3.5010	.69216	-.967	.283	.740	.559
Barriers to effective strategy implementation (factor 2)	1.00	4.67	2.4063	.79375	.651	.281	.249	.555
Drivers of strategy implementation (factor 3)	1.57	5.00	3.5121	.72795	-.252	.281	-.051	.555
The role of strategic leadership actions in strategy implementation (factor 4)	2.14	5.00	3.6885	.57610	-.020	.283	.421	.559

In terms of Skewness, it is evident from table 6.4 that the scores for factor 1 and factor 2 are slightly skewed. Factor 1 is slightly skewed to the right (negative value) and factor 2 is slightly skewed to the left (positive value). It is further evident from table 6.4 that:

- The lowest minimum statistic is for factor 2 (1.00) and the highest minimum statistic is for factor 4 (2.14).
- The lowest maximum statistic is for factor 2 (4.67) with factor 3 and 4 both at 5.00.
- The lowest mean statistic is for factor 2 ($M = 2.40$) and the highest mean statistic is for factor 4 ($M = 3.69$).
- Factor 4 has the lowest standard deviation ($SD = .57$) and factor 2 has the highest standard deviation ($SD = .79$).

6.2.4 Summary

The statistical results discussed above are an overall indication that the items in each of the identified factors possess a high level of internal validity and reliability. The factor analysis can, on the whole, be regarded as satisfactory and, as a result, it provides meaning to each of the identified factors. Several factors that are underlying to the role of strategic leadership in strategy implementation reached prominence in this study. These factors can be classified as follows:

- Importance and effectiveness of strategy implementation (items B1.1 – B1.8, excluding B1.3).
- Barriers to effective strategy implementation (items B2.1 – B2.15).
- Drivers of strategy implementation (items B3.1 - B3.7).
- Roles of strategic leadership actions in strategy implementation (items C1.1 – C1.7).

The forthcoming paragraphs will focus on an analysis and interpretation of the research results pertaining to section A of the questionnaire as well as each of the above-mentioned factors (sections B1, B2, B3 and C1 of the questionnaire).

6.3 ANALYSIS AND INTERPRETATION OF RESEARCH RESULTS

The results obtained from the questionnaire used in this study are presented in this paragraph. The responses to sections A1, A2, B1, B2, B3 and C1 of the questionnaire will be analysed and interpreted with the aim of achieving the primary and secondary research objectives and in an attempt to reach a conclusion on the thesis statement.

6.3.1 Generic issues in strategic management and strategic leadership

One of the objectives of this study was to investigate the perceived importance of strategy implementation as a component of the strategic management process in South African organisations.

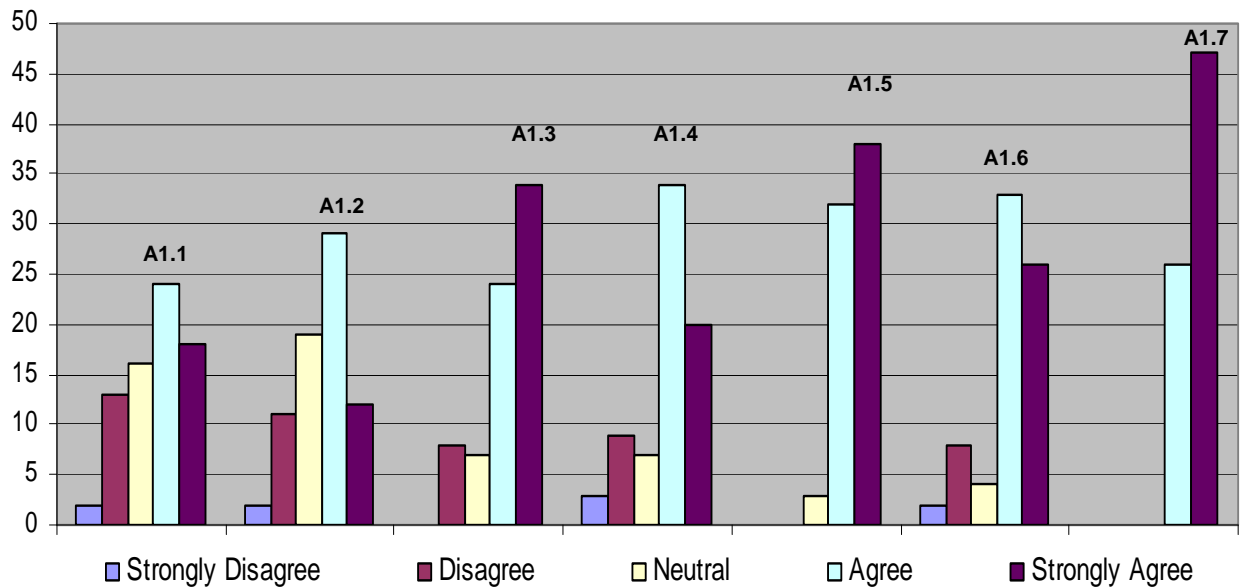
Section A1 of the questionnaire contained attitude-measuring questions in which the respondents reflected their opinions or attitudes on generic issues regarding strategic management and strategic leadership. The respondents' level of agreement with each of the statements were measured on a five-point Likert scale, where one represented 'strongly disagree' and five represented 'strongly agree'. The researcher considers 'agree' and 'strongly agree' as indicative that respondents agree with the statement with respect to section A1 of the questionnaire. The researcher considers a mean score (M) of more than 3.00 for an item as an additional indication that respondents agree with the statement. Table 6.5 indicates the respondents' responses to the statements.

Table 6.5: Generic issues in strategic management and strategic leadership

Question Number	Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%) 5	Mean (M)	Standard Deviation (SD)
A1.1	Strategy implementation is more important than strategy formulation as a means of delivering superior financial results in an organisation.	2.8	18.3	22.5	31.0	25.4	3.59	1.13
A1.2	The ability to implement a strategy in an organisation is more important than the ability to formulate a strategy in an organisation.	2.8	15.5	25.4	39.4	16.9	3.52	1.03
A1.3	The implementation of a strategy is more difficult than the formulation of a strategy.	0	11.3	9.9	33.8	45.1	4.15	.996
A1.4	The high failure rate of organisational change initiatives is a direct result of poor strategy implementation.	4.2	12.7	8.5	47.9	26.8	3.81	1.10
A1.5	Strategic leadership contributes positively to the effective implementation of a strategy within an organisation.	0	0	2.8	45.1	52.1	4.48	.58
A1.6	Strategic leaders are ultimately responsible for effective strategy implementation in an organisation.	2.8	9.9	5.6	46.5	35.2	4.00	1.054
A1.7	The strategic leadership of an organisation can be a competitive advantage for an organisation.	0	0	0	35.2	64.8	4.64	.482

Figure 6.1 is a graphic representation of the responses to Section A1 of the questionnaire.

Figure 6.1: Generic issues in strategic management and strategic leadership



It is evident from table 6.5 and figure 6.1 that the respondents largely agreed with the statements as mean scores for all of the seven items exceeded 3.00, (ranging between 3.52 and 4.64). The item 'The strategic leadership of an organisation can be a competitive advantage for an organisation' obtained the highest mean score ($M = 4.64$), closely followed by 'Strategic leadership contributes positively to the effective implementation of a strategy within an organisation' ($M = 4.48$). The item 'The ability to implement a strategy in an organisation is more important than the ability to formulate a strategy in an organisation' obtained the lowest mean score ($M = 3.52$).

As far as strategic management is concerned:

- More than half of the respondents agreed that strategy implementation is more important than strategy formulation ($M = 3.59$), and that the ability to implement a strategy in an organisation is more important than the ability to formulate a strategy in an organisation ($M = 3.52$).

- More than 75% of the respondents agreed that strategy implementation is more difficult than strategy formulation (M = 4.15).
- Almost three out of four (74.7%) of the respondents agreed that poor strategy implementation results in a high failure rate of change initiatives (M = 3.81).

The main finding from the above is that the respondents view strategy implementation as an important, but difficult, component of the strategic management process in South African organisations.

As far as strategic leadership is concerned:

- Nearly all of the respondents (97.2%) agree that strategic leadership contributes positively to the effective implementation of strategy in an organisation (M = 4.48).
- More than 80% of the respondents agree that strategic leaders are ultimately responsible for the effective implementation of strategy in an organisation (M = 4.00).
- All the respondents agree that strategic leadership can be a competitive advantage for an organisation (M = 4.64).

The main finding from the above is that the respondents overwhelmingly agree that strategic leadership plays a critical role in effective strategy implementation, that strategic leaders must take the responsibility for effective strategy implementation in their organisations and that strategic leadership can be the basis for creating a sustainable competitive advantage.

6.3.2 Importance of strategic leadership roles

It was one of the objectives of this study to investigate the perceived roles of strategic leaders in South African organisations in general. Chapter 3, paragraph 3.6 of the literature study identified specific strategic leadership roles. Section A2 of the questionnaire was designed to measure the respondents' perceptions of the

importance of specific strategic leadership roles in an organisation. The respondents were requested to rank, in order of importance, each of the following roles of a strategic leader in any organisation:

- Determining the strategic direction of the organisation.
- Establishing balanced organisational controls.
- Sustaining an effective organisational culture.
- Emphasising ethical practices.
- Exploiting and maintaining core competencies.
- Developing human capital.
- Developing social capital.

Figure 6.2 is a graphic presentation of the responses to Section A2 of the questionnaire.

Figure 6.2: Roles of a strategic leader

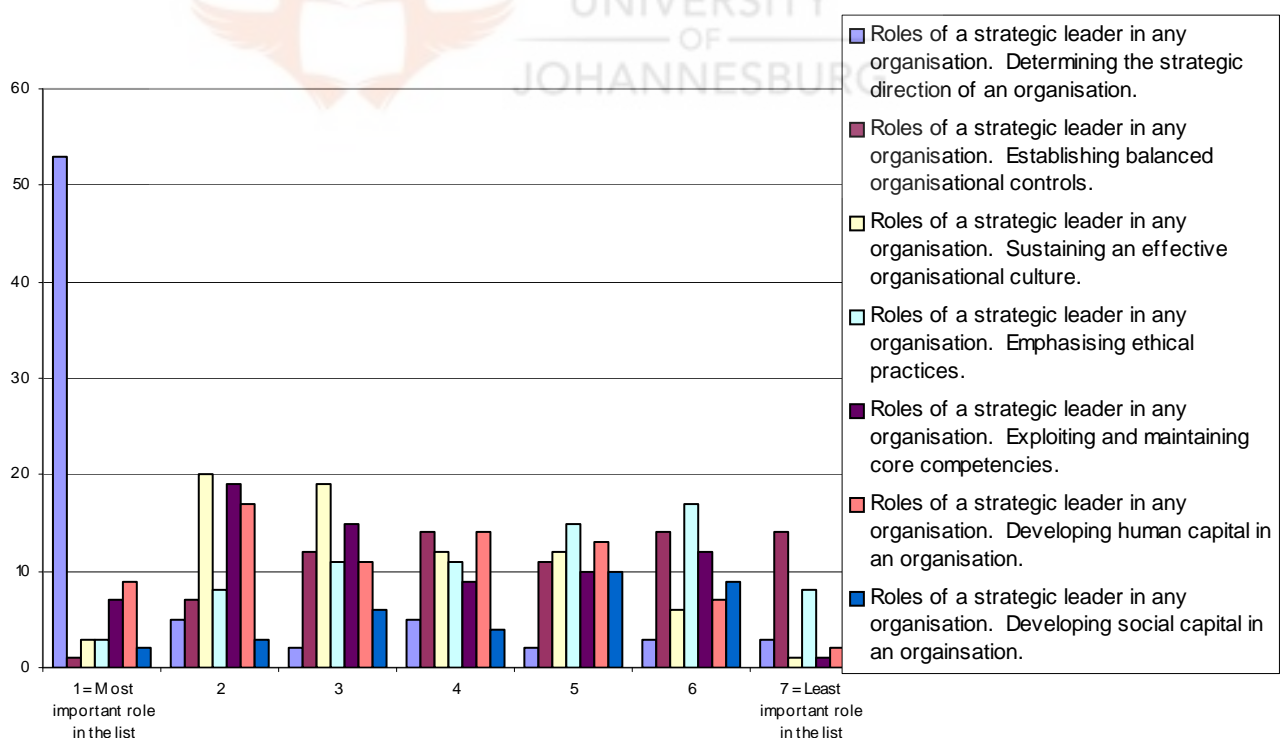


Table 6.6 indicates the responses of the respondents to section A2 of the questionnaire.

Table 6.6: Importance of strategic leadership roles

Strategic leadership role	1 Most important role in the list (%)	2	3	4	5	6	7 Least important role in the list (%)	Mean (M)	Standard deviation (SD)
A2.1 Determining the strategic direction of the organisation.	71.8	7.0	2.8	7.0	2.8	4.2	4.2	1.89	1.73
A2.2 Establishing balanced organisational controls.	1.4	9.9	16.9	19.7	15.5	18.3	18.3	4.71	1.69
A2.3 Sustaining an effective organisational culture.	4.2	28.2	26.8	15.5	16.9	7.0	1.4	3.44	1.43
A2.4 Emphasising ethical practices.	4.2	11.3	14.1	15.5	21.1	23.9	9.9	4.51	1.69
A2.5 Exploiting and maintaining core competencies.	9.9	25.4	21.1	12.7	12.7	16.9	1.4	3.49	3.49
A2.6 Developing human capital.	12.7	22.5	15.5	18.3	18.3	9.9	2.8	3.47	3.47
A2.7 Developing social capital.	2.8	4.2	7.0	5.6	12.7	12.7	54.9	5.74	5.74

It is evident from table 6.6 and figure 6.2 that the strategic leadership role of 'determining the strategic direction of the organisation' obtained the lowest mean score ($M = 1.89$). This indicates that the overwhelming majority of the respondents ranked it as the most important role of a strategic leader. The role of 'developing social capital' obtained the highest mean score ($M = 5.74$). This indicates that the overwhelming majority of the respondents ranked it as the least important role of a strategic leader.

Other strategic leadership roles that are regarded as important by the respondents include the following:

- Sustaining an effective organisational culture ($M = 3.44$).
- Exploiting and maintaining core competencies ($M = 3.49$).
- Developing human capital ($M = 3.47$).

6.3.3 Effectiveness and importance of strategy implementation

An objective of this study was to investigate the perceived importance and effectiveness of strategy implementation in South African organisations. Chapter 2, paragraph 2.4 of the literature study discussed the importance and effectiveness of strategy implementation. The literature study indicated that, although strategy implementation is theoretically viewed as an important component of strategic management, it has a very high failure rate in practice.

Section B1 of the questionnaire contained attitude-measuring questions in which the respondents reflected their opinions or attitudes on the importance and effectiveness of strategy implementation in their organisations¹. The respondents' level of agreement with each of the statements was measured on a five-point Likert scale, where one represents 'no extent' and five represents 'very large extent'.

For the purposes of sections B1, B2, B3, and C1 of the questionnaire, the researcher considers agreement to a 'moderate extent', 'large extent', and 'very large extent' as an indicator that respondents agree with the statement. The researcher considers a mean score (M) of more than 3.00 for an item as an additional indication that respondents agree with the statement.

Table 6.7 presents the respondents' responses to statements B1.1 to B1.3, which deal with the perceived effectiveness of strategy implementation in their organisations.

¹ In this questionnaire, the term 'YOUR ORGANISATION' refers to the 2006 *Financial Mail* Top 200 Company at which the questionnaire was aimed.

Table 6.7: Effectiveness of strategy implementation

Question Number	Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
B1.1	That your organisation is better at formulating strategy, than at implementing strategy.	13.0	31.9	33.3	21.7	0	2.65	.97
B1.2	That there is a gap between the formulation of, and the effective implementation of, strategy in your organisation.	8.6	40.0	30.0	20.0	1.4	2.67	.95
B1.3	That your organisation is effective at implementing strategy.	1.4	11.4	28.6	45.7	12.9	3.58	.90

It is evident from table 6.7 that respondents differ in their perceptions with respect to the effectiveness of strategy implementation efforts. More than half of the respondents (55.0%) agree that their organisations are better at formulating strategy, than at implementing strategy, but the mean score for this item is less than 3.00 (M = 2.67). However, more than half (51.4%) of the respondents agree that there is a moderate to very large gap between the formulation of strategy and the effective implementation of strategy and the mean score for this item is less than 3.00 (M = 2.65). Almost three out of five respondents (58.6%) agree to a 'large extent' and a 'very large extent' that their organisations are effective at implementing strategy, although only 12.9% rated it as effective to a 'very large extent'. The mean score for this item is more than 3.00 (M = 3.58).

The responses indicate that, although a large proportion of the respondents are of the opinion that their organisations are relatively effective at implementing strategy, they still perceive a gap between the effective formulation of strategy and the implementation of strategy in their organisations. This indicates a level of uncertainty and doubt with respect to the effectiveness of strategy implementation and casts aspersions on whether formulated strategies are implemented to their full potential.

Table 6.8 presents the respondents' responses to statements B1.4 to B1.8, which deals with the perceived importance of strategy implementation in respondents' organisations.

Table 6.8: Importance of strategy implementation

Question Number	Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
B1.4	That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the shareholder value of your organisation.	1.4	7.2	7.2	39.1	44.9	4.18	.96
B1.5	That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the level of customer satisfaction in your organisation.	5.8	17.4	17.4	34.8	24.6	3.54	1.205
B1.6	That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the level of employee satisfaction in your organisation.	2.9	7.1	17.1	47.1	25.7	3.82	.99
B1.7	That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the operational effectiveness of your organisation.	0	4.3	24.3	44.3	27.1	3.93	.86
B1.8	That an improvement in the effectiveness of implementing strategy is an important leadership challenge for your organisation.	4.3	10.0	14.3	48.6	22.9	3.74	1.06

It is evident from table 6.8 that the mean scores for the items all exceeded 3.00, ranging between 3.54 and 4.18. This is an indication that the respondents are of the opinion that strategy implementation is important. The largest proportion of the

respondents agreed that an improvement in the effectiveness of strategy implementation in their organisations would lead directly to an improvement in the shareholder value of their organisation (M = 4.18). Fewer respondents believe that an improvement in the effectiveness of strategy implementation in their organisations will improve the level of customer satisfaction in their organisations (M = 3.54).

With respect to the importance of strategy implementation, it is evident from table 6.8 that a large percentage of the respondents agreed that strategy implementation is important and the majority of the respondents agreed to a 'large extent' and 'very large extent' that an improvement in the effectiveness of strategy implementation in their organisations would contribute positively to:

- Improvements in shareholder value (84.0%).
- Employee satisfaction (72.8%).
- Operational effectiveness (71.4%).

In addition to the above, an improvement in strategy implementation is still perceived as an important leadership challenge (M= 3.74).

6.3.4 Barriers to effective strategy implementation

An investigation into the perceived barriers to the effective implementation of strategy in South African organisations was an objective of this study. Chapter 2, paragraph 2.5 of the literature study discussed the barriers to the effective implementation of strategy. Section B2 of the questionnaire was designed to measure the respondents' perceptions of the perceived barriers to the effective implementation of strategy in their organisations. Respondents were requested to indicate to what extent they believe that each of the mentioned items is a barrier to the effective implementation of strategy in their organisations. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'. Table 6.9 presents the respondent's responses to the statements in section B2 of the questionnaire.

Table 6.9: Barriers to effective strategy implementation

Question Number	Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
B2.1	The organisation's strategy is not effectively communicated to the workforce.	7.0	29.6	33.8	25.4	4.2	2.93	1.02
B2.2	The workforce does not understand the organisation's strategy.	5.6	26.8	32.4	29.6	5.6	3.05	1.03
B2.3	The strategic leaders of the organisation do not provide strategic direction for the organisation.	24.3	44.3	18.6	8.6	4.3	2.24	1.06
B2.4	The goals of, and incentives for, the workforce are not aligned with the strategy of the organisation.	15.5	33.8	22.5	19.7	8.5	2.71	1.18
B2.5	The allocation of resources is not aligned with the strategy of the organisation.	18.6	32.9	28.6	8.6	11.4	2.61	1.21
B2.6	There is a lack of alignment between the culture of the organisation and the strategy of the organisation.	28.6	28.6	20.0	17.1	5.7	2.43	1.24
B2.7	There is an inability to manage change effectively.	7.0	46.5	23.9	18.3	4.2	2.64	1.01
B2.8	The strategies are poorly or vaguely formulated.	30.0	42.9	15.7	8.6	2.9	2.13	1.05
B2.9	Top managers do not support strategy implementation.	42.3	38.0	8.5	5.6	5.6	1.93	1.11
B2.10	The implementation of strategy is not effectively controlled.	20.0	40.0	21.4	12.9	5.7	2.44	1.11
B2.11	Ethical practices are not evident in strategy implementation.	64.8	25.4	4.2	4.2	1.4	1.52	.87
B2.12	The leaders are not competent enough to implement strategy.	37.1	34.3	20.0	4.3	4.3	2.03	1.06
B2.13	The core competencies are not aligned with the strategy of the organisation.	23.9	45.1	12.7	15.5	2.8	2.27	1.08
B2.14	Human capital is not effectively developed to support strategy implementation.	12.7	35.2	26.8	21.1	3.2	2.68	1.09
B2.15	Social capital is not effectively developed to support strategy implementation.	15.5	38.0	31.0	15.5	0	2.48	.99

It is evident from table 6.9 that the mean scores for 14 of the 15 statements are less than 3.00. This is an indication that the respondents did not perceive many of the mentioned factors to be important barriers to the effective implementation of strategy in their organisations. However, 11.3% of the respondents indicate that the allocation of resources (item B2.5) is, to a 'very large extent', a barrier to the effective implementation of strategy. The statement: 'The workforce does not understand the organisation's strategy' obtained the highest mean score ($M = 3.05$), closely followed by: 'The organisation's strategy is not effectively communicated to the workforce' ($M = 2.93$). The item 'Ethical practices are not evident in strategy implementation' obtained the lowest mean score ($M = 1.52$). The respondents' perceptions of the barriers to the effective implementation of strategy can be meaningfully categorised as follows:

- **Major barriers to the effective implementation of strategy:**
 - The workforce does not understand the organisation's strategy ($M = 3.05$).
 - The organisation's strategy is not effectively communicated to the workforce ($M = 2.93$).
- **Moderate barriers to the effective implementation of strategy:**
 - The goals of, and incentives for, the workforce are not aligned with the strategy of the organisation ($M = 2.71$).
 - Human capital is not effectively developed to support strategy implementation ($M = 2.68$).
 - There is an inability to manage change effectively ($M = 2.64$).
 - The allocation of resources is not aligned with the strategy of the organisation ($M = 2.61$).
- **Minor barriers to the effective implementation of strategy implementation:**
 - The remainder of the factors mentioned in section B2 of the questionnaire can be regarded as minor barriers to effective strategy implementation ($M = 1.52$ to $M = 2.44$).

The main finding is that poor understanding of the strategy by the workforce as a result of ineffective communication of the strategy is perceived by the respondents

to be one of the most important barriers to the effective implementation of strategy in their organisations.

6.3.5 Drivers of strategy implementation

It was an objective of this study to investigate the perceived drivers of strategy implementation in South African organisations. Chapter 2, paragraph 2.6 of the literature study investigated the drivers of strategy implementation. Several drivers were identified and discussed. The aim of Section B3 of the questionnaire was to measure the respondents' perceptions of the perceived drivers of effective strategy implementation in their organisations. Respondents were requested to indicate to what extent the mentioned items contribute positively to the effective implementation of strategy in their organisations. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'. Table 6.10 indicates the respondents' responses to the statements in section B3 of the questionnaire.

Table 6.10: Drivers of strategy implementation

Question Number	Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
B3.1	The structure of the organisation.	5.6	14.1	22.5	40.8	16.9	3.51	1.11
B3.2	The allocation of resources in the organisation.	0	8.5	25.4	46.5	19.7	3.77	.86
B3.3	The culture of the organisation.	1.4	8.5	25.4	38.0	26.8	3.78	.99
B3.4	The performance management system of the organisation.	7.0	12.7	29.6	31.0	18.3	3.43	1.14
B3.5	The strategic leadership of the organisation.	1.4	4.2	15.5	50.7	28.2	3.97	.87
B3.6	Training and development in the organisation.	5.6	21.1	40.8	23.9	8.5	3.08	1.01
B3.7	The information systems of the organisation.	7.0	21.1	39.4	25.4	7.0	3.05	1.01

It is evident from table 6.10 that the mean score for all seven items exceeded 3.00, and that the scores range between 3.05 and 3.96. This is an indication that the respondents are of the opinion that all of the mentioned factors are important drivers of strategy implementation. The largest proportion of the respondents were of the opinion that the strategic leadership of the organisation is the most important driver of strategy implementation (M = 3.97). The respondents also regarded the following as important drivers of strategy implementation:

- Organisational culture (M = 3.78).
- Resource allocation (M = 3.77).
- Organisational structure (M = 3.51).

The information systems of the organisation are regarded as the least important driver of strategy implementation (M = 3.05). The following are also regarded as less important drivers of strategy implementation:

- Performance management (M = 3.43).
- Training and development (M = 3.08).

6.3.6 Roles of strategic leadership actions in strategy implementation

An investigation of the perceived roles of strategic leaders in South African organisations, specifically in terms of strategy implementation, was an objective of this study. Chapter 3 focused on strategic leadership as a driver of strategy implementation (paragraph 3.5) and key strategic leadership actions, which drive strategy implementation, were discussed (paragraph 3.6). Chapter 4 of the research identified specific strategic leadership actions and discussed their role in the implementation of strategy.

Section C1 of the questionnaire was designed to measure the respondents' perceptions of the role of specified strategic leadership actions in the implementation of strategy in their organisations. The respondents' perceptions of the extent to which specific strategic leadership actions contribute positively to

effective strategy implementation in their organisations were measured. A five-point Likert scale was used, where one represents agreement to 'no extent' and five represents agreement to a 'very large extent'.

Table 6.11 presents the respondents' responses to the statements in section C1 of the questionnaire.

Table 6.11: Roles of strategic leadership actions in strategy implementation

Question Number	Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
C1.1	Determining a strategic direction for the organisation.	0	4.2	5.6	46.5	43.7	4.29	.76
C1.2	Establishing balanced organisational controls.	0	8.6	50.0	35.7	5.7	3.38	.72
C1.3	Sustaining an effective organisational culture.	2.8	7.0	31.0	40.8	18.3	3.67	.96
C1.4	Emphasising ethical practices.	0	11.3	45.1	25.4	18.3	3.49	.93
C1.5	Exploiting and maintaining core competencies.	0	4.2	31.0	42.3	22.5	3.83	.82
C1.6	Developing human capital	1.4	8.5	15.5	49.3	25.4	3.90	.94
C1.7	Developing social capital.	0	16.9	52.1	21.1	9.9	3.25	.95

It is evident from table 6.11 that the respondents are of the opinion that all of the given strategic leadership actions contribute positively to the effective implementation of strategy in their organisations. This is clear from the fact that the mean score for all seven items exceeded 3.00 and that the scores range between 3.25 and 4.29. The factor 'Determining a strategic direction for the organisation' obtained the highest mean score ($M = 4.29$) and the item 'Developing social capital' obtained the lowest mean score ($M = 3.25$).

The respondents believe that determining a strategic direction for the organisation is the strategic leadership action that plays the most important role in the effective implementation of strategy (90.2% of the respondents agreed with this statement

to a 'large extent' and 'very large extent'). Other strategic leadership roles that play an important role in effective strategy implementation are:

- Developing human capital (M = 3.90).
- Exploiting and maintaining core competence (M = 3.83).

The respondents view the development of social capital as the strategic leadership action that plays the least important role in the effective implementation of strategy (only a third of the respondents agreed to a 'large extent' and 'very large extent' that developing social capital contributes positively to the effective implementation of strategy in their organisations).

6.4 THE INFLUENCE OF INDEPENDENT VARIABLES

The purpose of this paragraph is to indicate whether the following independent variables had an effect on the responses of the respondents:

- Age of respondents (younger than 50 years of age versus older than 50 years of age).
- Gender.
- Management level (the differences in opinions of the Chairperson; CEO; CFO; COO; MD; executive director; and non-executive director versus the opinions of the lower-level managers).
- Specialist area of respondents (general managers versus functional managers).
- Highest academic qualification of respondents (undergraduate versus post-graduate).
- Experience of respondents (ten years or less experience versus 11 years or more experience in the roles of formulating and implementing strategy).
- Dominant business strategy of the organisation (consolidation strategy versus growth strategy).

Fisher's Exact test was performed to determine whether statistically significant associations exist between the independent variables identified in section D of the questionnaire and the nominal values obtained from the responses in sections A1 and A2 of the questionnaire. No Independent-sample t-tests or Mann-Whitney U tests were performed as a result of the data not being continuous variables on an interval scale, as was the case with the identified factors in sections B and C of the questionnaire

Where applicable, a significance level of 0.05 was used throughout for these statistical tests. Therefore, a probability value (p) of less than 0.05 indicates a statistically significant value (only statistically significant results are reported).

6.4.1 Significant differences

Independent sample t-test and Mann-Whitney U tests were performed to establish whether statistically significant differences exist as a result of the above-mentioned independent variables and the responses in sections B and C of the questionnaire. The frequencies of the groups were too small to conduct any tests when the differences between the responses of males and females were assessed. As a result, only the mean values of the groups were compared to assess whether any trends exist.

(a) Independent sample t-tests

An Independent-sample t-test was conducted to compare the mean scores of respondents younger than 50 years and older than 50 years on the identified factors (sections B and C of the questionnaire). The reason why this test was used is because the number of respondents younger than 50 years (35) were comparable to the number of respondents older than 50 years (35). Table 6.12 presents the results of this test.

Table 6.12: Independent sample t-tests

Factor	Age	N	Mean (M)	Standard deviation (SD)	t-value	Df	p Value
Effectiveness and importance of strategy implementation (Factor 1)	Younger than 50	35	3.68	.50	2.05	59.84	0.45
	Older than 50	36	3.36	.79			
Barriers to effective strategy implementation (Factor 2)	Younger than 50	35	2.54	.66	1.23	70	.22
	Older than 50	37	2.31	.90			
Drivers of strategy implementation (Factor 3)	Younger than 50	35	3.37	.64	1.50	70	.14
	Older than 50	37	3.63	.80			
Roles of strategic leadership actions in strategy implementation (Factor 4)	Younger than 50	35	3.64	.42	-.63	60.06	.53
	Older than 50	37	3.73	.69			

It is evident from table 6.12 that there is a statistically significant difference ($p = 0.45$) in scores for respondents younger than 50 years ($M = 3.68$, $SD = .50$) and respondents older than 50 years ($M = 3.36$, $SD = .79$) in terms of the effectiveness and importance of strategy implementation (Factor 1). This implies that respondents younger than 50 years perceive strategy implementation as more important and effective than respondents older than 50 years.

In addition, it is evident that that no significant differences were found in the mean scores of respondents younger than 50 years and respondents older than 50 years in terms of any of the other identified factors.

No Independent sample t-tests were performed on any of the other independent variables mentioned in paragraph 6.4. This was as a result of the low frequencies in some of the groupings.

(b) Independent sample t-tests

Mann-Whitney U tests were conducted to determine whether significant differences exist between some of the independent variables identified in section D of the questionnaire and the identified factors. In these cases, the parametric Mann-Whitney U test was preferred over the Independent sample t-test as a result

of the low frequencies in some of the groupings identified in Section D (www.uj.ac.za/statkon, accessed 4 October 2007).

The Mann-Whitney U test was conducted on all the independent variables with the exception of age and gender, for the reasons mentioned previously. The only independent variable where a statistically significant difference was evident was between the mean scores on the identified factors for top managers and lower-level managers. Table 6.13 presents the results of these tests.

Table 6.13: Mann-Whitney U tests

Factor	Level of management	Mean Rank	Mean (M)	Standard Deviation (SD)	p Value
Effectiveness and importance of strategy implementation (Factor 1)	Top manager	34.36	3.46	.72	.284
	Lower-level manager	40.18	3.67	.53	
Barriers to effective strategy implementation (Factor 2)	Top manager	33.26	2.33	.85	.034
	Lower-level manager	44.93	2.64	.57	
Drivers of strategy implementation (Factor 3)	Top manager	42.19	3.68	.70	.000
	Lower-level manager	21.70	3.05	.60	
Roles of strategic leadership actions in strategy implementation (Factor 4)	Top manager	38.31	3.74	.57	.235
	Lower-level manager	31.80	3.55	.57	

It is evident from table 6.13 that there is a statistically significant difference ($p = 0.34$) in scores for top managers ($M = 2.33$, $SD = .85$) and lower-level ($M = 2.64$, $SD = .57$) in terms of the barriers to effective strategy implementation (Factor 2). This implies that top managers perceive barriers to effective strategy implementation to be less important than do lower-level managers. The reason for this can be that middle managers and other lower-level managers have traditionally been regarded as 'strategy implementers', and top managers have been viewed as 'strategy makers'. Middle level managers and other lower-level managers are, therefore, more exposed to the influences of the barriers of strategy implementation than what top managers are.

In addition, it is evident from table 6.13 that there is a statistically significant difference ($p = 0.00$) in scores for top managers ($M = 3.68$, $SD = .70$) and lower-level managers ($M = 3.05$, $SD = .60$) in terms of the drivers of strategy implementation (Factor 3). This implies that top managers perceive the drivers of strategy implementation to be more important than do lower-level managers. The reason for this can be that top managers are more aware of the drivers of strategy implementation.

Mann-Whitney U tests were also conducted on the other groupings identified in section D of the questionnaire. However, no significant differences were observed.

6.4.2 Associations

Cross-tabulations were performed to determine whether statistically significant associations exist between the grouping variables identified in section D of the questionnaire and the outcome variables obtained from the nominal values obtained from the data in sections A1 and A2 of the questionnaire. Fisher's Exact test was used for this purpose. This is a test for lack of association in a 2 x 2 contingency table. Fisher's test calculates the probability that, under the null hypothesis, a table of results is obtained that differs from the expected as much as, or even more, than the observed table (www.uj.ac.za/statkon, accessed 4 October 2007). Results from the cross-tabulations revealed that no significant associations exist.

6.5 CORRELATIONS BETWEEN FACTORS

A correlation can be interpreted as an effect size. Hence, a correlation of smaller than 0.1 is considered insubstantial or negligible, while a correlation of between 0.1 and 0.3 is considered to be small and a correlation of between 0.3 and 0.5 is moderate. The correlation is considered to be large if the correlation coefficient is 0.5 or larger. It is clear that, the closer the correlation is to 1, the stronger the relationship is between the two variables. This also holds true for the same values with negative signs. The Pearson correlation for average scores of sections B1, B2, B3 and C1 of the questionnaire are tabulated in table 6.14

Table 6.14: Pearson correlations

Variables	Effectiveness and importance of strategy implementation (Factor 1)	Barriers to effective strategy implementation (Factor 2)	Drivers of strategy implementation (Factor 3)	Roles of strategic leadership actions in strategy implementation (Factor 4)
Effectiveness and importance of strategy implementation (Factor 1)	1	.554(**)	-.126	-.100
Barriers to effective strategy implementation (Factor 2)	.554(**)	1	-.359(**)	-.391(**)
Drivers of strategy implementation (Factor 3)	-.126	-.359(**)	1	.738(**)
Roles of strategic leadership actions in strategy implementation (Factor 4)	-.100	-.391(**)	.738(**)	1

** Correlation is significant at the 0.01 level (two-tailed).

From table 6.14 it is evident that:

- A strong correlation exists between factors 1 and 2 (p value higher than 0.5). These factors are positively correlated, thus the stronger the respondents' perceptions of the effectiveness and importance of strategy implementation, the stronger the perceptions of the barriers to effective strategy implementation.
- A moderate correlation exists between factors 2 and 3 (p value between 0.3 and 0.5). These factors are negatively correlated. As a result, the stronger the respondent's' perceptions of the barriers to effective strategy implementation, the weaker the perceptions of the drivers of strategy implementation.
- A strong correlation exists between factors 3 and 4 (p value higher than 0.5). These factors are positively correlated. As a result, the stronger the respondents' perceptions of the drivers of strategy implementation, the stronger the perceptions of the roles of strategic leadership in the implementation of strategy.

6.6 CONCLUSION

This chapter focussed on explaining the manner in which the results of this study were analysed and interpreted. A factor analysis was carried out on the results obtained from sections B1, B2, B3 and C1 of the questionnaire. These results confirmed the following dimensions of the role of strategic leadership in the implementation of strategy:

- **Factor 1:** Effectiveness and importance of strategy implementation.
- **Factor 2:** Barriers to effective strategy implementation.
- **Factor 3:** Drivers of strategy implementation.
- **Factor 4:** Roles of strategic leadership actions in strategy implementation.

The reliability, validity and normal distribution of the data were initially assessed. This was followed by a detailed analysis and interpretation of the data, including reference to descriptive statistics, significant differences and associations between independent variables. Chapter 7 contains an overview of the study, followed by the most important conclusions and recommendations based on these conclusions.

CHAPTER 7

OVERVIEW, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

Chapter 7 contains an overview of the study, followed by the most important conclusions and recommendations based on these conclusions.

7.2 OVERVIEW

The importance of strategy implementation as a component of the strategic management process has been theoretically presented. In addition, it has been noted that there is a high failure rate in the implementation of strategy as a result of the fact that there are many potential barriers to the effective implementation of strategy. A lack of leadership – specifically strategic leadership – in the management structures of organisations, has been identified as one of the possible barriers to the effective implementation of strategy. However, strategic leadership is also regarded as one of the key drivers of strategy implementation. In view of the fact that the role of strategic leadership in strategy implementation has been overlooked, the following research question was addressed: **What is the perceived role of strategic leadership in the implementation of strategy in South African organisations?**

The purpose of this study was to address the above-mentioned research question by achieving the primary and secondary research objectives and by reaching a conclusion on the thesis statement.

The primary objective of the overall study was set out in chapter 1, paragraph 1.3.1, namely to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations.

The secondary objectives of this study were set out in chapter 1, paragraph 1.3.2, namely to investigate the following as a means of achieving the primary objective:

- The perceived importance of strategy implementation as a component of the strategic management process in South African organisations.
- The perceived importance and effectiveness of strategy implementation in South African organisations.
- The perceived barriers to the effective implementation of strategy in South African organisations.
- The perceived drivers of strategy implementation in South African organisations.
- The perceived roles of strategic leaders in South African organisations in general, and their role in the implementation of strategy in particular.

In view of the above-mentioned problem statement, research question and research objectives, paragraph 1.3.3 set out the thesis statement of this study, namely that **strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations.**

The study consists of a literature study (chapters 2, 3 and 4) and an empirical investigation (chapters 5 and 6).

Strategy implementation was discussed in **Chapter 2**. Thompson and Strickland's (2003:356) definition of strategy implementation was accepted for the purposes of this study. This definition states: "...implementing and executing strategy entails converting the organisation's strategic plan into action and then into results". It was revealed that strategy implementation is regarded as an important component of the strategic management process – more important than strategy formulation. However, implementing strategy is a difficult task and as many as 90% of strategy implementation efforts fail. Several barriers to the effective implementation of strategy as well as the structural and human drivers of strategy implementation were identified and discussed.

Chapter 3 focussed on a discussion of **strategic leadership** within the strategic management context. Hitt *et al's* (2007:375) definition of strategic leadership was accepted for the purpose of this study. Hitt *et al*, define strategic leadership as "...the leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary". It was indicated that leadership exists at the team, operational and strategic levels. The importance of the leaders at strategic level, their effect on organisational performance, as well as other pertinent issues in strategic leadership were discussed. Strategic leadership as a key driver of strategy implementation was highlighted and key strategic leadership actions that positively contribute to strategy implementation were identified.

Chapter 4 discussed the role of **specific strategic leadership actions in the implementation of strategy**. It was established that each of the following strategic leadership actions contribute positively to the effective implementation of strategy:

- Determining strategic direction.
- Effectively managing the organisation's resource portfolio.
- Sustaining an effective organisational culture.
- Emphasising ethical practices.
- Establishing balanced organisational controls.

The study of the role of strategic leadership in the implementation of strategy did not only consist of a literature study, but, as mentioned earlier, the study also included an empirical investigation as a means of achieving the research objectives and reaching a conclusion on the thesis statement.

The **research methodology** that was followed in this study was discussed in **Chapter 5**. The perceived role of strategic leadership in the implementation of strategy in South African organisations was investigated by surveying directors of the *Financial Mail* Top 200 companies (2006). A structured mail questionnaire was posted to 930 randomly-selected directors of the *Financial Mail* Top 200 companies (2006). A response rate of 7,8% was achieved, which can be regarded

as satisfactory in view of the fact that a response rate of 10% to 50% is regarded as common for a mail survey and, more specifically, as a result of the specific challenges of surveying 'white-collar elites' such as the target population of this study. Although a low response rate was expected, the realised sample size was large enough to facilitate a factor analysis and to confidently proceed with the study. The responses in the completed and returned questionnaires were quantitatively analysed.

Chapter 6 focussed on **analysing and interpreting the research results**. A factor analysis was carried out on the results obtained from sections B1, B2, B3 and C1 of the questionnaire and the following dimensions of the role of strategic leadership in the implementation of strategy were confirmed:

- Factor 1: Effectiveness and importance of strategy implementation.
- Factor 2: Barriers to effective strategy implementation.
- Factor 3: Drivers of strategy implementation.
- Factor 4: Roles of strategic leadership actions in strategy implementation.

The reliability and validity of the questionnaire as well as the normal distribution of the data were assessed and found to be acceptable. This was followed by a detailed analysis and interpretation of the data, including reference to descriptive statistics, significant differences and associations between independent variables.

7.3 CONCLUSIONS

The research conclusions as a result of the study of the role of strategic leadership in the implementation of strategy are presented as follows:

- Conclusions from the literature study.
- Conclusions from the empirical study.
- Conclusions relative to the research objectives and the thesis statement.

7.3.1 Conclusions from the literature study

Chapter 2 focussed on a discussion of **strategy implementation**.

Firstly, it was established that **strategy implementation is an important component of the strategic management process** and that it is regarded as more important than the formulation of strategy. In addition, in the context of strategic management, the implementation of strategy, and not the formulation of strategy, is regarded as the key to organisational success.

Secondly, it was evident that **organisations are very ineffective in their strategy implementation efforts**. In fact, failures in implementing strategy range from 37% to higher than 90%. Leaders themselves perceive a gap between their organisations' ability to formulate and communicate sound strategies and success in the implementation of those strategies. Strategy implementation is considered to be more difficult than strategy formulation and, the more radical the degree of change required by the strategy, the more difficult it becomes.

Thirdly, part of the difficulty of implementing a strategy is due to the existence of many barriers or impediments to the effective implementation of strategy. There are a multitude of barriers to the effective implementation of strategy and authors highlight these barriers to a varying degree of importance. **A lack of leadership, and specifically strategic leadership, in the top management structures of organisations has been identified as one of the major barriers to the effective implementation of strategy.**

Fourthly, many drivers of strategy implementation are discussed in the literature. **Leadership, and specifically strategic leadership, are widely described as key drivers of effective strategy implementation.**

Chapter 3 discussed **strategic leadership** in the context of strategy implementation.

Firstly, it was found that **the primary responsibility for effective strategic leadership rests at the top of the organisation**, in particular with the CEO. Other recognised strategic leaders responsible for the effective implementation of strategy include:

- Members of the board of directors.
- The top management team.
- Divisional general managers.

Secondly, the importance of strategic leaders and their effect on the performance of large organisations is a controversial issue. However, it was found that strategic leaders are a critical organisational resource. **Individual strategic leaders and top management teams are able to have a substantial influence on organisational effectiveness and performance**. In addition, strategic leaders can positively contribute to implementing strategy, achieving and maintaining a competitive advantage, and practicing good corporate governance principles.

Thirdly, it was found that **strategic leaders play an important role as members of the board of directors and the top management team** – particularly as a governance mechanism for monitoring the strategic direction of the organisation as well as for representing the interests of internal and external stakeholders. In addition, it was found that the existence of top management teams offers a number of potential advantages for an organisation. Effective implementation of strategy is the ultimate responsibility of strategic leaders; and a degree of consensus and commitment among strategic leaders is critically important to the effective implementation of strategic decisions made by top management teams.

Fourthly, **succession of strategic leaders is a critical decision with important implications for organisational performance**. However, research on succession of strategic leaders and its effect on organisational performance are still limited and the results are not conclusive.

Fifthly, **women are playing an increasingly important role as strategic leaders**. Many women are being selected for prominent strategic leadership

positions. The appointment of females as strategic leaders is critically important to the effective management of diversity in organisations. Despite evidence that the advancement of women as strategic leaders is being taken more seriously, South African organisations are not attracting and retaining enough female strategic leaders.

Sixthly, it is evident that effective strategic leadership is a key driver of strategy implementation. It is only through effective strategic leadership that organisations are able to implement strategy effectively. **Strategic leadership is viewed as the most critical component required to effectively implement strategy.** Organisations need competent strategic leaders to effectively implement strategy. A change in strategy may necessitate a change in leadership and organisations should build the capabilities to develop leaders with the appropriate competencies required to effectively implement strategy.

Lastly, the actions of strategic leaders were identified. **Specific strategic leadership actions contribute to the effective implementation of strategy.** The following strategic leadership actions were found to specifically contribute positively to the effective implementation of an organisation's strategies:

- Determining strategic direction.
- Effectively managing the organisation's resource portfolio.
- Sustaining an effective organisational culture.
- Emphasising ethical practices.
- Establishing balanced organisational controls.

Chapter 4 discussed each of the **strategic leadership actions identified in Chapter 3 and their role in the effective implementation of strategy.**

Firstly, the identified strategic leadership actions play a particularly important role in the effective implementation of strategy.

Secondly, it is evident that each of the identified strategic leadership actions is perceived to have a varying degree of impact on the effective implementation of strategy. **Determining the strategic direction of the organisation is perceived to play the most important role in the effective implementation of strategy.**

In summary, the most important conclusions from the literature review are:

- Strategy implementation is an important component of the strategic management process.
- Strategy implementation is difficult and has an unacceptably high failure rate.
- Numerous barriers to the effective implementation of strategy exist.
- There are several drivers of strategy implementation, including effective strategic leadership.
- Various strategic leadership actions positively contribute to the effective implementation of strategy.

7.3.2 Conclusions from the empirical study

As a result of the above-mentioned findings from the literature study, it was necessary to investigate the role of strategic leadership in the implementation of strategy in South African organisations. The most important conclusions from the empirical study are as follows:

(a) Generic issues in strategic management and strategic leadership

One of the objectives of this study was to investigate the perceived importance of strategy implementation as a component of the strategic management process in South African organisations. In terms of **strategic management**, it was found that the implementation of strategy is more important than the formulation of strategy in South African organisations¹. In addition, the implementation of strategy is perceived to be more difficult than the formulation of strategy, and poor

¹ As a result of the small sample size of this study, it is not possible to generalise the results of this study to all South African organisations. However, for ease of reference, the term "South African organisations" will be used in the text.

implementation of strategy is perceived to result in a high failure rate of change initiatives.

The main conclusion from the above is:

Conclusion 1:

Strategy implementation is perceived as an important, but difficult, component of the strategic management process and failure of change initiatives is largely due to poor implementation of strategy.

This conclusion is in line with the theory. Recent research indicates that the implementation of strategy is an important component of strategic management – more important than the formulation of strategy. In addition, the implementation of strategy is critical to organisational performance and strategic success and it is an important organisational challenge (Mankins and Steele, 2005; Kaplan and Norton, 2001; Holman, 1999; *Fortune*, 1999; Fogg, 1999; Zagotta and Robinson, 2002; David, 2001; Barney, 2002; Hrebiniak, 2005; Joyce, Nohria, and Roberson, 2003; Collins, 2001; Bossidy and Charan, 2002; Hartman, 2004; Flood *et al*, 2000).

David (2001); Hrebiniak (2005); Alio (2005); Alexander (1985); and Thompson and Strickland (2003) all agree that the implementation of strategy is considered to be the most difficult component of the strategic management process.

Conclusion 2:

The formulation of strategy and the implementation of strategy are integrated processes with success in both processes necessary for superior organisational performance.

The implementation of strategy is a process, and not the result of a single decision or action. It is the result of a series of integrated decisions or actions over time. Strategy implementation and strategy formulation are highly interdependent. Strategy formulation affects strategy implementation. Strategy implementation, in turn, affects the formulation of strategy over time. The implementation of strategy cannot, therefore, be ignored during the formulation of strategy. In addition, effective implementation of a poor strategy is of little value to an organisation.

The implementation of strategy is often conceptually viewed as the step or stage in the strategic management process that follows the formulation of strategy and that precedes strategic control. The implementation of strategy is, therefore, viewed as separate from the formulation of strategy and is regarded as an activity that only begins once a strategy has been formulated (Campbell and Garnett, 2000:181-202).

According to Lynch (1997:670) many researchers and writers have fully supported strategy implementation as a separate stage of the strategic management process (Ansoff, 1965; Jauch and Glueck, 1988; Wheelen and Hunger, 1992; Johnson and Scholes, 1993), However, some authors have, on the other hand, expressed significant and well-founded doubts, based on empirical evidence, of the way in which strategy actually develops or emerges (Pettigrew and Whipp, 1991; Hrebiniak and Joyce, 1984).

Thompson and Strickland (2003); Lynch (1997) and Whipp (2003) agree that the formulation and the implementation of strategy should be viewed as an integrated process.

Conclusion 3:

Strategic leadership plays a critical role in effective strategy implementation; strategic leaders are responsible for effective strategy implementation; and strategic leadership can be the basis for creating a sustainable competitive advantage. Strategic leaders are therefore perceived to play an important role in the implementation of strategy in South African organisations.

This finding contradicts the popular view that strategic leaders or top managers are responsible for the formulation of strategy, while managers on lower levels of the organisation – specifically middle managers – are responsible for the implementation of strategy. Some top-level managers actually believe that strategy implementation is 'beneath them'. This view implies that the planners formulate plans or strategies that the employees on lower levels of the organisation simply have to execute with no effective buy-in or understanding of the process. If

problems occur with the implementation of strategy, the blame is usually placed on the incompetence of the implementers (Hrebiniak, 2005; Bass, 2007).

Although, in practice, many organisations have some separation of 'planning' and 'doing', such separation should not become dysfunctional. In fact, with respect to the implementation of strategy, employees on all levels of the organisation – from the CEO to employees on lower levels of the organisation – should view themselves as responsible for competently executing their roles in an attempt to effectively implement the chosen strategy. The effective implementation of strategy demands ownership of, and commitment to, the process and actions central to the effective implementation of strategy, regardless of the management level on which employees find themselves. From the results of this study, it seems as though South African strategic leaders have embraced this challenge.

(b) Importance of strategic leadership roles

An additional objective of this study was to investigate the perceived roles of strategic leaders in South African organisations in general. The respondents perceive determining the strategic direction of an organisation as the most important role of strategic leaders. Developing social capital is perceived to be the least important role of strategic leaders (refer to table 6.6). Other roles of strategic leaders that are regarded as important by the respondents include the following:

- Sustaining an effective organisational culture.
- Exploiting and maintaining core competencies.
- Developing human capital.

A forced ranking of the perceived importance of the given strategic leadership actions indicate the following ranking (refer to table 6.6):

1. Determining the organisation's strategic direction.
2. Sustaining an effective organisational culture.
3. Developing human capital.
4. Exploiting and maintaining core competencies.

5. Emphasising ethical practices.
6. Establishing organisational controls.

The main conclusion from the above is:

Conclusion 4:

Determining the organisation's strategic direction is perceived to be the most important strategic leadership role in South African organisations.

This conclusion is supported by findings from the literature study, namely that it is widely accepted that determining the organisation's strategic direction is the major responsibility of a strategic leader (Bennis and Nanus, 1985; Rotemberg and Saloner, 2000; Hitt *et al*, 2007). As mentioned in chapter 4, paragraph 4.2.1, a study by Hagen, *et al* (1998) of 1000 randomly-selected CEOs from organisations throughout the United States found that the respondents ranked the importance of the above-mentioned strategic leadership actions as follows (refer to table 4.1):

1. Determining the organisation's strategic direction (93%).
2. Developing human capital (91%).
3. Exploiting and maintaining core competencies (89%).
4. Sustaining an effective organisational culture (87%).
5. Emphasising ethical practices (85%).
6. Establishing organisational controls (83%).

From the above it is evident that it is the major responsibility of strategic leaders to determine the strategic direction for their organisations.

(c) The effectiveness and importance of strategy implementation

One of the objectives of this study was to investigate the perceived importance of strategy implementation in South African organisations. The respondents perceived strategy implementation as important. An improvement in the effectiveness of implementing strategy is perceived to have a direct impact on the improvement in the shareholder value of their organisations. In addition, an

improvement in the effectiveness of strategy implementation efforts is perceived to contribute positively to improvements in shareholder value; employee satisfaction; and operational effectiveness. An improvement in strategy implementation is also perceived as an important leadership challenge.

The main conclusion from the above is:

Conclusion 5:

The implementation of strategy is perceived to play an important role in organisational success.

The following was established from the literature study:

- For the average organisation, a 35% improvement in the quality of strategy implementation efforts was associated with a 30% improvement in shareholder value (Becker *et al*, 2000).
- An improvement in strategy implementation efforts would improve expected operating profits by an average of 30% over the following two years (Mankins and Steele, 2005).
- Total return to shareholders was strongly correlated with the ability to effectively implement strategy (Joyce *et al*, 2003).
- 68% of CEOs rated an improvement in the implementation of strategy as their top business challenge (The Malcolm Baldrige National Quality Award, 1999 survey).
- Strategy implementation was identified as the most valuable of 39 non-financial performance measures and it is currently cited as the most important factor shaping management and corporate valuations (Kaplan and Norton, 2001).
- Poor implementation of strategy was regarded as the main reason for the failure of CEOs (*Fortune*, 1999).
- Effective implementation of strategy can lead to creating and sustaining a competitive advantage (Hrebiniak, 2005).

It is evident from the above that the conclusion of this study correlates with important findings noted in the literature.

A further objective of this study was to investigate the perceived effectiveness of strategy implementation in South African organisations. Respondents perceived their organisations to be better at formulating strategy, than at implementing strategy. In addition, the respondents perceived a moderate to very large gap between the formulation of strategy and the effective implementation of strategy.

Notwithstanding the above, almost 60% of the respondents agreed to a 'large extent' and 'very large extent' that their organisations are effective at strategy implementation (although only 12.9% rated it as effective to a 'very large extent').

The main conclusion from the above is that:

Conclusion 6:

A level of uncertainty and doubt is evident with regards to the effectiveness of strategy implementation and whether formulated strategies are actually implemented to their full potential.

This conclusion is supported by *Business Day* (1999); Mankins and Steele (2005); Beer and Nohria (2000); Freedman and Tregoe (2003); Zook (2000); Lepsinger (2006); Alexander (1985); Holman (1999); Al Ghamdi (1998); Beer and Eisenstat (2000); Hrebiniak (2005); and Kaplan and Norton (2004) who found that the majority of strategy implementation efforts fail to bring about strategic success.

It can be said that the respondents perceive their organisations to be somewhat effective at implementing strategy. The reason for this finding is not surprising in light of the fact that the target population of this study are strategic leaders from highly successful South African organisations. However, a gap still exists between the formulation of strategy and its effective implementation and an improvement in implementing strategy is still perceived as an important leadership challenge in these organisations.

Finally, a statistically significant difference existed between scores for respondents younger than 50 years and respondents older than 50 years in terms of the effectiveness and importance of strategy implementation efforts (Factor 1). Respondents younger than 50 years perceived the implementation of strategy as more important and effective than respondents older than 50 years.

(d) Barriers to the effective implementation of strategy

Investigating the perceived barriers to the effective implementation of strategy in South African organisations was an objective of this study. The respondents' perceptions of the barriers to the effective implementation of strategy were meaningfully categorised as follows:

- **Major barriers to the effective implementation of strategy:**
 - The workforce does not understand the organisation's strategy.
 - The organisation's strategy is not effectively communicated to the workforce.
- **Moderate barriers to the effective implementation of strategy:**
 - The goals of, and incentives for, the workforce are not aligned with the strategy of the organisation.
 - Human capital is not effectively developed to support the implementation of strategy.
 - There is an inability to manage change effectively.
 - The allocation of resources is not aligned with the strategy of the organisation.
- **Minor barriers to the effective implementation of strategy:**
 - The remainder of the factors mentioned in section B2 of the questionnaire can be regarded as minor barriers to the effective implementation of strategy.

The main findings of this section were:

Conclusion 7:

Poor understanding of the strategy by the workforce and ineffective communication of the strategy to the workforce are the most important barriers to the effective implementation of strategy (Items B2.1 and B2.1 in table 6.9).

Conclusion 8:

Strategic leadership is not perceived to be a major barrier to the effective implementation of strategy (Items B2.3; B2.8; B2.9; and B2.12 in table 6.9).

Various authors have researched the barriers to the effective implementation of strategy (*Business Day*, 1999; Alexander, 1985; Al Ghamdi, 1998; Beer and Eisenstat, 2000; Mankins and Steele, 2005; Hrebiniak, 2005, Kaplan and Norton, 2004). It is evident from these studies that there are several major barriers to the effective implementation of strategy. Table 7.1 presents the major barriers to the effective implementation of strategy that were identified in these studies.

Table 7.1: Major barriers to the effective implementation of strategy

Barrier to the effective implementation of strategy	Author(s)
The organisation's strategy is not effectively communicated to the workforce.	<i>Business Day</i> (1999); Beer and Eisenstat (2000:29); Mankins and Steele (2005); Hrebiniak (2005); Kaplan and Norton (2004).
The workforce does not understand the organisation's strategy.	<i>Business Day</i> (1999); Beer and Eisenstat (2000); Mankins and Steele (2005); Hrebiniak (2005); Kaplan and Norton (2004).
Ineffective strategic leadership.	<i>Business Day</i> (1999); Alexander (1985); Beer and Eisenstat (2000); Mankins and Steele (2005); Hrebiniak (2005); Kaplan and Norton (2004).
Ineffective resource allocation.	<i>Business Day</i> (1999); Mankins and Steele (2005); Hrebiniak (2005).
The goals of, and incentives for, the workforce are not aligned with the strategy of the organisation.	<i>Business Day</i> (1999); Mankins and Steele (2005); Hrebiniak (2005); Kaplan and Norton (2004).

A poor understanding of the strategy by the workforce and ineffective communication of the strategy to the workforce were established as the most important barriers to the effective implementation of strategy (Conclusion 7). This corresponds with the findings from the literature mentioned in table 7.1.

The respondents did not perceive strategic leadership to be a major barrier to the effective implementation of strategy (Conclusion 8). This finding contradicts the evidence from the literature study presented in table 7.1. A possible reason for this could be that the respondents were the strategic leaders of their organisations and they are unlikely to be critical of themselves, as potential barriers to the effective implementation of strategy.

However, it is interesting to note that there was a statistically significant difference in scores for top-level managers and lower-level managers in terms of their perceptions of the barriers to the effective implementation of strategy. Top-level managers perceived the barriers to the effective implementation of strategy to be less important than did lower-level managers. The reason for this can be that lower-level managers have traditionally been regarded as 'strategy implementers', and top-level managers as 'strategy makers'. Lower-level managers are, therefore, more exposed to, and more aware of, the influences of the barriers to the implementation of strategy than are the top-level managers.

(e) Drivers of strategy implementation

A further objective of this study was to investigate the perceived drivers of strategy implementation in South African organisations. A forced ranking of the perceived importance of the given factors as drivers of strategy implementation reveals the following ranking:

1. The strategic leadership of the organisation.
2. The culture of the organisation.
3. The allocation of resources in the organisation.
4. The structure of the organisation.
5. The performance management system of the organisation.

6. Training and development in the organisation.
7. The information systems of the organisation.

Conclusion 9:

Strategic leadership is perceived as the most important driver of strategy implementation (table 6.10).

This finding corresponds positively with the findings from the literature review. Many authors discuss strategic leadership as a key driver of strategy implementation (Hrebiniak, 2005; Collins, 2001; Useem, 1998; Useem, 2001; Locke, 1991; Freedman and Tregoe, 2005; Hitt *et al*, 2007; Hsieh and Yik, 2005; Bossidy and Charan, 2002; Thompson and Strickland, 2003; Hussey, 1998; Kaplan and Norton, 2004).

Conclusion 10

Strategic leadership contributes positively to the effective implementation of a strategy within an organisation (table 6.5).

In fact, ultimately, the successful transition from formulating the strategy to implementing it depends on the strategic leaders of the organisation and reluctance to, or incompetence in, crafting the process for implementing strategic change is the single most reliable predictor of its failure (Freedman and Tregoe, 2003). It is only through effective strategic leadership that organisations are able to implement strategy effectively (Hitt *et al*, 2007).

(f) The role of strategic leadership actions in the implementation of strategy

The final objective of this study was to investigate the perceived actions of strategic leaders in South African organisations in general, and their role in the implementation of strategy in particular. In general, the majority of the respondents perceive all of the mentioned strategic leadership actions to positively contribute to the effective implementation of strategy in their organisations.

A forced ranking of the role of the selected strategic leadership actions in the effective implementation of strategy revealed the following ranking:

1. Determining the strategic direction for the organisation. .
2. Developing human capital.
3. Exploiting and maintaining core competencies.
4. Sustaining an effective organisational culture.
5. Emphasising ethical practices.
6. Establishing balanced organisational controls.
7. Developing social capital.

The main conclusion from this was as follows:

Conclusion 11

Determining a strategic direction for the organisation is the strategic leadership action that is perceived to play the most important role in the effective implementation of strategy. The development of human capital and the exploitation and maintenance of core competencies also play an important role the implementation of strategy. In turn, the development of social capital is the strategic leadership action that is perceived to play the least important role in the effective implementation of strategy.

7.3.3 Conclusions relative to the research objectives and the thesis statement

Paragraph 1.3.3 highlighted the thesis statement, namely that strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations. Table 7.2 details the conclusions relative to the research objectives and the thesis statement.

Table 7.2: Conclusions relative to the research objectives and the thesis statement

Research objective/thesis statement	Conclusion
<p>To investigate the perceived role of strategic leadership in the implementation of strategy in south African organisations. (primary objective)</p>	<p>Strategic leadership plays a critical role in the effective implementation of strategy; strategic leaders are responsible for the effective implementation of strategy; and strategic leadership can be the basis for creating a sustainable competitive advantage. Strategic leaders are, therefore, perceived to play an important role in implementing strategy in South African organisations (Conclusions 3) as well as conclusions 1, 2 and 4 to 11).</p>
<p>To investigate the perceived importance of strategy implementation as a component of the strategic management process in South African organisations. (secondary objective)</p> <p>To investigate the perceived importance of strategy implementation in South African organisations. (secondary objective)</p>	<p>The implementation of strategy is perceived as an important, but difficult, component of the strategic management process and failure of change initiatives is largely due to poor implementation of strategy (Conclusion 1).</p> <p>The formulation of strategy and the implementation of strategy are integrated processes with success in both processes necessary for superior organisational performance (Conclusion 2).</p> <p>The implementation of strategy is perceived to play an important role in organisational success (Conclusion 5).</p>
<p>To investigate the perceived effectiveness of strategy implementation in South African organisations. (secondary objective)</p>	<p>A level of uncertainty and doubt is evident with regards to the effectiveness of strategy implementation efforts and whether formulated strategies are actually implemented to their full potential (Conclusion 6).</p>

Research objective/thesis statement	Conclusion
<p>To investigate the perceived barriers to the effective implementation of strategy in South African organisations. (secondary objective)</p>	<p>Poor understanding of the strategy by the workforce and ineffective communication of the strategy to the workforce are the most important barriers to the effective implementation of strategy (Conclusion 7).</p> <p>Strategic leadership is not perceived to be a major barrier to the effective implementation of strategy (Conclusion 8).</p>
<p>To investigate the perceived drivers of strategy implementation in South African organisations. (secondary objective)</p>	<p>Strategic leadership is perceived as the most important driver of strategy implementation efforts (Conclusion 9). Organisational culture, resource allocation and organisational structure are also important drivers of strategy implementation.</p>
<p>To investigate the perceived roles of strategic leaders in South African organisations in general and their role in the implementation of strategy in particular. (secondary objective)</p>	<p>Strategic leadership play a critical role in the effective implementation of strategy; strategic leaders are responsible for the effective implementation of strategy; and strategic leadership can be the basis for creating a sustainable competitive advantage. Strategic leaders are, therefore, perceived to play an important role in implementing strategy in South African organisations (Conclusion 3).</p> <p>Determining the organisation's strategic direction is perceived to be the most important strategic leadership role in South African organisations (Conclusion 4).</p> <p>Determining a strategic direction for the organisation is the strategic leadership action that is perceived to play the most important role in the effective implementation of strategy. The development of human capital and the exploitation and maintenance of core competencies also play important roles in the implementation of strategy. In turn, the development of social capital is the strategic leadership action that is perceived to play the least important role in the effective implementation of strategy (Conclusion 11).</p>

Research objective/thesis statement	Conclusion
Strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations. (thesis statement)	Strategic leadership contributes positively to the effective implementation of a strategy within an organisation (Conclusions 10) as well as conclusions 3, 5, 8 and 9).

It is evident from table 7.2 that all the research objectives have been achieved. In addition, it is evident from table 7.2 that strategic leadership positively contributes to the effective implementation of strategy.

Paragraph 1.3.3 set out the thesis statement of this study, namely that **strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations**. It is evident from table 7.2 that, within the assumptions, delineations and limitations mentioned in paragraph 1.5, this thesis statement, can therefore, be accepted as valid.

7.4 RECOMMENDATIONS

Several managerial recommendations as well as recommendations for future research can be made as a result of this study.

7.4.1 Managerial recommendations

The primary objective of the overall study was to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. This was done in an effort to provide guidelines for the effective use of strategic leadership, in general, and selected strategic leadership actions in particular, as drivers of strategy implementation in South African organisations. The following managerial recommendations are offered:

1. The implementation of strategy is perceived as an important, but difficult, component of the strategic management process. Notwithstanding this, very

few models of strategy implementation exist in the literature. **It is recommended that a model be developed to guide the process of implementing strategy as well as guiding decisions and actions related to the effective implementation of strategy.** Such a model should serve as a basis to be used to guide strategy implementation efforts.

2. In addition to the above-mentioned, the formulation of strategy and the implementation of strategy should be viewed as part of an integrated process. **It is recommended that the formulation of strategy and its subsequent implementation should be integrated into a 'strategy loop' that creates the opportunity to continuously incorporate new information and translate the information into effective action.** Strategy should, therefore, not be viewed as linear, but as iterative – a loop instead of a line. Strategy should be viewed as a 'work in progress' that is subject to revision and change in the light of ongoing interactions between the organisation and its changing external environment.
3. The implementation of strategy is perceived to play an important role in organisational success and the ability to implement strategy is perceived to be more important than the ability to formulate strategy. Notwithstanding this, most leadership development focuses on aspects of formulating strategy and not on implementing strategy. **It is recommended that organisations include aspects of implementing strategy in leadership development.** This should be done in an attempt to equip leaders on all levels of organisations with the knowledge, skills and values to effectively implement strategy. Hrebiniak (2005) supported this recommendation and stated that one of the major reasons why strategy implementation efforts fail is because management and leadership training and development tends to focus more on formulating strategy than on implementing it. The emphasis is, therefore, on conceptual work, primarily 'planning', and not 'doing'.
4. One of the reasons for the difficulty and failure of strategy implementation efforts is the existence of many barriers or obstacles to these efforts. The implementation of strategy involves the effective utilisation of more people than those required to formulate the strategy. This poses a challenge to implement effective communication in an organisation. Ineffective communication of the strategy and the fact that the workforce does not

understand the strategy of the organisation are perceived to be the most important barriers to the effective implementation of strategy. As a result of this conclusion, **it is recommended that strategic leaders focus on ensuring that the strategy of the organisation is effectively and simplistically communicated to the workforce in order to ensure that they 'buy-in' to the process and, in addition, to ensure that the workforce understands and internalises the strategy.** Organisations need to improve internal communications to help employees on all levels of the organisation to understand how their actions contribute to the implementation of strategy. This can be done by means of training and development initiatives, frequent debates and discussions and assessing the consistent interpretation of the strategy.

5. Strategic leaders are perceived to be ultimately responsible for the effective implementation of strategy in organisations. This is in contrast with the traditional view that managers on lower levels of organisations (mostly middle managers) are responsible for the implementation of strategy. Many top managers may feel that strategy implementation is not their responsibility and implementation efforts should be entrusted to employees on lower levels in the organisation. The implementation of strategy implementation is worthy of management attention across all levels of an organisation. **It is recommended that top managers realise that implementing strategy is the responsibility of managers on all levels of the organisation, and not only of managers on lower levels of the organisation.** In essence, managers on all levels and in all functional areas of the organisation should become strategy implementers to ensure that the strategy of the organisation is converted into actions and results. Hrebiniak (2005) also supported this view and stated that some top managers have a perception that strategy implementation is the task of managers on lower levels in the organisation, which leads to a dysfunctional separation between the formulation of strategy and its implementation. In addition, it is critically important that an understanding of the strategy by both middle managers and supervisors must be fostered through increased discussions with top managers about the strategy and their criteria for success. Consensus between managers on all

levels of the organisation on how to implement the strategy is critical to the effective implementation of strategy.

7.4.2 Recommendations for further research

The following recommendations for further research are offered:

1. The respondents who participated in this research are representative from all the major sectors of the South African economy (Conclusion 1). It is recommended that future research focus on **the role of strategic leadership in the implementation of strategy in a specific sector of the South African economy**, such as the retail sector. Alternatively, a comparative study of various sectors could be undertaken.
2. This study focussed exclusively on the perceptions of the role of strategic leadership in the implementation of strategy of strategic leaders in financially successful organisations (*Financial Mail* Top 200 Companies, 2006). **It is recommended that future research focus on a broader range of organisations, which may include both successful and unsuccessful organisations.** This could be done in an attempt to compare the strategy implementation and strategic leadership practices of 'successful' and 'unsuccessful' organisations.
3. It was indicated that a level of uncertainty and doubt is evident with respect to the effectiveness of strategy implementation efforts and whether formulated strategies are actually implemented to their full potential (Conclusion 7). It is recommended that future research focus on **establishing the degree of effectiveness of strategy implementation efforts in South African organisations.**
4. Lastly, it is recommended that future research focus on the **role of strategy implementation efforts in public organisations.** This can be particularly important for the success of governmental departments in order to achieve national economic growth targets and other targets relating to the 2010 Soccer World Cup, the completion of the Gautrain and other projects of national strategic importance.

7.4.3 Final Word

The primary objective of the overall study was to investigate the perceived role of strategic leadership in the implementation of strategy in South African organisations. This was achieved by means of confirming several secondary research objectives. In addition to this, the thesis statement that **strategic leadership is perceived to positively contribute to the effective implementation of strategy in South African organisations**, was proven as correct.

Finally, in the light of the perceived importance of strategy implementation efforts; the high failure rate of strategy implementation efforts; the existence of many barriers or impediments to the effective implementation of strategy; the importance of strategic leadership as a key driver of strategy implementation efforts; the critical role of the identified strategic leadership actions in implementing strategy; and the fact that strategic leadership actions are perceived to positively contribute to effective strategy implementation, it is recommended that **strategic leadership in South African organisations should be biased towards the implementation of strategy**. If strategic leaders of organisations aim to survive in the long-term, if they aim to create wealth for all stakeholders, and realise above-average returns, they should drive their organisations in a direction that will facilitate success in the implementation of strategy. This can only be done if strategic leaders take ownership of, and are committed to, the effective implementation of strategy. South African organisations will become more successful if strategic leaders succeed in this mammoth task, and this will eventually lead to South Africa achieving its targets in terms of economic growth, as well as a decrease in the inflation rate and a decrease in unemployment levels.

BIBLIOGRAPHY

Aaker, D.A. and Day, G. 1980. **Marketing Research**. New York: Wiley.

Adler, P.S. and Kwon, S-W. 2002. **Social capital: Prospects for a new concept**. *Academy of Management Review*, 27:17-40.

Alexander, L.D. 1985. **Successfully implementing strategic decisions**. *Long Range Planning*, 18(3): 91-97.

Al-Ghamdi, S.M. 1998. **Obstacles to successful implementation of strategic decisions: The British experience**. *European Business Review*, 98(6): 322-327.

Allio, M.K. 2005. **A Short practical guide to implementing strategy**. *The Journal of Business Strategy*, 26(4): 12-21.

Barney, J.B. 1986. **Organizational culture: Can it be a source of sustained competitive advantage?** *Academy of Management Review*, 11: 656-665.

Barney, J.B. 1991. **Firm resources and sustained competitive advantage**. *Journal of Management*, 17(1): 99-120.

Barney, J.B. 2002. **Gaining and sustaining competitive advantage** (Second edition). New Jersey: Prentice-Hall.

Barney, J.B. and Hesterly, W.S. 2006. **Strategic management and competitive advantage: Concepts and cases**. New York: Pearson.

Bass, B.M. 2007. **Executive and strategic leadership**. *International Journal of Business*, 12(1): 33-52.

Becker, B.E., Huselid, M.A. and Ulrich, D. 2001. **The HR Scorecard: Linking people, strategy, and performance**. Boston: Harvard Business School.

Beer, M. and Eisenstat. R.A. 2000. **The Six silent killers of strategy implementation.** *Sloan Management Review*, (Summer): 2000:29.

Beer, M and Nohria, N. 2000. **Cracking the Code of Change.** *Harvard Business Review*, 78(3): 133-141.

Bennis, W. and Nanus, B. 1985. **Leaders: The strategies for taking charge.** New York: Harper & Row.

Bossidy, L and Charan, R. 2002. **Execution: The discipline of getting things done.** London: Random House.

Boyd, H.W., Westfall, R.S. and Stasch, F. 1989. **Marketing research: A strategic approach.** Illinois: Irwin.

Brass, D.J., Butterfield, K.D. and Skaggs, B.C. 1998. **Relationships and unethical behavior: A social network perspective.** *Academy of Management Review*, 23: 14-31.

Business Day. 1999. **Reasons why companies fail to execute strategy.** *Business Day*, 30 September:37.

Businesswomen's Association. 2007. Available from: <<http://www.bwasa.co.za>>. Accessed 17 September 2007.

Camillus, J. 1997. **Shifting the strategic management paradigm.** *European Management Journal*, 15(1): 1-7.

Churchill, G.A. 1992. **Basic Marketing Research.** Orlando: The Dryden Press.

Campbell, R.W. and Garnett, J.L. 2000. **'Implementing Strategy: A contingency perspective'** in Rabin, J., Miller, G.J. and Hildreth, W.B. (Eds). **Handbook of Strategic Management** (Second edition). New York: Marcel Dekker Inc.

Collins, J. 2001. **Good To Great**. London: Random House.

Collis, D.J. and Montgomery, C.A. 1995. **Competing on resources**. *Harvard Business Review*, July-August: 118-128.

Cross, R., Nohria, N. and Parker, A. 2002. **Six myths about informal networks – and how to overcome them**. *MIT Sloan Management Review*, 43(3): 67-75.

Daft, R.L. 1997. **Management** (Fourth edition). New York: Dryden.

David, F.R. 1989. **How companies define their mission**. *Long Range Planning*, 22(1): 90-92.

David, F.R. 2001. **Strategic management concepts & cases** (Eighth edition). Prentice Hall: New Jersey.

Dent, F.A. 2003. **Leadership Pocketbook**. Hants: Management Pocketbooks.

Diamatopoulos, A. and Schlegelmilch, B.B. 1997. **Taking the fear out of data analysis : A step-by-step approach**. London: Dryden Press, 1997.

Doh, J.P. and Stumpf, S.A. 2005. **Towards a framework of responsible leadership and governance**. In Doh, J.P. and Stumpf (Eds) **Handbook on responsible leadership and governance in global business**. Cheltenham: Edward Elgar.

Dyck, B., Mauws, M., Starke, F. and Mischke, G. 2002. **Passing the baton: The importance of sequence, timing, technique and communication in executive succession**. *Journal of Business Venturing*, 17: 143-162.

Ehlers, M.B and Lazenby, J.A.A. (Eds). 2004. **Strategic Management: Southern African concepts and cases**. Pretoria: Van Schaik.

Eiselen, R., Uys, T. and Potgieter, N. 2005. **Analysing survey data using SPSS13: A workbook**. Johannesburg: University of Johannesburg.

Financial Mail, Top Companies, 2006. *Financial Mail*, 30 June 2006: 122-127.

Fiol, C.M. 1991. **Managing culture as a competitive resource: An identity-based view of sustainable competitive advantage.** *Journal of Management*, 17: 191-211.

Fin 24.co.za. 2006. Available from: <[http:// www.fin24.co.za](http://www.fin24.co.za)>. Accessed 2 October 2006.

Flood, P.C., Dromgoole, T., Carrol, S.J. and Gorman, L. (Eds). 2000. **Managing Strategy Implementation: An organizational behaviour perspective.** Oxford: Blackwell.

Fogg, C.D. 1999. **Implementing Your Strategic Plan: How to turn “intent” into effective action for sustainable change.** New York: Amacom.

Do MBAs make better CEOs? (Editorial), 2001. *Fortune*, 19 February: 105.

Freedman, M. and Tregoe, B.B. 2003. **The Art and Discipline of Strategic Leadership.** New York: McGraw-Hill.

Ghoshal, S. and Bartlett, C.A. 1994. **Linking organisational context and managerial action: The dimensions of quality of management.** *Strategic Management Journal*, 15: 91-112.

Gittel, J.H. 2000. **Paradox of coordination and control.** *California Management Review*, 42(3): 101-107.

Govindarajan, V and Gupta, A.K. 2001. **Building an effective global business team.** *Sloan Management Review*, 42(4): 63-71.

Grant, R.M. 2002. **Contemporary strategy analysis: Concepts, techniques, applications.** Malden, MA : Blackwell Business.

Gratton, L., Hope-Hailey, V., Stiles, P. and Truss, C. 1999. **Linking individual performance to business strategy: The process model.** *Human Resource Management*, 38(1): 17-31.

Gratton, L. 2000. **Living Strategy: Putting people at the heart of corporate purpose.** London: Prentice Hall.

Gupta, A.K. and Govindarajan, V. 2000. **Knowledge management's social dimension: Lessons from Nucor Steel.** *MIT Sloan Management Review*, 42(1): 71-80

Hagen, A.F., Hassan, M.T. and Amin, S.G. 1998. **Critical strategic leadership components: An empirical investigation.** *S.A.M Advanced Management Journal*, 63(3): 39-44.

Hamel, G. and Prahalad, C.K. 1989. **Strategic intent.** *Harvard Business Review*, May-June: 63-76.

Hair, J.F., Tatham, R.L., Anderson, R.E. and Black, W.C. 1995. **Multivariate data analysis** (Fourth edition). Upper Saddle River, New York: Prentice Hall.

Hair, J.F., Tatham, R.L., Anderson, R.E. and Black, W.C. 1998. **Multivariate data analysis** (Fifth edition). Upper Saddle River, New York: Prentice Hall.

Handy, C. 1993. **Understanding organizations** (Fourth edition). London: Penguin Books.

Hartman, A. 2004. **Ruthless Execution: What business leaders do when their companies hit the wall.** Upper Saddle River, NJ: Prentice Hall.

Hitt, M.A., Bierman, L., Shimizu, K., and Kochhar. 2001. **Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective.** *Academy of Management Journal*, 44: 13-28.

Hitt, M.A. and Ireland, R.D. 2002. **The essence of strategic leadership: Managing human and social capital.** *Journal of leadership and organizational studies*, (Summer) 2002: 9 (1): 3-14.

Hitt, M.A., Ireland, R.D. and Hoskisson, R.E. 2007. **Strategic Management: Competitiveness and globalization** (Seventh edition). Ohio: Thomson/South Western.

Hitt, M.A., Ireland, R.D. and Rowe, G.W. 2005. **Strategic leadership: strategy, resources, ethics and succession.** In Doh, J.P. and Stumpf, S.A. (Eds). 2005. **Handbook on responsible leadership and governance in global business.** Northampton: Cheltenham.

Hitt, M.A. and Keats, B.W. 1992. **Strategic leadership and restructuring: A reciprocal interdependence.** In Phillips, R.L and Hunt, J.G (Eds). **Strategic leadership, a multiorganizational – level perspective**, 45-61. Westport: Quorum Books.

Hofstee, E. **Constructing a good dissertation: A Practical guide to finishing a Master's, MBA or PhD on schedule.** Johannesburg: EPE.

Holman, P. 1999. **Turning great strategy into effective performance.** *Strategy (Strategic Planning society, UK)* Sept.

Hornsby, J.D., Kuratko, D.F. and Zahra, S.A. 2002. **Middle Manager's perception of the internal environment for corporate entrepreneurship: Assessing a measurement scale.** *Journal of Business Venturing*, 17: 253-273.

Hrebiniak, L.G. 2005. **Making strategy work: Leading effective execution and change.** Upper Saddle River, New Jersey: Wharton School Publishing.

Hsieh, T-Y. and Yik, S. 2005. **Leadership as the starting point of strategy.** *McKinsey Quarterly*, 1: 67-76.

Huey, J. 1994. **The new post-heroic leadership.** *Fortune*, February (21): 42-50.

Hussey, D. 1998. **Strategic management: From theory to implementation** (Fourth edition). Oxford: Butterworth Heinemann.

Ireland, D.R. and Hitt, M.A. 1999. **Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership.** *Academy of Management Executive*, 13(1): 43-57.

Joyce, W., Nohria, N. and Roberson. 2003. **What really works: The 4+2 formula for sustained business success.** New York: Harper Collins.

Johannesburg Stock Exchange. 2007. Available from: <http://www.jse.co.za>. Accessed 23 January 2007.

Kaplan, R.S. and Norton, D.P. 2001. **The strategy- focused organisation: How balanced scorecard companies thrive in the new business environment.** MA: Harvard Business School Press.

Kaplan, R.S and Norton, D.P. 2004. **Strategy Maps: Turning intangible assets into tangible results.** MA: Harvard Business School Press.

Kaplan, R.S and Norton, D.P. 2005. **The office of strategy management.** *Harvard Business Review*, 83(10): 72-80.

Key, S. and Popkin, S.J. 1998. **Integrating ethics into the strategic management process.** *Management Decision*, 36(5): 331 Internet version. Accessed 9 November 2006.

King Committee on Corporate Governance (2002). **King Report on Corporate Governance for South Africa 2002: Executive Summary**. South Africa: Government Printer.

Kotter, J.P. 2001. **What leaders really do?** *Harvard Business Review*, 79(11): 85-96.

Kotter, J.P. and Heskett, J.L. 1992. **Corporate culture and performance**. New York: Free Press.

Leedy, P.D. 1997. **Practical research. Planning and design** (Sixth edition). Upper Saddle River, N.J: Prentice Hall.

Leinicke, L.M., Ostrosky, J.A. and Rexroad, W.M, 2000. **Quality financial reporting: Back to the basics**, *CPA Journal*, August: 69-71.

Lepak, D.P. and Snell, S.A. 1999. **The human resource architecture: Toward a theory of human capital allocation and development**. *Academy of Management Review*, 24: 31-48.

Lepsinger, R. 2006. **Surveying the gap: Half of all leaders see a disconnect between strategy and execution**. *Business Credit*, 108(9): 56-57.

Lipton, M. 1996. **Demystifying the development of an organizational vision**. *Sloan Management Review*, 37(4): 83-92.

Locke, E.A. AND Kirkpatrick, S. 1991. **The essence of leadership: The four keys to leading successfully**. New York: Lexington Books.

Lynch, R.L. 1997. **Corporate Strategy**. London: Pitman:.

Malcolm Baldrige National Quality Award, 1999 survey.

Mankins, M.C. and Steele. 2005. **Turning great strategy into great performance.** *Harvard Business Review*, 83(7/8): 64-72.

Maritz, D. 2003. **Leadership and trust.** In Robbins, S.P., Odendaal, A. Roodt, G. 2003. **Organisational Behaviour: Global and Southern African Perspectives.** Cape Town: Pearson Education South Africa, 241-267.

Milton-Smith, J. 1995. **Ethics as excellence: A Strategic management perspective.** *Journal of Business Ethics*, 14: 863-893.

Mintzberg, H. 2004. **Enough Leadership.** *Harvard Business Review*, 82(11): 22.

Morgan, S.E., Reicher, T. and Harrison, T.R. 2002. **From numbers to words: Reporting statistical results for the social sciences.** Boston: Allyn & Bacon.

Mouton, J. 2003. **How to succeed in your Master's and Doctoral studies: A South African guidebook.** Pretoria: Van Schaik.

Muralidharan, R. 1997. **Strategic control for fast-moving markets: Updating the strategy and monitoring performance.** *Long Range Planning*, 30(1): 64-73.

Muralidharan, R. 2004. **A framework for designing strategy content controls.** *International Journal of Productivity and Performance Management*, 2004 53(7): 590.

Murphy, P.E. 1988. **Implementing business ethics.** *Journal of Business Ethics*, 7(12): 709-715.

Neuman, W.L. 2000. **Social research methods: Qualitative and quantitative approaches** (Fourth edition). Boston: Allyn & Bacon.

Noble, C.H. 1999. **The Eclectic Roots Of Strategy Implementation Research.** *Journal of Business Research*, 45(1999): 119-134.

Pearce II, J. and David, F.R. 1987. **The bottom line on corporate mission statements.** *Academy of Management Executive*, 1(2): 109.

Pearce. J.A. and Robinson, R.B. 2005. **Formulation, implementation and control of competitive strategy** (Ninth edition). Boston: McGraw-Hill Irwin.

Pettigrew, A. and Whipp, R. 1991. **Managing change for competitive success.** Oxford: Blackwell.

Raps, A. 2004. **Implementing strategy.** *Strategic Finance*, June: 49-53.

Ready, D.A. 2004. **Leading at the enterprise level.** *MIT Sloan Management Review*, 45 (3): 89-91

Robbins, S.P. 1993. **Organizational behavior** (Sixth edition). New Jersey: Prentice Hall International.

Rosnow, R.L. and Rosenthal, R. 1996. **Beginning behavioral research.** New Jersey: Prentice Hall.

Rotemberg, J.J. and Saloner, G. 2000. **Visionaries, managers and strategic direction.** *Rand Journal of Economics*, 4 (Winter): 693-716.

Rothschild, W.E. 1996. **A Portfolio of strategic leaders.** *Planning Review*, January-February: 16-19

Rowe, W.G. 2001. **Creating Wealth in organisations: The role of strategic leadership.** *Academy of Management Executive*, 15(1): 81-94.

Skivington, J.E. and Daft, R.L. 1991. **A Study of organisational “framework” and “process” modalities for the implementation of business-level strategic decisions.** *The Journal of Management studies*, 28(1): 45-69.

Soule, E. 2002. **Managerial moral strategies: In search of a few good principles.** *Academy of Management Review*, 27: 114-124.

Sorcher, M. and Brant, J. 2002. **Are you picking the right leaders?** *Harvard Business Review*, 80(2): 78-85.

Sterling, J. 2003. **Translating strategy into effective implementation: dispelling the myths and highlighting what works.** *Strategic Leadership*, 2003, 31 (3): 27-34.

Storey, J. 2005. **What next for strategic-level leadership research?** *Leadership*, 1(1): 89-104.

Thompson, A.A., Gamble, J.E. and Strickland, A.J. 2004. **Strategy: Winning in the marketplace.** Boston: Irwin.

Thompson, A.A. and Strickland, A.J. 2003. **Strategic Management: Concepts and cases** (Thirteenth edition). New York: McGraw-Hill.

Thompson, J.L. 1997. **Lead with vision: Manage the strategic challenge.** London: International Thompson Business Press.

Ulrich, D., Zenger, J. and Smallwood. 1999. **Results-based leadership.** Boston: Harvard Business School Press.

University of Johannesburg's Statistical Consultation Service. 2007. Available from: <<http://www.uj.ac.za/statkon>>. Accessed 4 October 2007.

Useem, M. 1998. **The leadership moment: Nine true stories of triumph and disaster and their lessons for us all.** New York: Three Rivers Press.

Useem, M. 2001. **Leading up: How to lead your boss so you both win.** New York: Crown Business.

von Krogh, G., Ichijo, K. and Nonaka, I. 2000. **Enabling knowledge creation**. New York: Oxford University press.

Wallace, W. 2000. **The value relevance of accounting: The rest of the story**. *European Management Journal*, 18(6): 675-682.

Wehrich, H. and Koontz, H. 1993. **Management: Global Perspective** (Tenth edition). New York: McGraw-Hill.

Whip, R. 2003. **Managing Strategic change**. In Faulkner, D.O and Campbell, A. (Eds). **The Oxford Handbook of Strategy**. Volume II. Corporate Strategy. New York Oxford: 237-266.

Yukl, G. 2006. **Leadership in organizations** (Sixth edition). Upper Saddle River: Pearson Prentice-Hall.

Zagotta, R. and Robinson, D. 2002. **Keys to successful strategy execution**, *Journal of Business Strategy*, 23(1): 30-34.

Zook, C., Allen, J. and Smith, J. 2000. **Strategies for corporate growth**. *European Business Journal*, 12(1): 3-11.

ANNEXURE A





28 February 2007

THE CHAIRPERSON / CEO / CFO / COO / MD / EXECUTIVE DIRECTOR / NON-EXECUTIVE DIRECTOR /
INDEPENDENT DIRECTOR / GENERAL MANAGER

D COM RESEARCH PROJECT: Mr Barend J Fourie

The high failure rate of strategy implementation efforts in an environment characterised by rapid change is well documented and is estimated to range from 57% to as much as 90%. This should be an area of major concern for the strategic leaders of contemporary organisations. Research has identified leadership, and specifically strategic leadership at the top of the organisation, as one of the key drivers of effective strategy implementation.

Mr Barend J Fourie is a registered student at the University of Johannesburg. Mr Fourie is currently busy with his research project for the D. Com degree in Strategic Management in the Faculty of Management at the University of Johannesburg. The title of his research is: *"The role of strategic leadership in strategy implementation in South African organisations"*. The primary objective of this study is to investigate the perceptions of strategic leaders of the role of strategic leadership in implementing strategy in South African organisations.

As a strategic leader of one of the identified organisations of the study population (using the 2006 Financial Mail Top 200 companies) you are hereby kindly invited to complete the attached questionnaire (it will take approximately 15 minutes of your time). The success of this study depends largely on your co-operation and it will be appreciated if you could complete and return the attached questionnaire on or before **31 MARCH 2007**. An article on the research will also be published in an accredited journal.

An acceptable and representative response rate is a major challenge of this study. In order to overcome this challenge, please could you assist by forwarding copies of this questionnaire to other strategic leaders in your organisation. Should you wish to receive an electronic copy of the questionnaire, please send an electronic mail to:
fouriebj@midrand-estates.co.za.

All information provided by you will be treated confidentially and under no circumstances will this information be made public or used for any other purpose than the research. Please be so kind as to indicate whether you wish to receive a copy of the research findings and recommendations at no cost and without any obligation whatsoever.

Auckland Park Kingsway Campus | Cnr Kingsway and University Road Auckland Park
PO Box 524 Auckland Park 2006 Johannesburg Republic of South Africa | Tel +27 11 489 2911 | www.uj.ac.za

ANNEXURE B



Completed questionnaires can be sent to:

Mr. Bennie Fourie

Postal address: PO Box 11516
Centurion
0046

Or

Fax: 086 615 9575

Or

E Mail: fouriebj@midrand-estates.co.za

If you have any queries or questions pertaining to the above, please do not hesitate to contact Mr Fourie on 083 227 8324.

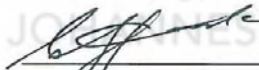
Thank you very much for your co-operation.



BAREND, J FOURIE
D COM STUDENT



UNIVERSITY
OF
JOHANNESBURG



PROF. C. JOOSTE
SUPERVISOR

PLEASE TURN OVER TO COMPLETE THE QUESTIONNAIRE.

(It will take approximately 15 minutes of your time).

QUESTIONNAIRE

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE.

THE QUESTIONNAIRE CONSISTS OF FOUR SECTIONS.

PLEASE MARK THE APPROPRIATE BOX WITH A CROSS (X).

SECTION A

This section deals with two factors:

- Section A1 deals with **YOUR PERCEPTIONS** of the generic issues in strategic management, strategy implementation, and strategic leadership in **ANY ORGANISATION**.
- Section A2 deals with **YOUR PERCEPTIONS** of the importance of selected strategic leadership roles in **ANY ORGANISATION**.

A1 Indicate to what extent you agree or disagree with each of the following statements by using the following scale:

SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree

STATEMENTS	SD	D	N	A	SA
1. Strategy implementation ¹ is more important than strategy formulation as a means of delivering superior financial results in an organisation.	1	2	3	4	5
2. The ability to implement a strategy in an organisation is more important than the ability to formulate a strategy in an organisation.	1	2	3	4	5
3. The implementation of a strategy is more difficult than the formulation of a strategy.	1	2	3	4	5
4. The high failure rate of organisational change initiatives is a direct result of poor strategy implementation.	1	2	3	4	5
5. Strategic leadership ² contributes positively to the effective implementation of a strategy within an organisation.	1	2	3	4	5
6. Strategic leaders are ultimately responsible for effective strategy implementation in an organisation.	1	2	3	4	5
7. The strategic leadership of an organisation can be a competitive advantage for an organisation.	1	2	3	4	5

PLEASE TURN OVER

¹ **Strategy implementation** "...entails converting the strategic plan of the organisation into action and then into results" (Thompson and Strickland, 2003:365).

² **Strategic leadership** "...is the ability to anticipate, envision, maintain flexibility, and to empower others to create strategic change as necessary" (Hitt *et al*, 2007:375).

A2 Please rank, in order of importance, each of the following roles of a strategic leader in ANY ORGANISATION.

Use the following scale:

1 = The most important role in the list.

2 = The second most important role in the list, and so on.

7 = The least important role in the list.

PLEASE USE EACH OF THE NUMBERS 1 TO 7 ONCE ONLY.

ROLES OF A STRATEGIC LEADER	RANK IN TERMS OF IMPORTANCE (<u>PLEASE USE EACH OF THE NUMBERS 1 TO 7 ONCE ONLY</u>)
Determining the strategic direction of an organisation.	
Establishing balanced organisational controls (a balance between financial and non-financial controls).	
Sustaining an effective organisational culture.	
Emphasising ethical practices.	
Exploiting and maintaining core competencies ³ .	
Developing human capital in an organisation.	
Developing social capital ⁴ in an organisation.	

PLEASE TURN OVER

³ **Core competencies** "...are capabilities that serve as a source of competitive advantage for a firm over its rivals" (Hitt *et al*, 2007:17).

⁴ **Social capital** "...involves relationships inside and outside the firm that help the firm accomplish tasks and create value for customers and shareholders" (Hitt *et al* 2007:389).

SECTION B

This section deals with three factors:

- Section B1 deals with **YOUR PERCEPTIONS** of the effectiveness and importance of strategy implementation in **YOUR ORGANISATION**.
- Section B2 deals with **YOUR PERCEPTIONS** of the barriers to effective strategy implementation in **YOUR ORGANISATION**.
- Section B3 deals with **YOUR PERCEPTIONS** of the drivers of strategy implementation in **YOUR ORGANISATION**.

NOTE: In this questionnaire the term “**YOUR ORGANISATION**” refers to the 2006 Financial Mail Top 200 Company to which this questionnaire was addressed.

B1 Please answer each of the following questions using the following scale:

NE = No Extent; SE = Small Extent; ME = Moderate Extent; LE = Large Extent; VLE = Very Large Extent

TO WHAT EXTENT DO YOU BELIEVE THE FOLLOWING:	NE	SE	ME	LE	VLE
1. That your organisation is better at formulating strategy, than at implementing strategy?	1	2	3	4	5
2. That there is a gap between the formulation of, and the effective implementation of, strategy in your organisation?	1	2	3	4	5
3. That your organisation is effective at implementing strategy?	1	2	3	4	5
4. That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the shareholder value of your organisation?	1	2	3	4	5
5. That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the level of customer satisfaction in your organisation?	1	2	3	4	5
6. that an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the level of employee satisfaction in your organisation?	1	2	3	4	5
7. That an improvement in the effectiveness of strategy implementation in your organisation will lead directly to an improvement in the operational effectiveness of your organisation?	1	2	3	4	5
8. That an improvement in the effectiveness of implementing strategy is an important leadership challenge for your organisation?	1	2	3	4	5

PLEASE TURN OVER

B2 Please answer each of the following questions using the following scale:

NE = No Extent; SE = Small Extent; ME = Moderate Extent; LE = Large Extent; VLE = Very Large Extent

TO WHAT EXTENT DO YOU BELIEVE THAT EACH OF THE FOLLOWING IS <u>A BARRIER TO EFFECTIVE STRATEGY IMPLEMENTATION IN YOUR ORGANISATION?</u>	NE	SE	ME	LE	VLE
1. The organisation's strategy is not effectively communicated to the workforce.	1	2	3	4	5
2. The workforce does not understand the organisation's strategy.	1	2	3	4	5
3. The strategic leaders do not provide strategic direction for the organisation.	1	2	3	4	5
4. The goals of, and incentives for, the workforce are not aligned with the strategy of the organisation.	1	2	3	4	5
5. The allocation of resources is not aligned with the strategy of the organisation.	1	2	3	4	5
6. There is a lack of alignment between the culture of the organisation and the strategy of the organisation.	1	2	3	4	5
7. There is an inability to manage change effectively.	1	2	3	4	5
8. The strategies are poorly or vaguely formulated.	1	2	3	4	5
9. Top managers do not support strategy implementation.	1	2	3	4	5
10. The implementation of strategy is not effectively controlled.	1	2	3	4	5
11. Ethical practices are not evident in strategy implementation.	1	2	3	4	5
12. The leaders are not competent enough to implement strategy.	1	2	3	4	5
13. The core competencies of the organisation are not aligned with the strategy of the organisation.	1	2	3	4	5
14. Human capital is not effectively developed to support strategy implementation.	1	2	3	4	5
15. Social capital is not effectively developed to support strategy implementation.	1	2	3	4	5

B3 Please answer each of the following questions using the following scale:

NE = No Extent; SE = Small Extent; ME = Moderate Extent; LE = Large Extent; VLE = Very Large Extent

TO WHAT EXTENT DOES EACH OF THE FOLLOWING <u>CONTRIBUTE POSITIVELY TO EFFECTIVE STRATEGY IMPLEMENTATION IN YOUR ORGANISATION?</u>	NE	SE	ME	LE	VLE
1. The structure of the organisation.	1	2	3	4	5
2. The allocation of resources in the organisation.	1	2	3	4	5
3. The culture of the organisation.	1	2	3	4	5
4. The performance management system of the organisation.	1	2	3	4	5
5. The strategic leadership of the organisation.	1	2	3	4	5
6. Training and development in the organisation.	1	2	3	4	5
7. The information systems of the organisation.	1	2	3	4	5

PLEASE TURN OVER

SECTION C

This section deals with **YOUR PERCEPTIONS** of the role of selected strategic leadership actions in strategy implementation in **YOUR ORGANISATION**.

C1 Please respond to each of the following questions using the following scale:

NE = No Extent; SE = Small Extent; ME = Moderate Extent; LE = Large Extent; VLE = Very Large Extent

TO WHAT EXTENT DOES EACH OF THE FOLLOWING STRATEGIC LEADERSHIP ACTIONS <i>CONTRIBUTE POSITIVELY</i> TO EFFECTIVE STRATEGY IMPLEMENTATION IN <u>YOUR ORGANISATION</u>?	NE	SE	ME	LE	VLE
1. Determining a strategic direction for the organisation.	1	2	3	4	5
2. Establishing balanced organisational controls.	1	2	3	4	5
3. Sustaining an effective organisational culture.	1	2	3	4	5
4. Emphasising ethical practices.	1	2	3	4	5
5. Exploiting and maintaining core competencies.	1	2	3	4	5
6. Developing human capital.	1	2	3	4	5
7. Developing social capital.	1	2	3	4	5

SECTION D

This section deals with information pertaining to **YOURSELF** and **YOUR ORGANISATION**. Please be assured that this information is **CONFIDENTIAL** and will only be used to compare groups of respondents.

D1 Your age category?

Younger than 30 years	1
30 – 39 years	2
40 – 49 years	3
50 – 59 years	4
60 – 69 years	5
70 years or older	6

D2 Your gender?

Male	1
Female	2

D3 Which **ONE** of the following **BEST** describes your current primary job title?

Chairperson	1
Chief Executive Officer (CEO)	2
Chief Financial Officer (CFO)	3
Chief Operating Officer (COO)	4
Managing Director (MD)	5
Executive Director	6
Non-Executive Director	7
Independent Director	8
General Manager	9
Other (please specify)	10

D4 Which **ONE** of the following **BEST** describes your current specialist area?

Marketing	1
Human resources	2
Finance	3
Operations	4
General Management	5
Legal	6
Other (please specify)	7

PLEASE TURN OVER

D5 Which ONE of the following BEST describes your highest academic qualification?

Doctorate or PhD	1
Masters degree	2
Honours degree	3
Undergraduate degree	4
Post-school diploma	5
Other (Please specify)	6

D6 Number of completed years involved in strategy formulation and implementation in ANY ORGANISATION?

Less than 1 year	1
1 to 3 years	2
4 to 7 years	3
8 to 10 years	4
11 to 20 years	5
21 or more years	6

D7 Which ONE of the following BEST describes the DOMINANT business strategy of YOUR ORGANISATION?

Consolidation (refocusing on core business)	1
Growth (entering new markets or producing new products)	2
Other (please specify)	3

D8 Which ONE of the following BEST describes the industry in which YOUR ORGANISATION operates?

Mining	1
Manufacturing	2
Construction	3
Wholesale	4
Retail	5
Financial services	7
Business services	8
Health care	9
Real estate	10
Travel and leisure	11
Telecommunication	12
Other (please specify)	13

Thank you very much for taking the time to complete this questionnaire and for your contribution to this study.

Please send completed questionnaires to:

Mr. Bennie Fourie

Postal address: PO Box 11516

Centurion

0046

Or

Fax: 086 615 9575

Or

E Mail: fouriebj@midrand-estates.co.za

Please provide your contact details should you wish to receive a copy of the research findings and recommendations at no cost and without any obligation whatsoever.

END

ANNEXURE C



Financial Mail Top 200 Companies: 2006	
Company	Ranking
ABSA Group	107
Adcorp Holdings	189
Adonis Knitwear Holdings	152
ADvTech	91
AECI	104
Afgri	106
African & Overseas Enterprises	177
African Bank Investments	90
African Down Capital	70
African Media Entertainment	111
African Oxygen	122
Alex White Holdings	34
All Joy foods	199
Allan Gray Property Trust	124
Allied Electronics Corp	110
Allied Technologies	165
Amalgamated Appliance Hold	35
Anglo american Platinum Corp	196
Anglo American Plc	192
AngoGold Ashanti	149
ApexHi Properties	89
Argent Industrial	22
Aspen Pharmacare Holdings	38
Assore	129
Astrapak	41
Atlas Properties	115
Aveng	136
AVI	113
Barlowworld	162
Barnard Jacobs Mellet Holdings	193
Barplats Investments	182
Basil Read Holdings	20
BHP Billiton Plc	132
Bidvest Group	156
Bowler Metcalf	65
Brait SA	168
Brandcorp Holdings	18
Brimstone Investment Corp.	16
Buildmax	19
Bytes Technology Group	126
Cadiz Holdings	44
Cape Empowerment Trust	167
Capital Property Fund	134
Cargo Carriers	33
Cashbuild	2
Caxton CTP Publish & Printers	85
Ceramic Industries	128
City Lodge Hotels	55

Clientele Life Assurance	93
Combined Motor Holdings	24
Compu-Clearing Outsourcing	161
Concor	61
Control Instruments Group	53
Crookes Brothers	75
Cullinan Holdings	29
Datacentrix Holdings	143
Digicore Holdings	42
Discovery Holdings	187
Distell Group	80
Distr & Warehousing Network	14
Don Group	84
Dorbyl	109
Edcon	10
ELB Group	157
Ellerine Holdings	100
Enterprise Outsourcing Holdings	92
Enterprise Risk Management	133
Enviroserv Holdings	67
ERP.Com Holdings	15
Eureka International	184
Famous Brands	21
Faritec Holdings	195
FirstRand	155
Foschini	25
Gencir	185
Glenrand MIB	186
Gold Fields	97
Gold Reef Casino Resorts	45
Goodhope Diamonds	66
Grindrod	7
Group Five	27
Growthpoint Properties	95
Halogen	171
Harmony Gold Mining	160
Highveld Steel & Vanadium	48
Hosken Cons Investments	26
Howden Africa Holdings	54
Hudco Industries	58
Hyprop Investments	94
Iliad Africa	11
Illovo Sugar	120
Impala Platinum Holdings	114
Imperial Holdings	154
Infowave holdings	43
Investec	181
Invicta Holdings	50
ISA	96
Italtile	83
Jasco Electronic Holdings	30

JD Group	176
Johnnic Communications	146
Kagiso Media	4
Kairos Industrial Holdings	31
KAPInternational Holdings	198
King Consolidated Holdings	8
KWV Beleggings	88
LA Group	39
Liberty Group	191
Liberty International Plc	178
Lonmin Plc	141
Masonite (Africa)	98
Massmart Holdings	56
Matodzi Resources	59
Matprop Property Fund	140
Medi-Clinic Corporation	105
Metair Investments	76
Metboard Properties	117
Metorex	173
Mittal Steel SA	9
Mobile Industries	82
Mr Price Group	49
MTN Group	139
Murray & Roberts Holdings	74
Mustek	37
Mutual & Federal Insurance	159
Mvelepana Resources	172
Nampak	197
Naspers	101
Network Healthcare Holdings	47
Northam Platinum	148
Nu-World Holdings	116
Oceana Group	183
Octodec Investments	68
Omnia Holdings	17
Pals Holdings	12
Pangbourne Properties	127
Paramount Property Fund	180
Peregrine Holdings	142
Petra Mining	1
Pick n Pay Holdings	144
Pick n Pay Stores	163
Pinnacle Technology Holdings	3
Premium Properties	57
Pretoria Portland Cement	52
Primedia	108
PSG Group	79
Putco Properties	99
Rainbow Chicken	72
Real Africa Holdings	190
Redefine Income Fund	103

Remgro	151
Reunert	86
Rex Trueform Clothing Company	158
RMB Holdings	145
S&J Land Holdings	87
SA Eagle Insurance	123
SAB Miller Plc	174
Sable Holdings	78
Sabvest	125
Sanlam	194
Santam	119
Sasfin Holdings	64
Sasol	118
Scharrig Mining	6
Sear del Invetrmnt Corp	150
Sekunjalo Investments	138
Setpint Technology Holdings	60
Shoprite Holdings	130
Simmer & Jack Mines	51
Sovereign Food Investments	32
Spearhead Property Holdings	71
Spur Corporation	77
Standard Bank Group	147
Steinhoff International	131
Sun International	135
Super Group	200
Sycom Property Fund	137
Synergy Holdings	73
The House of Busby	63
Tiger Brands	121
Tiger Wheels	153
Tongaat-Hullet Group	175
Tourism Invetsment Corporation	102
Transpaco	112
Trencor	81
Truworhs International	62
UCS Group	169
Unitrans	188
Value Group	46
Venfin	164
WB Holdings	36
Wesco Investments	40
Western Areas	166
Wilson Bayly HO	23
Winhold	69
Wooltru	179
Woolworhs Holdings	28
York Timber Organisation	13
Zambia Copper Investments	170

ProQuest Number:28302376

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent on the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



ProQuest 28302376

Published by ProQuest LLC (2021). Copyright of the Dissertation is held by the Author.

All Rights Reserved.

This work is protected against unauthorized copying under Title 17, United States Code
Microform Edition © ProQuest LLC.

ProQuest LLC
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106 - 1346