

EXPLORING FACTORS CONTRIBUTING TO THE STRATEGY-TO-PERFORMANCE GAP: THE CASE OF A SOUTH AFRICAN ELECTRONICS ORGANISATION

by

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DECLARATION

I declare that (*Exploring factors contributing to the strategy-to-performance gap: The case of a South African electronics organisation*) 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.

SIGNATURE

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DATE

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EXECUTIVE SUMMARY

"Can you define 'plan' as 'a loose sequence of manifestly inadequate observations and conjectures, held together by panic, indecision, and ignorance'? If so, it was a very good plan."

Jonathan Stroud, The Ring of Solomon

Jonathan Stroud knew that a plan cannot stand alone and needs more. Every business needs a strategy.

Academics in the field of strategic management have bewailed the field's disparate, ambiguous nature. The question arises: how can these concerns be compliant with the substantial success that strategic management experienced in the past? The weaknesses of strategic management seem to be its strengths. In their study, Nag, Hambrick and Chen (2007) suggest that strategic management acts as an intellectual dealer entity, which thrives by enabling the simultaneous pursuit of multiple research orientations by a variety of disciplinary and philosophical regimes.

The Bain and Company Management Tools and Trends, (Rigby & Bilodeau 2011) indicated the importance of management tools and how these tools can enhance an organisation's ability to strategise for the future. Mankins and Steele (2005) identified factors resulting in a strategy-to-performance gap and made recommendations on how an organisation can minimise such gaps. Tait and Nienaber (2010) came to the conclusion that the use of management tools could reduce challenges of formulation, implementation and evaluation resulting in closing or minimising the strategy-to-performance gap. In view of the findings of these three above-mentioned studies, this study of SAEO aimed to explore (identify, describe and understand) what factors top, middle and frontline managers perceived to hinder strategy implementation at SAEO during the 2009/10-2010/11 financial years, resulting in a strategy-to-performance gap and to determine how these factors affect the organisation.

This study was conducted as a qualitative case study that used empirical evidence from real people in a real-life organisation. Data was collected from a South African electronics organisation (henceforth referred to as SAEO) involving 14 managers at three different hierarchical levels (top, middle and frontline managers). They were

required to answer semi-structured questions on to how these strategy-formulation-implementation-evaluation phases affect their working environment. The interviews were conducted at the premises of the organisation and permission was sought from the CEO who granted permission for the researcher to request the managers to participate.

Information was used from previous authors and a replication study was conducted using the Mankins and Steele (2005) and Tait and Nienaber (2010) studies.

The purpose of this study was to identify, describe and understand "what factors, if any, hinder strategy implementation" (Ehlers & Lazenby, 2004; Mankins & Steele, 2005; Tait & Nienaber, 2010). Ehlers and Lazenby (2004:117) and Mankins and Steele (2005:66) have indicated that strategy implementation is the most difficult part of the strategic management process. In the Mankins and Steele (2005) and Tait and Nienaber (2010) studies, although the order differed, the most prevalent performance factors contributing to the strategy-to-performance gap were identified as a lack of focus/conflicting priorities and no resources, inadequate skills and capabilities, unclear accountabilities for execution, insufficient rewards and consequences and poorly communicated strategies. The results of this SAEO study confirmed that ineffective communication, followed by inadequate monitoring; insufficient leadership and no approved strategy were the main reasons for the strategy-to-performance gap. It seemed as if SAEO had a bigger challenge in communicating its strategy to employees than was the case in the Mankins and Steele (2005) and the Tait and Nienaber (2010) studies. Although the biggest challenge at the four South African Life Insurers (Tait & Nienaber, 2010) was inadequate or unavailable resources, the challenge at SAEO was ineffective communication and it was evident that it should be addressed to close the strategy-to-performance gap. Both challenges are part of the strategy implementation phase although communication could be related to formulation, implementation and evaluation of strategy.

Although the results (ranking of factors indicated to contribute to the strategy-to-performance phenomenon) of this study did not entirely concur with the studies of Mankins and Steele (2005) and Tait and Nienaber (2010), the important fact remains that without a formulated strategy on how to ensure survival and growth of an organisation, challenges such as ineffective communication and/or inadequate or

unavailable resources which were found in the three studies (Mankins & Steele, 2005; Tait & Nienaber, 2010; and the SAEO study) will have a negative effect on an organisation's future growth and prosperity. It became evident from this (SAEO) study that every member of an organisation will be affected should a strategy-to-performance gap exist. Therefore it is crucial that each organisation timeously identify possible factors that can result in a strategy-to-performance gap and determine what can be done to close or narrow those performance gaps. Lear (2012) contends that even if an organisation has the most outstanding strategy, the strategy will mean nothing if it is not understood at all levels within the organisation. That includes all processes to be aligned to achieve the organisation's objectives.

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LIST OF TERMS AND ABBREVIATIONS

Bain & Company – A global management consulting firm specialising in management tools

Marakon – Marakon Associates, a leading strategy and management consulting firm, and the world's foremost authority on value creation

Performance – Nag, Hambrick and Chen (2007) refer to performance as a means of financial gain with reference to revenues that will result in profitability and ultimately in the survival and growth of an organisation. Measures include revenue, profit, and profitability.

SAEO – South African Electronics Organisation

SALOA – SA life insurance companies and re-insurers (Tait & Nienaber, 2010:3)

SBU – Strategic Business Unit

Strategic management – A set of decisions and actions that result in the formulation, implementation and evaluation of a strategy or strategies to achieve the organisation's objectives (Pearce & Robinson, 2009)

Strategic management model – The Pearce II, J.A. and Robinson, R.B. JR. (2009) model indicating the flow of information through interrelated stages of analysis towards the achievement of an aim strategy formulation, implementation and evaluation

Strategic management tools – Strategic management tools provide managers with the information they need to identify, select, implement, and integrate tools that will improve bottom-line results (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends, 2011; David, 2009; Pearce & Robinson, 2009).

Strategic planning and strategic management – For the purpose of this research these two concepts are inter-changed and are intended to mean the same

Strategy – The outcome of strategic management (David, 2009; Ireland, Hoskisson & Hitt, 2009; Pearce & Robinson, 2009); and a potentially powerful tool to cope with change but a somewhat elusive concept (Ansoff, 1965)

Strategy-to-performance gap – Mintzberg (1994) indicated that planned strategies do not always result in realised strategies due to a strategy-formulation-implementation-evaluation performance gap, which could exist, thus hampering an organisation's survival and growth.

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Strategy, in essence, is a vehicle for an organisation to reach its final destination, which is survival and growth in the long term (Hambrick & Fredrickson, 2001). Although it is described as a potentially powerful tool to cope with change, it is an elusive concept (Ansoff, 1965). This view is supported by strategic authors such as Fayol (1949), Wery and Waco (2004), Mankins and Steele (2005), Mintzberg (1994) and Tait and Nienaber (2010), who indicate that there is a gap between realised and planned strategy. This gap implies that the actual performance of the organisation falls short of the planned performance. According to Mankins and Steele (2005), the gap between realised and planned strategy was calculated at 37%, while Tait and Nienaber (2010) estimated it at 30%. This means that a substantial part of planned performance did not materialise. Strategic management tools used by organisations in creating and shaping strategy can also contribute to the strategy-to-performance gap if these tools are not used effectively within the right organisation. All tools cannot be used by all organisations – each organisation should use tools specifically formulated for its specific industry (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009). If this does not happen, it could contribute to a strategy-to-performance gap.

Accordingly, the purpose of this study was to investigate the strategy-to-performance gap. In this dissertation the background to the study is first presented, followed by a brief literature review. The method used to investigate the problem is discussed next and finally the conclusions are presented.

1.2 BACKGROUND

Strategy is the outcome of strategic management which is defined as "a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving the utilisation of resources, to enhance the performance of organisations in their external environment, with a view of financial gain" (Nag, Hambrick & Chen, 2007). Organisations arrive at strategy by using a variety of management tools, moulding the strategic management process, described in standard strategic management texts (Carpenter & Sanders, 2009; David, 2009; Pearce & Robinson, 2009). The strategic management process was used in this study, as it is a comprehensive tool encompassing most, if not all, components of other management tools (Pearce & Robinson, 2009; Tait & Nienaber, 2010). The strategic management process is illustrated in Figure 1.1 below.

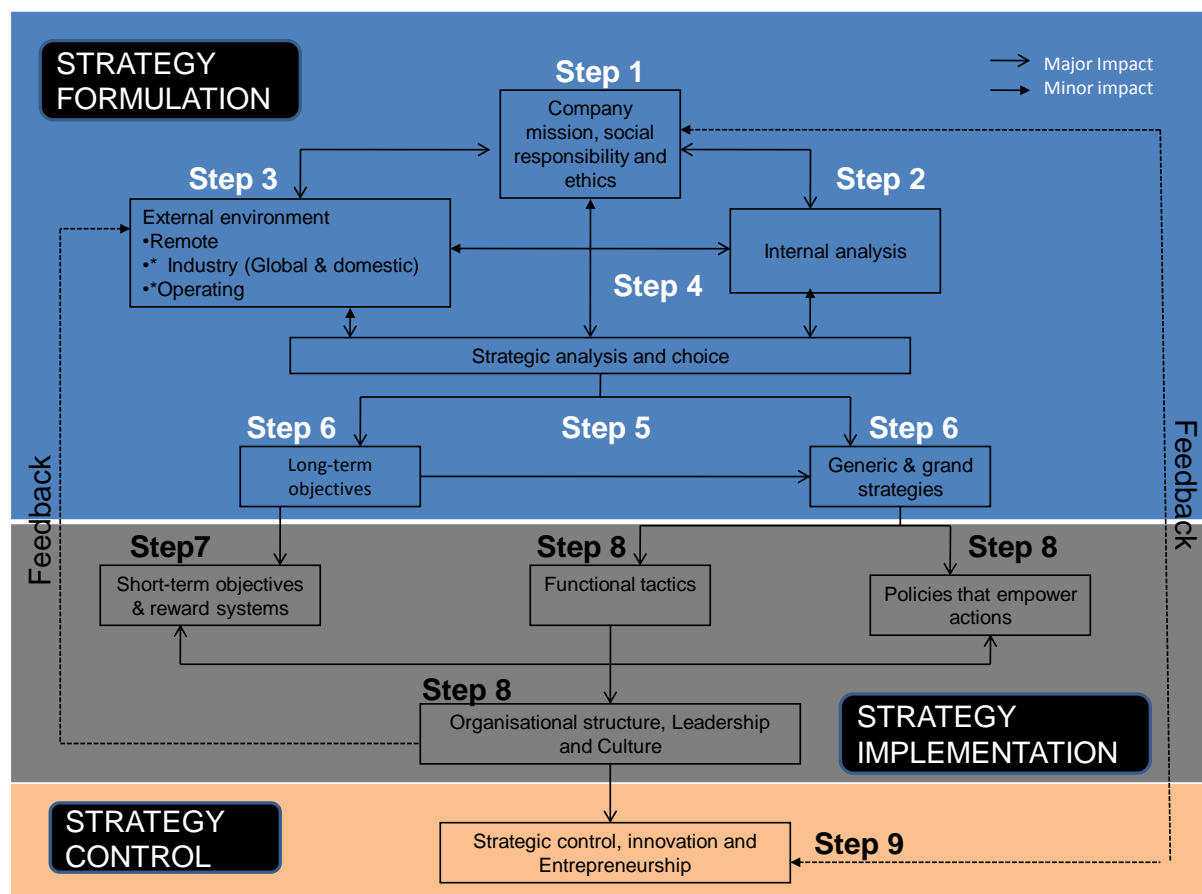


Figure 1.1: The strategic management model

Source: Pearce and Robinson (2009:2)

In the literature there is consensus that strategic management is an integrated process of formulation, implementation and evaluation phases, whether explicitly stated or implied from the model illustrated in Figure 1.1 (Carpenter & Sanders, 2009; David, 2009; Ehlers & Lazenby, 2004; Hough, Thompson Jr, Strickland III & Gamble, 2008; Pearce & Robinson, 2009; Tait & Nienaber, 2010). As such, strategic management deals with a set of decisions and actions that result in the formulation, implementation and evaluation of a strategy or strategies to achieve the organisation's objectives and goals (Pearce & Robinson, 2009). A consequence of the integrated nature of the strategy process is that should a phase (formulation, implementation and/or evaluation) be neglected or ill-executed, it has a knock-on effect on the rest of the process. Consequently, the organisation's goal achievement is affected.

A number of researchers have studied the strategy-to-performance gap (Mankins & Steele, 2005; Mintzberg, 1994; Tait, 2006; Tait & Nienaber, 2010). However, the conclusions of these studies are inconsistent, leaving room for further investigation. Nevertheless, the size and reasons for the performance gaps could be determined. According to Mankins and Steele (2005), the most prevalent reasons for the performance gap were inadequate or unavailable resources, poorly communicated strategy and actions required to execute not clearly defined, unclear accountabilities for execution and organisational silos and culture blocking execution. Tait and Nienaber (2010) found the same reasons for the performance gap though the order differed.

In general, research attributes the strategy-to-performance gap to an implementation crisis (Mankins & Steele, 2005; Tait, 2006; Tait & Nienaber, 2010). These reasons for the strategy-to-performance gaps can be classified into one or more of the phases in the strategic management process as illustrated in Figure 1.1, the majority of which are predominantly present in the strategy formulation phase. Therefore, it seems as if the strategy-to-performance gap may originate in the implementation phase and is carried over to the evaluation phases of the strategic management process. Although the studies confirm that the challenge starts at the implementation phase, the problem can be overcome by starting the process at the formulation phase. However,

as mentioned above, research generally attributes the strategy-to-performance gap to an implementation crisis (Tait, 2006; Tait & Nienaber, 2010).

Mankins and Steele (2005:5) explain the challenges regarding strategy implementation as follows:

What emerges from our survey results is a sequence of events that goes something like this: Strategies are approved but poorly communicated. This, in turn, makes the translation of strategy into specific actions and resource plans all but impossible. Lower levels in the organisation don't know what they need to do, when they need to do it, or what resources will be required to deliver the performance senior management expects. Consequently, the expected results never materialise, and because no one is held responsible for the shortfall, the cycle of underperformance repeats itself.

This statement confirms that communication which relates to the strategy formulation, implementation and evaluation process will result in a breakdown of effective formulation, implementation and evaluation if not addressed (Cocks, 2010; Evans, 2012; Mankins & Steele, 2005; Tait & Nienaber, 2010).

1.3 THE RESEARCH PROBLEM

Based on the above description of the strategy-formulation-implementation-performance gap, this study aimed to identify, describe and understand what factors top, middle and frontline managers perceived to hinder strategy implementation at a South African Electronics Organisation (SAEO) during the 2009/10-2010/11 financial years, resulting in a strategy-to-performance gap, and to determine how these factors affect the organisation. It was agreed that the organisation would be referred to as SAEO to protect its identity. It was evident from their annual reports that SAEO encountered a performance gap, since their performance dropped from 2009/10 to 2010/11. The 2009/10 financial statements indicated that revenue had increased by more than 40% and operating profit by more than 55%, due to projects secured during 2008/09. The 2009/10 Annual Report confirmed that the effects of the recession had left a mark since projects were postponed indefinitely. The most prevalent results at the time of this study were that SAEO's revenue plummeted by 30% and their operation profit by more than 60% during the 2010/11 financial year. The global recession may have had an impact on the declining sales, though it does

not explain the decline in totality. SAEO did indicate in their financial statement that this was due to severe pressure from competitors chasing business to the detriment of prices resulting in the organisation revisiting their expense base, reduced workforce and streamlined internal sales and administrative processes. Strategy assists an organisation 'to outwit competition' (Carpenter & Sanders, 2009; David, 2009; Ehlers & Lazenby, 2004; Hough *et al.*, 2008; Hult, Ketchen & Slater, 2005; Mintzberg, 1994; Olsen, Slater & Hult, 2005; Pearce & Robinson, 2011; Tait & Nienaber, 2010). Since SAEO did not have a strategy in place, it was clear that the challenge of all the above-mentioned factors was due to a lack of strategy formulation, implementation and evaluation. As mentioned before, if one step in the strategy phases (formulation, implementation and or evaluation) is neglected it will have a knock-on effect on the rest of the process.

In the literature there is clarity regarding the factors contributing to the strategy-to-performance gap; however, the order of agreement between these factors differs (Mankins & Steele, 2005; Tait, 2006; Tait & Nienaber, 2010). The question arose whether SAEO experienced the same problems in implementing its strategy as those organisations studied by Mankins and Steele (2005), who conducted a global study investigating 197 organisations with sales in excess of \$500 million. Similarly, Tait and Nienaber (2010) investigated organisations in the South African life insurance industry. The question arose: If so, what are these factors that hinder the strategy implementation at SAEO, and do the managers at the different hierarchical levels experience the same obstacles to strategy implementation? All levels of management are involved in strategy-formulation-implementation-evaluation, but in different capacities (Hough *et al.*, 2008). The strategic management tools used in creating and shaping strategy can also contribute to the strategy-to-performance gap, as previously highlighted. Hence, the question(s) could also be asked: Which tool(s) does SAEO use and are they perceived to contribute to the strategy-to-performance gap?

Therefore, the problem studied was formulated as follows:

What factors do top, middle and frontline managers perceive as hindering strategy implementation at SAEO in the two years 2009/10-2010/11 resulting in a strategy-to-performance gap and how do these factors affect the organisation?

1.4 THE OBJECTIVES OF THIS STUDY

The primary objectives of this study were:

- To Identify the strategic management tools used by SAEO
- To identify, describe and understand the factors hindering strategy implementation resulting in a strategy-to-performance gap as perceived by the managers at the different hierarchical levels according to the strategic management model tools used as reflected in the strategic management model.

The secondary objectives of this study were:

- To make recommendations to the management of SAEO to overcome the factors hindering strategy implementation at the organisation and to narrow the strategy-to-performance gap
- To contribute to theory development in the field

1.5 MOTIVATION

The motivation for this study was:

- To replicate the studies conducted by Mankins and Steele (2005) and Tait and Nienaber (2010)
- To test existing theory about the strategy-to-performance gaps resulting from the strategy phases (formulation, implementation and/or evaluation)

1.6 SIGNIFICANCE OF THIS RESEARCH

The significance of this study is determined by the perception of managers at all hierarchical levels, relating to the factors hindering strategy implementation and consequently resulting in a strategy-to-performance gap. Therefore, this study adds to the literature, since no previous study attended to the views of managers at all the hierarchical levels in connection with the strategy-to-performance gap phenomenon.

This investigation took the form of a replication and extension study. According to the literature, research is cumulative (Babbie, 2007) and as such replication is required, especially in cases where research findings are found to be conflicting, as is the case of the strategy-formulation-implementation performance gap. Given the conflicting results of previous research into the strategy-formulation-implementation performance gap, it was warranted to conduct another study in this field. This study extends the Mankins and Steele (2005), a global study, and the Tait and Nienaber (2010) study, a South African study, in the following ways:

- All management levels involved in strategy-formulation-implementation-evaluation were included in this study.
- Management tools and their possible contribution to the strategy-to-performance gap were included in this study.

1.7 SCOPE OF THIS RESEARCH

The scope of this research covered the following:

- A South African Electronics Organisation (SAEO)
- All hierarchical levels of management in this organisation (top, middle and frontline managers).

A description of the SAEO managers at different hierarchical levels is provided in Table 1.1.

Table 1.1: Description of managers at the different hierarchical levels

Title description	Rank / Designation	Totals
Top management	1 x Chief Executive Officer 1 x Financial Executive 1 x Sales and Marketing Executive 1 x Special Projects and Training Executive 1 x General Manager Financial Institutions 1 x General Manager National Institutions	6
Middle management	1 x Administrative Manager 1 x Logistics Manager 1 x Branch Manager 1 x Project Manager Sales and Commissions	6

	1 x General Manager New Businesses 1 x HR Manager	
First-line managers	1 x Supervisor Operations 2 x Product Supervisors 3 x Senior Technicians	6
Total persons		18

Source: Owners' own design (information supplied by SAEO)

This study was conducted for the 2009/10 and 2010/11 financial years. Eighteen interviewees conformed to the norm of interviews as per Guest, Bunch and Johnson (2006). It is also important to note that only 14 of the 18 managers were involved in this study. One manager was used to pre-test the study to ensure effectiveness and understanding. Three managers were excluded since they did not qualify as per the two-year prescribed period requirement.

The significance of this period (2009/10-2010/11) is that it reflected the latest available financial results of the organisation at the time of the study, characterised by the global economic slowdown which had a potentially negative influence on all organisations in general and SAEO in particular. Although SAEO operates mostly in Africa, it also experienced the effect of the economic slowdown and it had to cut down on priority services. This state of affairs could have had a negative effect on their performance.

1.8 ASSUMPTIONS AND LIMITATIONS

The following assumptions were made:

- SAEO had a real strategy.
- SAEO used strategic management processes and tools whether explicitly stated or not.
- SAEO experienced performance gaps.
- SAEO is a typical BEE organisation in the African context, and according to the literature, these organisations display inferior performance compared to other organisations.
- Interviewees provided truthful information to the best of their knowledge.

The following limitations were encountered:

- Time constraints were experienced on the part of the researcher as well as the participating organisation.
- Findings cannot be generalised to all organisations since only one organisation in this specific field was used. However, universally applicable themes that are applicable to all organisations may have been uncovered.

The literature, especially that of Mankins and Steele (2005) and Tait and Nienaber (2010), suggests that strategy-to-performance gaps are expected in organisations, especially organisations that are involved with technology, such as this electronics organisation that forms part of a technological organisation, as they are more prone to be affected and involved in performance gaps due to the swift advancement of technology.

1.9 BRIEF OVERVIEW OF THE SOUTH AFRICAN ELECTRONICS ORGANISATION (SAEO)

SAEO is a major role player in the national field of electronic systems and is part of a bigger organisation listed on the JSE. This organisation is a leading provider in supplying complete turnkey solutions (including design, supply, sales, installations and maintenance, fire detection, research and development) of electronic systems to stakeholders, including blue key stakeholders, operating according to International ISO standards.

SAEO had a good financial year during 2009/10 but started to feel the effects of the recession with a number of planned projects that were postponed indefinitely. In 2009/10, the revenue increased by more than 40% and the operating profit by almost 60%, but this was due to large projects secured during the 2008/09 financial year.

During the 2010/11 financial year SAEO begin to experience the pains of the recession, indicating a decline in performance. Revenue decreased by 30% and operating profits by more than 60% due to pressure from competitors bidding for tenders at lower prices and costs. Therefore, SAEO had to revise their business operations, expense base and were obliged to reduce their workforce, and streamline

internal sales and administrative processes to ensure the survival and possible growth of SAEO.

Although SAEO experienced a difficult time during the 2009/10 and 2010/11 financial years, the organisation indicated the possibility of large projects, increased sales force and regional offices to secure more profitable business. They added an in-house training facility and identified alliance to ensure possible survival and growth of the organisation. The 2011/12 financial statements indicated that SAEO experienced difficulties with revenue decreasing by more than 10% and operating profit by more than 15%.

1.10 CONCLUSIONS

Different authors have concluded that strategy is a vehicle or tool used by organisations to reach its final destination, survival and growth (Hambrick & Fredrickson, 2001). Ansoff (1965) describes strategy as a potentially powerful tool to cope with change, but an elusive concept. Both Mankins and Steele (2005) and Tait and Nienaber (2010) note that there is a strategy-to-performance gap between an organisation's planned and realised performance.

Management tools are used by organisations to arrive at strategy. Should a phase or step of this process be neglected, it will have a knock-on effect on the remainder of the phases in the process. Based on their study, Mankins and Steele (2005) confirmed the most prevalent reasons for the performance gap as being (1) a lack of focus, conflicting priorities and no resources; (2) inadequate skills and capabilities; (3) unclear accountabilities for execution; (4) insufficient rewards and consequences; and (5) poorly communicated strategies. The Tait and Nienaber (2010) study found the first two gaps to be the same but thereafter the order differed. The research problem was identified as:

What factors do top, middle and frontline managers perceive as hindering strategy implementation at SAEO in the last two years (2009/10-2010/11) resulting in a strategy-to-performance gap and how do these factors affect the organisation?

The primary and secondary objectives of this study, mentioned previously, were derived from the primary objective. The motivation for this study was primarily to

replicate the Mankins and Steele (2005) and Tait and Nienaber (2010) study and to identify which factors contribute to the strategy-to-performance gap. The significance of the research lies in the perception of managers at all hierarchical levels (top, middle and frontline managers), relating to the factors hindering strategy implementation and consequently resulting in a performance gap. This study contributes to the literature, since no previous study has attended to the views of all the hierarchical levels in relation with the strategy-to-performance gap. The assumptions and limitations of this study have been mentioned, but will be elaborated on in Chapter 3. An overview of SAEO has been given to provide the reader with an understanding of the organisation that was used in the research.

In Chapter 2 the literature review of this study is presented.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the literature dealing with the strategy-formulation-implementation-performance gap. This necessitates addressing the 'what', 'why', and 'how' of strategy, and the strategic management process, indicating the importance of strategy and strategic management in an organisation.

All relevant concepts relating to strategy and strategic management are defined in this chapter. The strategic management phases (formulation, implementation and evaluation) are highlighted and the ways in which these phases correspond and/or differ are discussed. The strategic management tools of Bain and Company (2011) were compared with the strategic planning tools used by Evans 2012 to see how effective these organisations indicated to be. The literature review includes previous studies on the strategy-formulation-implementation performance gap. The way in which these studies influenced the current research is also explained.

This study sought to replicate the studies by Mankins and Steele (2005) and Tait and Nienaber (2010) in an attempt to confirm whether the strategy-to-performance gap is real in organisations. Previous authors (Cocks, 2010; Crittenden & Crittenden, 2008; Evans 2012; Fayol, 1949; Mankins & Steele, 2005; Mintzberg, 1994; Pearce & Robinson, 2011; Tait & Nienaber, 2010; Tait, 2006; Wery & Waco, 2004) have discussed the effects of the strategy-to-performance gap and made recommendations to close this gap. Some of these authors' recommendations are discussed below.

This chapter closes with conclusions.

2.2 THE STRATEGY-FORMULATION-IMPLEMENTATION PERFORMANCE GAP

According to Ansoff (1965), strategy is a potentially powerful tool to cope with

change, but it is a somewhat elusive concept. This view was echoed by Mintzberg (1994) who observed that actual versus realised strategy differs. The strategy-to-performance gap was evident from the research conducted over a period of time, confirming that what an organisation planned and what was realised do not always correspond due to unforeseen changes in the environment, thus resulting in a performance gap (the difference between planned and realised results). More recently, Mankins and Steele (2005) as well as Tait and Nienaber (2010) calculated the performance gap. The Mankins and Steele (2005) study investigated the performance gap of organisations around the world and across industries. Tait and Nienaber (2010) studied South African organisations that formed part of the life insurance industry. The performance gap, in the case of the Mankins and Steele (2005) study, was calculated at 37%. In the case of Tait and Nienaber (2010), the performance gap was calculated at 30%. This means that, in both studies, organisations achieved only 63% and 70% of their actual performance. These performance gaps are substantial, indicating that organisations could have performed much better if what they planned and what they realised corresponded.

Strategic management is an integrated process with different phases (formulation, implementation and evaluation). This process is described as a series of deliberate and emergent phases and steps aimed at a specific outcome, which is strategy. Essentially, strategy is the means by which to achieve the organisation's objectives which, according to Drucker (1955) and Nag *et al.* (2007), is generally expressed as financial performance. Strategy aims at allocating resources with the aim of achieving financial gain. Organisations function within a dynamic environment which changes constantly, resulting in a difference between planned and realised results, thus presenting a performance gap.

The strategic management process is discussed in the next section.

2.3 THE STRATEGIC MANAGEMENT PROCESS

The literature is not unanimous about strategy, as is shown by the different definitions proposed in the literature (David, 2011; Mintzberg, 1994; Nag *et al.*, 2007; Pearce & Robinson, 2011; Tait & Nienaber, 2010). There is consensus in the literature that strategy is the outcome of strategic management. In their seminal work

Nag *et al.* (2007:944) describe strategic management as "a field that deals with the major initiatives taken by general managers on behalf of owners, involving the utilisation of resources, to enhance the performance of firms in their external environment, with a view of financial gain".

Figure 2.1 below indicates that the real meaning of strategic management is that the entire process is important, not only part of it (Tait & Nienaber, 2010).

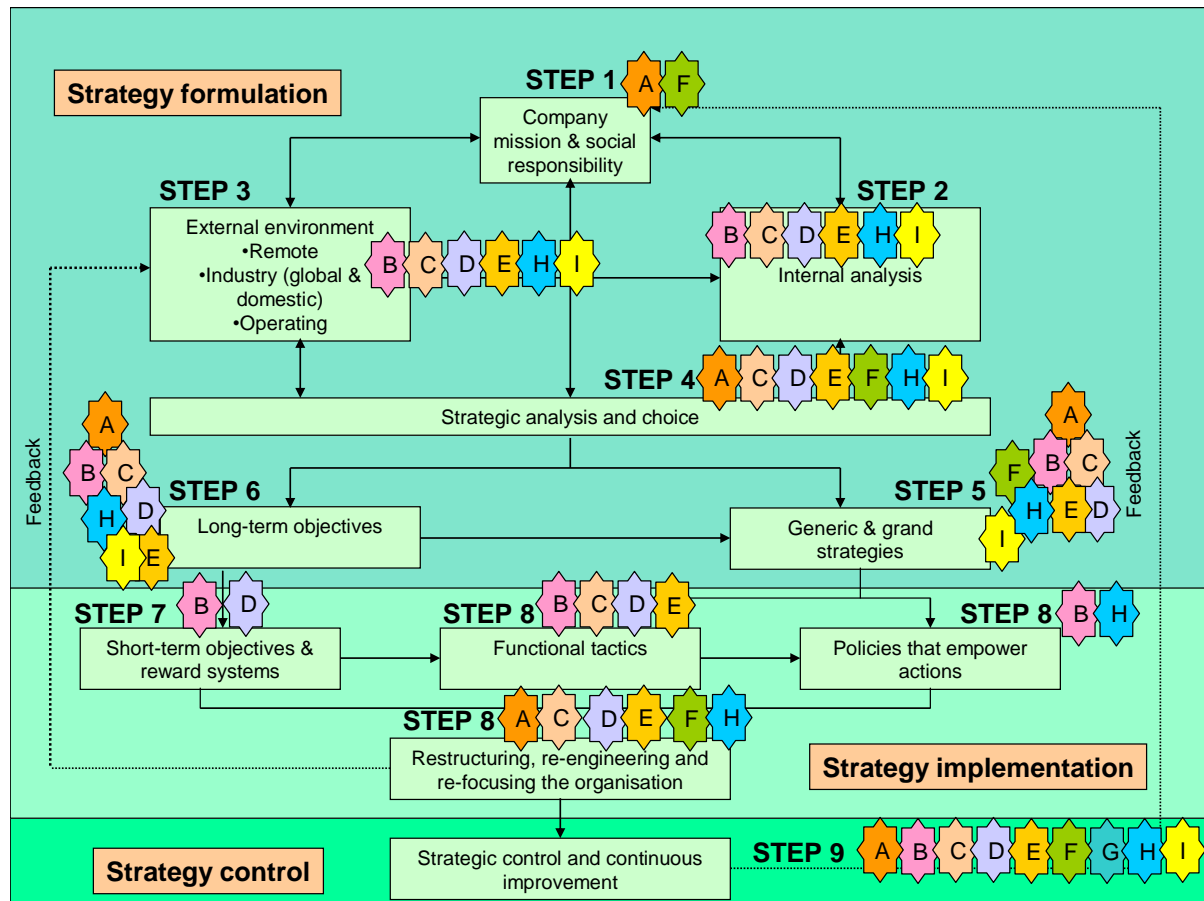


Figure 2.1: The adapted strategic management model

Source: Adapted from Tait and Nienaber (2010)

The literature presents a number of strategic management models which can be used to formulate, implement and evaluate strategy (Mintzberg, Ahlstrand & Lampell, 1998; Boyett & Boyett, 1998; David, 2011; Hough *et al.*, 2008; Kaplan & Norton, 2005; Mintzberg, 1994; Pearce & Robinson, 2011). On close scrutiny these models depict the same activities but classify them differently in terms of forming part of formulation, implementation and/or evaluation (Carpenter & Sanders, 2009; David, 2011; Pearce & Robinson, 2011).

Table 2.1 indicates the legends as per the Tait and Nienaber (2010) study. These legends are not discussed in this study, but have been provided for the sake of clarity, to explain each legend's strategy contribution and activities as per the strategic management process depicted in Figure 2.1.

Table 2.1: Legends by the different authors

Legend	Authors	Main contribution	Activities
1	Mintzberg (1994); Mintzberg <i>et al.</i> (1998)	The ten strategy schools	2
2	Pearce and Robinson (2009)	Strategic management model	9
3	Thompson and Strickland (2006)	The five tasks of strategic management	9
4	Grünig and Kühn (2004)	Process-based strategic planning	8
5	Michael E Porter (1998)	Generic strategies and competitive advantage	14
6	Prahalad and Hamel (1994)	Core competencies, strategic intent and strategic fit	12
7	Ehlers and Lazenby (2004)	Strategic management process	16
8	BCG (in Boyett & Boyett 1998)	Growth strategy matrix	2
9	Burgelman and Doz (2001)	Complex strategy integration	6
10	Treacy and Wiesema in Boyett and Boyett (1998)	Closing the performance gap and corporate excellence	14
11	Mankins and Steele (2005)	Closing the strategy-to-performance gap	3
12	Chan and Mauborge (2002)	Charting an organisation's future, the strategy canvas and value curves	6
13	Kaplan and Norton (2005)	BSC as a strategic tool	14

Source: Adapted from Tait and Nienaber (2010)

From Figure 2.1 it is clear that the eight steps cover the phases of formulation, implementation and evaluation. Some of the strategic management phases are more comprehensive than others, with those indicated by Pearce and Robinson (2011) being the most comprehensive. Nevertheless, in all instances it appears from Figure 2.1 that the formulation phase contains the most steps and activities, followed by implementation and then the evaluation phase. Given that the strategic management model is integrated within the process, it stands to reason that should one or more steps or activities in any phase be neglected it will have a knock-on effect on the total process, inevitably adversely affecting performance.

2.3.1 The strategy formulation, implementation and evaluation process

Strategy consists of three phases (formulation, implementation and evaluation) as indicated in Figure 2.1, each containing a number of steps and activities, which are highlighted in this section (Tait, 2006:11). There are altogether nine steps to be followed in these phases, as indicated below.

Strategy formulation

Strategy formulation consists of the following six steps:

- Step 1: Creating a vision, mission, goals, values, principles to determine social responsibilities and ethics, including broad statements about the purpose and philosophy
- Step 2: Internal environment analysis of the resources (tangible and intangible), capabilities, skills, core competencies, processes, systems, products and services to execute the strategy
- Step 3: Environmental analysis to identify and track the few variables that will have a significant impact on the strategy formulation, implementation and evaluation, grand strategies as well as long-term objectives. To be effective, the selected strategy should be based on competitive advantage. Competitive advantage consists of three dimensions, namely the arena where the company chooses to compete; customer value; and access to the resources, assets, processes and systems to provide customer value in the chosen arenas (Nienaber, 2007).

- Step 4: Analysing strategic choices (functional and business)
- Step 5: Identifying the most desirable options by evaluating all options, keeping in mind the organisation's mission
- Step 6: Long-term objectives (profitability, competitive position, employee development and relations, technological leadership and public responsibility)

Strategy implementation

The two steps (Steps 7 and 8) in the strategy implementation phase are explained below.

- Step 7: Develop annual objectives and short-term strategies that are compatible with the selected long-term objectives.
- Step 8: According to Pearce and Robinson (2011), the strategy implementation process proceeds as follows: To succeed with the above two steps strategies must be translated into guidelines for each member's daily activities, this means the strategy and organisation must become one which will be reflected in the
- short-term objectives and action plans;
 - planning of activities for each specific step;
 - developing functional tactics to create a competitive advantage;
 - empowerment of staff through policies that guide decisions;
 - implementation of an effective reward system; and
 - systems to adjust strategies, commitments and objectives with the environment.

Strategy evaluation

The final step is taken in the strategy evaluation phase.

- Step 9: Evaluation measures progress in terms of goal achievement. This strengthens the strategy as it is being implemented. Changes or problems

in its underlying processes and systems are detected and the necessary adjustment is done to ensure that the process does not fall behind, or worse, lead to financial losses for the organisation.

The nine steps have been adapted from the Tait (2006:11) study. Pearce and Robinson (2011) describe the three phases of formulation, implementation and evaluation by means of these steps. These steps have been included in this study for clarity on the strategic management process and to ensure that when concepts are discussed in terms of activities and function, they can be related to the relevant processes and phases.

Previous studies such as those of Mankins and Steele (2005), Tait and Nienaber (2010), Jooste and Fourie (2009), Crittenden and Crittenden (2008) and Evans (2012) confirmed that the performance gap is visible at the implementation stage, although it is evident that step one (formulation) is the main reason for the performance gap. The next section considers previous studies.

2.4 PREVIOUS STUDIES

Mankins and Steele (2005) and Tait and Nienaber (2010) found that the main reasons for the strategy performance gap breakdown seem to be occurring in the implementation phase. In the literature, performance gaps have been shown to be real (Crittenden & Crittenden, 2008; Jooste & Fourie, 2009; Mankins & Steele, 2005; Mintzberg, 1994; Tait & Nienaber, 2010) and have a real effect on an organisation's strategy formulation, implementation and evaluation. This could affect an organisation's survival and growth (financial gain). The Mankins and Steele (2005) study found 37% of performance loss on average and Tait and Nienaber (2010) found that it was 30%. Although the percentages differ it is evident from both studies that a performance loss occurred, confirming that the difference between planned and realised strategies is a reality in organisations and that it can be improved. Management can increase financial performance between 60% and 100% by realising their organisations' full strategy potential (Mankins & Steele, 2005).

2.4.1 Turning great strategies into great performance – Mankins and Steele (2005) and exploring the strategy-to-performance gap: The case of four South African life insurers – Tait and Nienaber (2010)

The contributions and ranking order of the performance gap identified by Mankins and Steele (2005), as well as those identified by Tait and Nienaber (2010), are presented in Table 2.2.

Table 2.2: Contributions and ranking order of the performance gap identified by Mankins and Steele (2005) and Tait and Nienaber (2010)

Gaps identified	Strategic management phase	Mankins and Steele 2005	Ranking order (Mankins & Steele)	Tait and Nienaber 2010	Ranking order (Tait & Nienaber)
1. Inadequate or unavailable resources	Formulation (Step 1)	7.5%	1	3.6%	1
2. Poorly communicated strategy	Formulation, implementation and evaluation (Steps 1, 2 and 3)	5.2%	2	3.5%	2
3. Actions required – execution not clearly defined	Formulation and implementation (Steps 1 and 2)	4.5	3	2.5%	6
4. Unclear accountabilities for execution	Formulation and implementation (Steps 1 and 2)	4.1%	4	2.6%	5
5. Organisational silos and culture blocking execution	Formulation (Step 1)	3.7%	5	2.4%	8
6. Inadequate performance monitoring	Evaluation (Step 3)	3.0%	6	2.3%	9
7. Inadequate consequences or rewards for failure or success	Implementation and evaluation (Steps 2 and 3)	3.0%	7	2.5%	6

Gaps identified	Strategic management phase	Mankins and Steele 2005	Ranking order (Mankins & Steele)	Tait and Nienaber 2010	Ranking order (Tait & Nienaber)
8. Poor senior leadership	Formulation, implementation and evaluation (Steps 1, 2 and 3)	2.6%	8	1.6%	10
9. Uncommitted leadership	Formulation, implementation and evaluation (Steps 1, 2 and 3)	1.9%	9	2.7%	4
10. Unapproved strategy	Formulation, implementation and evaluation (Steps 1, 2 and 3)	0.7%	10	1.4%	11
11. Other obstacles (including inadequate skills and capabilities)	Formulation and implementation (Steps 1 and 2)	0.7%	11	3.1%	3

Source: Adapted from Tait (2006:31) with added ranking order

Mankins and Steele (2005) identified 11 performance gaps, and Tait and Nienaber (2010) agreed with all 11. The first two gaps correspond (inadequate or unavailable resources and poorly communicated strategy); thereafter the order differs. In both studies the respondents were of the view that implementation is the obstacle to performance, though Table 2.2 shows that all three phases are involved, some phases more than others. The first five reasons for performance loss as per Mankins and Steele (2005) and Tait and Nienaber (2010) rank as indicated in Table 2.3.

Table 2.3 Mankins and Steele (2005) and Tait and Nienaber (2010) performance gap ranking orders

Mankins and Steele (2005)	Tait and Nienaber (2010)
1. Inadequate or unavailable resources	1. Inadequate or unavailable resources (including lack of focus and conflicting priorities).
2. Poorly communicated strategy	2. Poorly communicated strategy
3. Actions required – execution not clearly defined	3. Other obstacles (including inadequate skills and capabilities)
4. Unclear accountabilities for execution	4. Uncommitted leadership
5. Organisational silos and culture blocking execution	5. Unclear accountabilities for execution

Source: Author's own adaptation

As indicated previously, both authors confirmed that the first two performance gaps were the same; thereafter the ranking order differed. In both studies the respondents were of the view that implementation is the key obstacle to performance excellence, however it is evident that formulation is the biggest reason for the strategy-to-performance gap. The most significant contribution to the strategy-to-performance gap of the Tait and Nienaber (2010) study is the findings on the lack of focus/conflicting priorities and lack of resources, which is the essence of strategy. Mankins and Steele (2005) and Tait and Nienaber (2010) suggested that the focus should be on the integrated nature of strategic management, rather than on trying to isolate the performance gap to any strategic management phase.

However, according to the information in Table 2.2 above, all three phases matter and it seems as if formulation and implementation might be more important than evaluation according to the factors causing the implementation breakdown.

2.4.2 Why strategies miss the mark in execution – Evans (2012)

Reasons strategists do not recognise the importance of implementation

Evans (2012) conducted research over a period of 18 months in which 5 000 executives, managers and planning practitioners around the world were studied as part of an ongoing part of the research programme. This study researched chief executive to lower-level managers with the purpose of providing a holistic view on the strategy process.

Evans (2012) divided the results into three categories to highlight the challenges with strategy implementation:

Category 1: Formulation

Category 2: Effectiveness

Category 3: Plan implementation

These categories identified by Evans (2012) correspond to the Strategic Management Plan (formulation and implementation) but do not include the evaluation phase as per the studies by Mankins and Steele (2005) and Tait and Nienaber (2010). This process is discussed below.

Category 1: Formulation

The results of Evans (2012) indicated that less than 60% of the respondents believed their organisation followed a formal strategic planning process and only 40% of the respondents believed that their organisation is part of the process using a contingency plan. The Bain and Company Management Tools and Trends, (Rigby & Bilodeau 2011) indicated that in 2010 only 30% of organisations used a contingency plan and in 2011 it was projected that 65% of organisations would start using a contingency plan. This means there would be a 35% increase in organisations that would be using a contingency plan and that 54% of the respondents believed their organisation had a formalised operational plan which is the ultimate connection between strategy and execution. The Bain and Company (2011) study indicated that in 2010, 65% of organisations used a strategic plan and it was predicted that in 2011, 86% of organisations would start using a strategic plan. This would mean an increase

of 21% usage of a strategic plan. This phenomenon was also indicated by the Mankins and Steele (2005) and Tait and Nienaber (2010) studies.

All organisations need to have a strategy (plan) to execute a reliable, repeatable process to increase results, which seemed to be missing in many organisations, according to the results of Evans (2012).

Category 2: Effectiveness

Evans (2012) found that the respondents believed that only 32% of the organisation's employees understood their organisation's strategy. This implies that employees could do anything without contributing to strategy implementation; consequently a performance gap could be expedited. This is also evident in the results indicating that only 47% of employees felt that the organisations did have accountability below the top management level relating to their strategic plan goals, which is consistent with the Mankins and Steele (2005), Tait and Nienaber (2010) and Hrebiniak (2006) studies. Evans (2012) indicated that the respondents believed that 35% of the organisation's planning process was effective in producing the desired key outcomes of their organisation's strategy. This corresponds with the findings of Mankins and Steele (2005) and Tait and Nienaber (2010) that 5.2% of strategies are poorly communicated. These are part of the formulation and implementation phases.

Category 3: Plan (Implementation process)

In his study, Evans (2012) found that 54% of the respondents believed their organisation's strategic plan was effective. Forty-four percent (44%) of the executive staff understood that the organisation's strategic priorities were to ensure evaluation. Twenty-seven percent (27%) of the respondents believed that the current employees' workload and utilisation of resources was based on the organisation's planned evaluation of strategic goals and therefore only 34% of respondents believed that the organisation's entire executive staff was in agreement with the strategic priorities of their organisation.

Top managers develop and approve strategies, but if these strategies are not communicated to lower-level staff, and with no clear direction, the strategic process will not be implemented as expected. This statement is consistent with the Mankins

and Steele (2005) and Tait and Nienaber (2010) studies. If challenges arise it is not surprising that other challenges with resources, planning and the environment can occur, taking into account that the Mankins and Steele (2005) study indicated that if an organisation's financial forecasts are unreliable, management cannot connect resources to strategic planning with confidence. This adversely affects strategy development and resource allocation which results in the company's long-term plans and strategies being steered by the annual operation plan which will not yield the planned results. This concurs with the Tait (2006:81) and Tait and Nienaber (2010) studies that indicated that inadequate or unavailable resources have been shown to be the major factor responsible for performance loss.

2.4.3 Emerging concepts for implementing strategy – Cocks (2010)

Cocks (2010) added new insights on how an organisation can effectively and efficiently formulate and evaluate its strategy. Cocks (2010) indicated that the breakdown in strategy implementation frequently relates to processes, activities and capabilities that were not realised as planned. Foster and Browne (2006, in Cocks, 2010) indicate that formulation is conducted by top managers and that implementation is shifted to middle managers, thus all stakeholders are not involved from the beginning. This practice was identified by the early researchers studying organisational performance (Crittenden & Crittenden, 2008; Mankins & Steele, 2005; Pearce & Robinson, 2009; Tait & Nienaber, 2010; Tait, 2006) as one of the main reasons why strategy implementation fails. Organisational success requires a constant link and reconsideration of the strategy formulation, implementation and evaluation phases as part the strategic management process.

Cocks (2010) argues that some of the major reasons for strategy implementation failures are ineffective communication, non-involvement of all levels of managers and operations staff, capabilities, processes and activities. These functions need to be included in the process from the start and effective monitoring and feedback need to be incorporated to ensure success. This statement corresponds with the views of previous authors such as Pearce and Robinson (2009), Mankins and Steele (2005), Tait (2006), Tait and Nienaber (2010), Hrebiniak (2006) and Crittenden and Crittenden (2008). Kaplan and Norton (2006) contend that successful implementation requires effective alignment of an organisation's strategy, employees, management

systems and the organisation itself.

Cocks (2010) referred in his study to this team (Hubbard, G., Samuel, D., Cocks, G., and Heap, S. (2007), *The First X1: Winning Organisations in Australia*, John Wiley, Australia) who developed a 'winning wheel' which included nine elements which will result in success if followed. These nine elements are perfect alignment; adapt rapidly; clear fuzzy strategy; leadership, not leaders; looking out; looking in; right people; manage the downside; and balance everything. Cocks (2010) highlighted the following:

- Strategy requires integration of strategy formulation and implementation.
- Effective implementation is a key attribute of successful organisations.
- Focused leadership should be available to the relevant people in the organisation.
- Effective management systems should be in place to communicate widely and consistently within the organisation.
- Project management can be used to formulate the strategic plan (formulation).

The essence of the 'winning wheel' indicates the central role of effective implementation as both an element and a framework which will ultimately result in effective implementation of the entire strategy framework. These nine elements have been found to be applicable to a wide range of industry sectors and if applied correctly will ensure organisational success. The wheel has no start or end, indicating the dynamic and integrated strategy process. Previous authors such as Nag *et al.* (2007), Mintzberg (1994), Mankins and Steele (2005), Tait (2006) and Tait and Nienaber (2010) confirmed that strategic management is an integrated process.

According to Cocks (2010), current research suggests that the following three drivers are required for effective strategy implementation: (1) focused leadership of the right people, (2) communication through visible management systems and (3) use of project management techniques. Therefore the lack of focused leadership results in the execution of strategy that fails because executives fail to lead and hold themselves and employees accountable for results. A lack of communication results in the failure of an organisation to communicate its position and future strategy to all

of its employees, resulting in the failure of the communication to be received and accepted by employees; this results in performance gaps and leads to ineffective strategy implementation. Project management emphasises the importance of formulation and implementation (the action) which creates a sense of urgency rather than concentrating on a well-conceived realistic and robust formulated plan.

Although Cocks (2010) is more concerned about strategy formulation and specifically implementation, the author does indicate that winning organisations consistently "do what they say and then keep doing it", showing that the entire strategic management process (formulation, implementation and evaluation) matters although it is not stated as such. This view corresponds with the studies of Hrebiniak (2006), Mankins and Steele (2005), Tait and Nienaber (2010), Pearce and Robinson (2011) and David (2009).

2.4.4 Obstacles to effective strategy implementation – Hrebiniak (2006)

Hrebiniak (2006) conducted an empirical study with 443 managers on the challenges related to strategy implementation. Hrebiniak (2006) maintains that it is more difficult to make a strategy work than to formulate a strategy. Formulating, implementing or evaluating a strategy throughout an organisation is even more difficult. The challenge in the implementation of a strategy is not with the formulation phase but with the implementation phase, and if the strategy cannot be implemented effectively the organisation will not succeed. Therefore, it is critical to have effective communication channels to all levels of the organisation throughout the phases to determine the 'how, what, when and where' of the strategic plan and to ensure that the intended plan and realised plan correspond. The ultimate aim is to achieve financial performance. This view is in line with those of Mintzberg (1994), Nag *et al.* (2007), Mankins and Steele (2005) and Tait and Nienaber (2010). Tait and Nienaber (2010) contend that to ensure proper implementation and evaluation of the formulation phase, consideration should be given to all the relevant matters to ensure that the rest of the phases are properly planned for with the appropriate resources. Both Mankins and Steele (2005) and Tait and Nienaber (2010) confirmed that if the challenges that cause a strategy-to-performance gap are overcome, the organisation can gain a noticeable financial improvement.

Hrebiniak (2006) claims that most managers doing an MBA are taught how to formulate a strategy but are not taught about implementation and evaluation. If this is true, the relevant tertiary institutions do touch on the subjects of implementation and evaluation but do not provide students with the necessary information and skills to be able to understand and do what is expected, resulting in evaluation of strategy failing before it has started.

Hrebiniak (2006) confirmed that a high-level manager stated that he believed that top managers do not deal with "strategy implementation" since it is "below them", and should be dealt with by lower-level employees. Hrebiniak (2006) sees the strategy phases formulation and implementation as separate, distinguishable parts, but also as interdependent phases of the strategic management process. Therefore the author suggests that implementers must also be part of the formulation phase and must think about evaluation at the same time. This implies that Hrebiniak (2006) agrees with Mankins and Steele (2005), Tait and Nienaber (2010), Pearce and Robinson (2011) and David (2009) that the entire strategic management process is important. If one phase, step or activity is neglected it will have a knock-on effect on the rest of the process. Hrebiniak (2006) indicated that, according to managers, strategy implementation is the number one challenge to strategy success.

Managers are trained to formulate

According to Hrebiniak (2006), formulation of strategy is difficult, but implementing or evaluating strategy through an organisation is even more challenging. Without the ability to implement a strategy effectively no organisation can succeed. The challenge with poor performance is not planning, but doing: "Making strategy work is more difficult than strategy making" (Hrebiniak, 2006:12).

Implementation is the responsibility of all managers

Implementation is the responsibility of all managers at all levels of an organisation as illustrated in Figure 2.1 (the strategic management model).

2.5 STATEMENTS OF AUTHORS REGARDING PERFORMANCE GAPS

There is truth in the above-mentioned statement that no organisation can be

successful without being able to implement a strategy effectively. Different authors have given different reasons for the breakdown in the strategy-to-performance gap resulting from the formulation and implementation of the strategic management process. Mankins and Steele (2005) indicated that some managers 'try to pull the wrong levers' in an attempt to turn strategy around when it is too late and implementation has already failed. Mankins and Steele (2005) provide the names of some of the following organisations that successfully overcame the performance gap: 3M, Barclays and Dow Chemical. These organisations accomplished performance success through disciplined processes, phases and steps, giving them an advantage to take corrective action quickly when required. Although Mankins and Steele (2005) indicated that formulation and implementation phases of these organisations assisted them in ensuring that resources are applied to craft great plans in ensuring success, many other organisations cannot find the winning recipe to fit their own organisations. The Tait and Nienaber (2010) study found that more attention should be given to the formulation and implementation phases to combat the performance gap experienced by organisations. These authors (Mankins & Steele, 2005; Tait, 2006; Tait & Nienaber, 2010) suggest that more attention should be given to the integrated nature of strategic management and that a lack of integration may be the result of the performance gap. Senior management considers formulation as their exclusive domain because it rewards creativity, the most admired pursuit of all (Raffoni, 2003, in Cocks, 2010).

The strategic management process consists of strategy formulation, implementation and evaluation. These parts are separate but noticeably part of one process. Plans that were not formulated cannot be implemented; therefore it is logical that formulation must take place before plans can be implemented or evaluated (Crittenden & Crittenden, 2008; David, 2009; Hrebiniak, 2006; Mankins & Steele, 2005; Pearce & Robinson, 2009; Tait & Nienaber, 2010; Tait, 2006). These phases are mutually dependent on an integrated strategic management process where formulation has an effect on the implementation and evaluation of the strategy process.

Cocks (2010) notes that the most visible causes of strategy implementation breakdown are ineffective capabilities, process and actions. Effective implementation

is also the key factor that separates successful organisations from those that are unsuccessful. Engelhoff (1993, in Cocks, 2010) extended his argument that effective implementation may provide a major source of sustainable competitive advantage. Foster and Browne (1996, in Cocks, 2010) point out that strategy implementation is seen as the responsibility of middle managers, with some practitioners agreeing that if middle management have control over implementation, they inevitably also control strategy. Hubbard *et al.* (1996, in Cocks, 2010) also state that if the formulation process is undertaken by top management only, employees will not be enthusiastic about implementing a strategy they had no say in creating. Cocks (2010) also argues that implementing a strategy will fail due to top management's failure to lead and hold employees and/or themselves accountable for results. The failure of an organisation to communicate its future strategy to all employees will lead to ineffective strategy implementation resulting in a performance gap. Mankins and Steele (2005), Tait (2006), Tait and Nienaber (2010), Hrebiniak (2006) and Crittenden and Crittenden (2008) agree with Cocks (2010).

Although the formulation phase has more steps, the implementation phase is a detailed part of the process and not the result of a single action or decision. This integrated process consists of actions and decisions that require a great deal of consideration. Formulation may take weeks or months only, whereas implementation may take a few years. This extended process can therefore result in unexpected changes within the organisation, such as key employees or managers resigning, changing interest rates, customers needing change, and competitors acting differently to what has been predicted. The implementation phase may result in unplanned pressure that cannot be controlled with the effect of change in strategy; therefore the implementation phase could be more dynamic and adaptive than expected to respond to unplanned occurrences (Evans, 2012).

2.6 CONCLUSIONS

This chapter addressed the strategic management phases of formulation, implementation and evaluation as a dynamic and integrated part of the strategic management process and therefore demonstrated that the one phase is not more important than the next. In this chapter the 'what', 'why' and 'how' of strategy and the strategic management process were discussed, indicating the importance of strategy

and strategic management in an organisation.

The literature review focused on the strategy-to-performance gap and the factors that have been seen in the literature to be hindering strategy performance. The Pearce and Robinson (2011) strategic management model was presented and the conclusions of previous authors regarding the formulation, implementation and evaluation phases were noted. This literature study addressed previous authors' views on the strategy formulation, implementation and evaluation phases as part of the strategic management process and what they believed to be the factors that contributed most to the strategy-to-performance gap. The studies of Mankins and Steele (2005), Tait and Nienaber (2010), Evans (2012), Cocks (2010) and Hrebiniak (2006) were discussed.

The next chapter will discuss the design and methodology of this study.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Research is a unique, original investigation undertaken with a view to contributing to knowledge and understanding of a particular field; it is a creative activity leading to new knowledge. This knowledge is new because the facts or theories used to explain them have not been used in a particular way before (Myers, 2009). The purpose of this study was to identify whether performance gaps exist at SAEO, what factors contribute to the implementation breakdown and what actions can be taken to minimise or eliminate the strategy-to-performance gaps. Should the performance gap(s) be minimised or eliminated, the strategy formulation, implementation and evaluation phases of this process will improve with noticeable results (Mankins & Steele, 2005; Tait & Nienaber, 2010). This chapter discusses the empirical study conducted at SAEO, setting out the strategy-to-performance gap in the organisation.

This study was concerned with top, middle and frontline managers at a South African electronics organisation (SAEO) which had 18 managers within three hierarchical levels (only 14 managers were used for the SAEO study, one was used for the pre-testing and the other three did not qualify as per the required minimum period in SAEO). This qualitative case study aimed to identify, describe and understand what factors contribute to the strategy-formulation-implementation performance gap within SAEO with a view to determine how these gap(s) can be minimised or closed. The data collection method used was semi-structured interviews, where the interviewer would conduct one-on-one interviews with each interviewee and give the interviewee the opportunity to answer questions in relation to their perception of the strategy-to-performance gap at SAEO. This chapter describes the research process in detail by examining the goals and objectives of what this study aimed to achieve as described in Chapter 1.

The next section discusses the empirical study.

3.2 THE EMPIRICAL STUDY

This section covers the empirical study by attending to the research design and method. The research design is discussed below.

3.2.1 Research design

For ease of reference the problem studied as well as the primary and secondary objectives are stated again. The problem studied was based on some philosophical assumptions about the nature of the world and how knowledge about the world can be obtained (Fisher, 2010; Myers, 2009; Mouton, 1996; Richard & Morse, 2013). It is imperative that researchers make their philosophical assumptions explicit, as these assumptions provide the foundation for everything that follows (Denicolo & Becker, 2012; Myers, 2009). The research problem was stated as a research question, namely, 'What factors do top, middle and frontline managers perceive to have hindered strategy implementation at SAEO in the last two years (2009/10 to 2010/10) resulting in a strategy-to-performance gap, with the view to determine how these factors have affected the organisation' [in the latest financial years at the time of the study]?

The primary objectives of this study were:

- To Identify the strategic management tools used by SAEO
- To identify, describe, and understand the factors hindering strategy implementation as perceived by the managers at the different hierarchical levels according to the strategic management model used to formulate, implement and evaluate strategy to determine how these factors affect the organisation

The secondary objectives of this study were:

- To make recommendations to the management of SAEO to overcome the factors hindering strategy implementation at the organisation and to narrow the performance gap

- To contribute to theory development in the field

Current literature does not give clarity on what factors hinder strategy implementation and therefore the question arose whether SAEO experienced the same problems in implementing its strategy as those studied by Mankins and Steele (2005) and Tait and Nienaber (2010).

3.2.1.1 Research philosophy

The research question indicates that the researcher was interested in meaning and sought to understand people's meaning-making, among others, of a social reality, in this instance factors hindering strategy implementation as perceived and experienced by managers, at the different hierarchical levels in a specific context, SAEO. Consequently this study was located in the interpretivist research philosophy, which assumes that reality is a social construction and thus subjective in nature and multiple, as interviewees in the study interacted with it (Henning, Van Rensburg & Smit, 2004).

Ontologically, knowledge (in the interpretivist philosophy) is subjective as understanding is mutually constructed (Henning *et al.*, 2004). This was also applicable in this instance where the interviewer constituted an insider as part of the interview and research process. Through interviews with managers at the different hierarchical levels of the participating organisation, interviewees' perspectives of factors hindering strategy implementation were explored. The descriptions of the interviewees' perspectives of the social reality studied provided data which formed the basis of themes and categories regarding the factors hindering strategy implementation, which could be used to take action to minimise the performance gap. As such the themes could be generalised, rather than generalising (laws) from sample to population. This approach is based on Collis and Hussey (2009), Creswell (2009), Hallebone and Priest (2009) and Henning *et al.* (2004).

3.2.1.2 Research design

The above account of the interpretivist research philosophy alludes to the application of a qualitative research approach in studying the problem, which was appropriate to the purpose of the inquiry conducted. Furthermore, the qualitative research approach

is in line with the predominant research approach within the interpretivist research philosophy (Collis & Hussey, 2009; Creswell, 2009; Hallebone & Priest, 2009; Henning *et al.*, 2004). The problem was studied by way of a qualitative case study (design) which was deemed appropriate for this inquiry, as it explored a contemporary phenomenon in its real-life context (Mouton, 2001; Myers, 2009; Perry, 2001). Empirical evidence was obtained via interviews as interviews were deemed to make available richer data than a questionnaire since responses to open-ended questions could be further probed.

The next section describes the method used to collect the data that was required to answer the research question.

3.2.2 Method

The method used to study the problem included attention to the sample selection, the instrument to gather the data (measurement), data collection and data analysis (Mouton, 2001). These aspects are covered in this section.

3.2.2.1 Sample selection

The interviewees were selected through establishing which organisation would meet the criteria of this study. It was important for the organisation to have all three levels of management (top, middle and frontline) to be able to participate in this study. The top, middle and frontline managers must have participated in the organisation's strategy formulation, implementation and/or evaluation to be able to take part in this study.

Purposive selection (rather than sampling) is appropriate in qualitative research as 'sample' items are selected for purposes of the study because they have the data necessary to answer the question (Denicolo & Becker, 2012). SAEO was selected because it was a listed company; hence the organisation was compelled to disclose certain information, including financial statements. Financial statements provide information on the financial performance of an organisation, which according to Nag *et al.* (2007), are the outcome of strategy. From the financial statements of SAEO it was clear that the financial performance was deteriorating and therefore it presented an ideal case to study for the purpose of answering the research question.

Although no ideal sample size for studies using a qualitative approach has been established, guidelines are available for case studies and interviews. Myers (2009) suggests that one case suffices, while Eisenhardt (1989) proposes between four and 10 for cases, whereas Morse (1994, in Denzin & Lincoln, 1994) suggests six cases and Creswell (2002, in Onwuegbuzie & Leech, 2007) proposes three to five cases. The guideline for case studies can thus be seen as varying between one and 10 cases.

Guest *et al.* (2006:18, 59) agree with the norm of saturation (the point at which no new information or themes are observed in the data), which usually occurs between six and 12 interviews. This norm is consistent with the number proposed by Morse (1994), who suggests six interviews for purposes of phenomenological studies. Nielsen and Landauer (1993) also suggest that six interviews, calculated according to their mathematical method, are sufficient to uncover 80% of the challenges within a system. Consequently the one case (SAEO) in which four top managers, five middle managers and five frontline managers (in total 14 interviewees representing the different hierarchical levels of management) were interviewed was within the norm for cases and interviews.

SAEO was approached and gave permission for the study to be conducted (letter of consent attached in Appendix A).

3.2.2.2 Measurement

The data collection instrument used by Mankins and Steele (2005), with permission (Appendix B), as well as by Tait (2006), with permission (Appendix C), as adapted, was used in this study to indicate what factors contributed to the strategy-to-performance gap.

The interview guide, attached as Appendix D, consisted of the following questions which were divided into 10 categories. The categories are as follows:

1) Introduction; 2) Demographics; 3) Strategy; 4) Formulation; 5) Internal/external environment; 6) Feedback/evaluation; 7) Breakdown (barriers); 8) Performance improvement; 9) Closure; 10) Thank you.

Questions one and two consisted of the compliance, ethical considerations and demographics which addressed various aspects:

- The researcher disclosed the purpose of the study; obtained informed consent from each interviewee to participate, informed interviewees that they could withdraw at any stage without negative consequences, and informed the interviewees that participation was voluntary and that it would be on an anonymous and confidential basis.
- The researcher identified each interviewee as one of the relevant managers at the different hierarchical levels of SAEO.

Questions three, four, five and six discussed the strategic management process and strategic management tools used:

- They are used to describe and explain the strategic management process and phases (formulation, implementation and or evaluation) used at SAEO and how effective these functions are at the organisation.
- What strategic management tools are used in the organisation according to the different management levels.
- How effective managers feel these tools are and whether these tools contribute to the success of the organisation or not.

Question seven discussed the barriers to strategy implementation:

- What are the barriers – according to the managers – contributing to the organisation not achieving its strategy implementation as set out in their plan?
- What process, systems and or other factors could have an influence on effective evaluation of strategy at this organisation and/or which factors have the most influence on delivering on the planned strategy?

Question eight addressed the issue of closing or minimising the strategy-to-performance gap:

- What would contribute to closing or minimising the strategy-to-performance gap according to the managers at the different levels of SAEO?

Questions 9 and 10 concluded the interview with a question regarding competitors and thanking the interviewees for their time and participation.

Additional information in relation to the interview session:

- The field research was conducted during December 2011-March 2012 with the top, middle and frontline managers of a South African electronics organisation. However, the period under investigation was for the previous two years, namely the 2009/10-2010/11 financial years.
- The interview guide was pre-tested with one Unisa student whose profile is comparable with the profile of the respondents that was interviewed and one of the managers at SAEO, who was deemed to be a typical manager in the organisation.

It was considered important to elaborate on the following five aspects:

- **Question framework and phraseology.** The interviewees at all three management levels (top, middle and frontline) were assumed to know and understand the organisation's strategy and related information and they were deemed to be able to answer the questions. All the questions were specific. They were also required to elaborate in terms of understanding and applicability within the SAEO. It was assumed that the respondents were well versed with the terminology used within the specific industry.
- **Format of questionnaire.** All questions, although not in the same order as mentioned above, related to 10 specific categories that were developed as stated above in order to achieve specific outcomes. The interview guide used for the purpose of this study used the same questions for each interview. These questions were broken down to establish specific challenges at SAEO.
- **Format of response to questionnaire.** All questions required mostly a 'yes' or 'no' or some agreement or disagreement as well as elaboration on how they applied to SAEO. The Likert scale was used to indicate whether the interviewee agreed or disagreed, but they had to explain what the reason was for the specific answer if possible (Martins, Loubser & Van Wyk, 1999:228).

Alternative questions were asked which required the interviewees to choose between various possible answers and to give reasons for their responses.

- **Description of the interview guide.** The cover page was given as an introduction and explanation of what to expect during the interview. The questionnaire consisted of 36-42 pages to make space for the answers of the interviewees. The first two pages were questions relating to demographics and qualifications. All 14 interviewees completed the interview although some interviews took longer to complete than others, depending on the information given during the interview. The general correctness of the interviews could be questioned because they were very lengthy. Hence, the researcher returned to the interviewees to clarify some questions and to complete and correct responses where it was deemed necessary.
- **Pre-testing of the interview guide.** All questions were copied from the Mankins and Steele (2005) and Tait and Nienaber (2010) study. Although no pre-testing was required, the researcher conducted two pre-tests due to the length of the questionnaire and to confirm the correctness of the questions, given the different format of questions.

The questions used in the interview sessions have been set out in Appendix D. The questions were structured and mostly extended in such a manner to answer the research question and problem statement as reflected in the title of the dissertation: 'Exploring factors contributing to the strategy-to-performance gap: The case of a South African electronics organisation'. Table 3.1 must be read in conjunction with Appendix D to compare the researcher's intentions to answer the problem statement.

Table 3.1: Classifications of the questionnaire

Question number	Question description
1.1-2.7 (New questions)	Demographics
2.8 (New question – Sales)	Can you give a short description of your organisation's products and services in terms of sales targets, Rand value (good/unsatisfactory) over the past two years?

Question number	Question description
2.9 (Related to questions 3 and 4 of the Tait 2006 study)	Can you give a short description of your organisation's goals/customers in terms of performance expectations over the past two years?
2.10 (Related to question 11 of the Tait 2006 study)	Who are your competitors?
2.11 (Related to questions 2, 3 and 6 of the Tait 2006 study)	How does your organisation's performance compare to that of your competitors in terms of sales targets, customer satisfaction, employee satisfaction, market share (benchmarking against competitors) and productivity over the past two years? Would it be average, above or below average? Please explain.
2.12, 2.13 and 2.14 (Related to question 4 of the Tait, 2006 study)	How do you feel about your organisation's performance or the results that your firm achieves? (Employee satisfaction, customer satisfaction, customers option about value obtained, market share, future growth, expansion opportunities, productivity, staff knowledge, skills and attitude)
	Do you think that your organisation can improve on its performance in (all) the above areas?
	Is there room for improvement? Please explain.
2.14, 2.15, 2.16 and 2.17 (New questions – Demographics)	What is your current position in the organisation?
	How long have you been in this position?
	What is your current role in the organisation?
	In your current position, can you influence the performance or results that your organisation achieves? (If yes, in what ways?)
3.1, 3.2 and 3.3 (New questions)	Have you heard about the term 'strategy'? (Yes/No)
	Where did you hear it?
	In your opinion, what is 'strategy'?
3.4, 3.5 and 3.6 (Related to questions 7 v25 and 8 v37 of the Tait 2006)	In view of the discussion so far and in particular the definition/description of strategy, would you say that your organisation has a strategy? (Yes/No). Please explain.

Question number	Question description
study – Strategy)	In your opinion, which of these options best describe the strategy process in your organisation? Please explain.
	Given the discussion around the process of strategy, whether formal informal, or deliberate/emergent/both, who would you say are the major role players in this process?
3.7 (Related to question 7 v26 of the Tait 2006 study)	In your opinion, is the person(s) ultimately responsible for your organisation's strategy demonstratively committed to the strategy? (Yes/No). Why do you say that?
3.8, 3.9 and 3.10 (Related to question 1 of the Tait, 2006 study – Management tools)	A number of management tools are available to assist organisations in shaping their strategy. Are you familiar with any of these management tools? (Yes/No)
	Examples of the management tools that are most often used include benchmarking, strategic planning models, vision and mission statements, customer relationship management, outsourcing and the balanced scorecard. Have you heard of any of these tools before? (Yes/No)
	If yes, do you understand these tools?
3.11 (Related to question 2 of the Tait 2006 study)	In view of the identified tools and their descriptions, do you think that your organisation uses these tools (or some of them) in shaping its strategy? (Yes/No)
3.12 (Related to question 3 of the Tait 2006 study – Strategy process)	The strategic management model consists of three interrelated parts, namely strategy formulation, implementation and evaluation. In your view, which of the three parts of the strategy process are important (if any) in driving the performance/results/success of your organisation?
3.13 (Related to question 5 of the Tait 2006 study with additions – Strategy process.)	How effective (goal achievement) do you deem your organisation to be at shaping strategy in total; formulating strategy; implementing/executing strategy; evaluating strategy?
3.14 (Related to question 6 of the Tait 2006 study – Strategy process)	In your view, what is your organisation's ability to formulate and implement strategy, based on the last two years?
3.15 (Related to question 7 v27)	In your opinion does the person(s) ultimately responsible for strategy communicate this strategy to all hierarchical levels in

Question number	Question description
of the Tait 2006 study – Communication)	the organisation? (Yes/No) Please explain.
3.16 (Related to question 7 v28 of the Tait 2006 study) – Strategy)	Does this person(s) ensure a shared understanding of strategy? Please explain.
4.1 and 4.2 (Related to questions 1 v3 and 2 v 13 of the Tait 2006, study – Organisation)	Are you aware of your organisation's vision? Mission? Goals? Can you briefly describe each of them? How do you know this? (Communication)
5.1 and 5.2 (Related to question 7 v28 of the Tait 2006 study – Strategy)	Do you know what is required of you to ensure that your organisation's strategy is implemented? (Action plans) Do you believe that other employees in your organisation know what is required of them to implement your organisation's strategy?
5.3 and 5.4 (Related to question 7 v29) of the Tait 2006 study – Strategy process)	Do you know what your accountabilities are in implementing strategy? Do you believe that all employees in your organisation know what their accountabilities are in terms of strategy implementation?
5.5, 5.6 and 5.7 (Related to question 7 v44) of the Tait 2006 study – Resources)	Do you believe that you have access to the required resources (time, talent, money, equipment, tools, systems processes, etc.) to implement strategy? Yes/No. Please elaborate (talent, skills knowledge, attitude, motivation, etc.) If not, in your opinion what are the major constraints? Please explain. Do you believe that other employees have access to the required resources to implement strategy? (This question was specifically asked because this study concentrated on the strategy formulation, implementation performance gap as per previous studies.)
5.8, 5.9 and 5.10 (Related to question 7 v33) of the Tait 2006 study – Skills and capabilities)	Do you believe that you have access to the required skills/capabilities to formulate/implement/evaluate strategy? Which one (formulation, implementation, and/or evaluation) is most affected in terms of skills/capabilities?

Question number	Question description
	Do you believe that your organisation has access to the required skills/capabilities to implement strategy?
5.11, 5.12 (Related to question 7 v30 of the Tait 2006 study – Resources)	Sometimes there may be competing demands for resources. Would you say that this happens in your organisation? If so, how often?
	If so, is it clear which strategy initiative takes precedence? Please explain.
5.13 (Related to question 7 v31 of the Tait 2006 study – Consequences)	In your opinion, are there significant consequences (e.g. in terms of career advancement, pay, reputation, etc.) for individuals who fail to implement strategy?
5.14 (Related to question 7 v32 of the Tait 2006 study – Rewards)	In your opinion, are there substantial rewards for people/staff who successfully implement key elements of the vision and mission of your organisation's strategy?
5.15 (Related to question 7 v35 of the Tait 2006 study – Organisation)	In your opinion, are there any organisational impediments to effective strategy implementation (e.g. silos, culture, turf wars, etc.)?
6.1 and 6.2 (Related to question 7 v34 of the Tait 2006 study – Strategy)	In your opinion, does your organisation have the necessary processes/systems/ procedures in place to monitor performance to implement strategy effectively?
	In your opinion, does your organisation have the necessary systems/ processes in place to monitor the environment with a view to detecting changes in advance and making the necessary strategy adjustments?
6.3 (Related to question 7 v36 of the Tait 2006 study – Strategy breakdown)	When strategy breaks down (formulation-implementation-evaluation), does your organisation have clear processes to take corrective action swiftly?
7.1-7.4 (Related to questions 8 v37-48 of the Tait 2006 study – Strategy breakdown)	When your organisation's strategy breaks down, which of the listed factors would you say are to be blamed?
	Why do you think these barriers to strategy (formulation, implementation and/or evaluation) exist?
	At which stage (formulation, implementation and/or

Question number	Question description
	evaluation) do you think these barriers originate/are present (knock-on-effect)?
	How do you think these barriers affect your organisation?
8.1 (Related to questions 9 v49-58 of the Tait 2006 study – Performance)	In order to improve the performance of the organisation, certain corrective actions can be taken to overcome these barriers to reduce the performance gap. Kindly rank, from the list provided, the five most important actions that will have a significant impact on implementation where 1 would be the most positive impact, 2 the second-most positive, and so on)
8.2 (Related to questions 10 v59-61) of the Tait 2006 study – Performance)	If these corrective actions were taken, would you say that your organisation would achieve this desired level of performance >80% of the time in terms of after-tax profits?
9 (Related to question 11 of the Tait 2006 study – Companies)	Do you have companies that your admire? Who are they? Please provide reasons.

3.2.2.3 Data collection

Primary data were collected by means of semi-structured interviews with the managers using an interview guide, which was described in the previous section. The interviews were collected over a period of four months, i.e. December 2011 to March 2012. Interviewees were required to give specific responses like 'yes' and 'no', 'good', 'not good', 'don't know answer' and to elaborate and explain what was happening in the real working environment between 2009/10 and 2010/11 where possible, as indicated in the previous section. Questions 3.13, 5.5, 7.1, 8.1 and 8.2 specifically used the Likert scale and interviewees were asked to elaborate on the questions once they had made a choice.

The problem studied was 'What factors do top, middle and frontline managers perceive as have hindered strategy implementation at SAEO in the last two years (2009/10-2010/11) with a view to determine how these factors affect the organisation.' This led to the purpose of this study, namely to identify, describe, and understand 'what factors, if any, hinder strategy implementation, resulting in a

strategy-to-performance gap'.

The purpose of the questions was to obtain as much as possible information relating to the research question, to establish where the strategy-to-performance gap existed in this organisation and what factors were perceived to hinder and/or break down the strategy implementation, what actions could be taken to minimise if not close the strategy-to-performance gap, and how performance would improve should the recommended actions be implemented. The interviews lasted for between one and one and a half hours.

Secondary data, such as the SAEO financial report and information on the organisation's website, were also collected. This information was used to identify – in terms of the financial reports – whether SAEO indicated revenue and operating profit. The website information was used to understand the organisation's business and positive and negative factors that could contribute to the strategy-to-performance gap of SAEO.

3.2.2.4 Data analysis

Given the qualitative nature of the study, qualitative analysis was deemed appropriate. Qualitative analysis includes descriptive analysis, which can entail textual and numeric descriptions (Denicolo & Becker, 2012; Richard & Morse, 2013). The principal aim of data analysis is to extract meaning by taking words, sentences and paragraphs apart in order to make sense of the interpretation of the data (Henning *et al.*, 2004:127). This research was conducted as a qualitative study. The data obtained from the interviews were analysed and interpreted in an attempt to understand the meaning and symbolic context. This was done through codes and categories to analyse the qualitative data with a view to understanding the results presented.

Qualitative coding generally uses a word or short phrase that symbolically assigns a summative, salient, essence-capturing and/or evocative attribute to a portion of language-based data (Saldaña, 2013). Coding is the critical link between data collection and the explanation of its meaning (Saldaña, 2013:3). In qualitative research a code is a researcher-generated construct that symbolises and thus attributes interpreted meaning to each individual datum for later purposes of pattern

detection, categorisation, theory building and other processes (Saldaña, 2013:4). The code serves the same purpose as the title of a book, poem or film and represents and captures a datum's primary content and essence (Saldaña, 2013:4). Coding, which involves summarising, distilling and condensing data, is essentially an interpretive act (Saldaña, 2013:4). Often, many of the same codes will be used repeatedly throughout larger data sets, indicating repetitive patterns, consistent with human affairs. The goal of coding is to uncover these repetitive patterns (Saldaña, 2013:5). A pattern can be characterised by similarity, difference, frequency, sequence, correspondence and causation (Saldaña, 2013:7). When codes are clustered together according to a pattern, they actively facilitate the development of categories and thus the analysis of their connections (Saldaña, 2013:8). Coding organises and groups similarly coded data into categories because they share some characteristic (Saldaña, 2013:9). In classification, reasoning, used together with the researcher's tacit knowledge as well as intuitive senses, determines categories (Lincoln & Guba, 1985, in Saldaña, 2013:9). When categories are compared to each other and consolidated, the researcher transcends the reality of the data and progresses towards the thematic, conceptual and theoretical (Saldaña, 2013:12), showing how these themes and concepts systematically interrelate and lead towards theory development (Corbin & Strauss, 2008, in Saldaña, 2013:13). However, it is acknowledged that pre-existing theories may drive the research enterprise whether the researcher is aware of them or not (Mason, 2002, in Saldaña, 2013:13).

The strategy formulation, implementation and evaluation process discussed in Chapter 2 are repeated in this chapter to indicate how the themes coincide with the strategic management process tool used to shape strategy, i.e. formulation, implementation and evaluation.

Table 3.2: Themes, steps and concepts of the strategy management process

Theme	Steps and concepts
Formulation	1. Creating a vision, mission, goals, values, principles to determine social responsibilities and ethics, including broad statements about the purpose and philosophy
	2. Internal environment analysis of the resources (tangible and intangible), capabilities, skills, core competencies, processes, systems, products and services to execute strategy
	3. Environmental analysis to identify and track the few variables that will have a significant impact on the strategy formulation, implementation and evaluation, grand strategies as well as long-term objectives To be effective, the selected strategy should be based on competitive advantage. Competitive advantage involves three dimensions: the arena where the company chooses to compete, customer value, and access to the resources, assets, processes and systems to provide customer value at the chosen arenas (Nienaber, 2007)
	4. Analysis of strategic choices (competitive and corporate)
	5. Identifying the most desirable options by evaluating all options, keeping in mind the organisation's mission, goals and objectives.
	6. Long-term objectives (profitability, competitive position, employee development and relations, technological leadership and public responsibility)
Implementation	7. Developing annual objectives and short-term strategies that are compatible with the selected long-term objectives
	8. Pearce and Robinson (2011) describe the strategy implementation process as follows. To succeed with the above steps strategies must be translated into guidelines for each member's daily activities; this means the strategy and organisation must become one which will be reflected in the: <ul style="list-style-type: none"> • short-terms objectives and action plans; • planning of activities for each specific step; • developing functional tactics to create a competitive advantage; • empowerment of staff through policies that guide decisions; • implementation of an effective reward system; and

Theme	Steps and concepts
	<ul style="list-style-type: none"> • systems to adjust strategies, commitments and objectives with the environment.
Evaluation	9. Evaluation measures progress in terms of goal achievement. This strengthens the strategy as it is being implemented, detecting changes or problems in its underlying processes and systems to make the necessary adjustment to ensure the process does not fall behind or worse, lead to financial losses for the organisation.
Strategy formulation, implementation and evaluation process	10. Strategic organisation change is enhanced by communication, motivation and leadership at an organisation. This process concerns managers, employees and stakeholders.

Source: Adapted from Tait, 2006

The data analysis process started with determining which of the 18 managers qualified to be used for this study. One manager was used for the pre-testing and was therefore excluded. Three other managers did not qualify because they had not been in the organisation for the minimum prescribed two years, to qualify to be part of this study. The data analysis was transcribed manually as the number of interviewees was limited to 14 (four top managers, five middle managers and five frontline managers). These data were edited, coded, transcribed and captured. Editing was done by forwarding all interview questions to the interviewees to check and verify the information for correctness and clarity. The researcher returned to the interviewees to clarify answers where it was deemed necessary.

3.2.3 Trustworthiness (rigour) in qualitative research

The four issues related to trustworthiness in qualitative research are transferability, credibility, dependability and confirmability (Given & Saumure, 2008; Seale, 1999). Trustworthiness in qualitative data is ensured through the following three procedures: 1) using more than one type of analysis, 2) assessing interrater reliability and 3) member checking (Leech & Onwuegbuzie, 2007). According to Leech and Onwuegbuzie (2007), transferability can replace external validity, dependability can replace reliability and conformability can replace objectivity. This view is consistent with that of Given and Saumure (2008).

Transferability, credibility, dependability and confirmability as issues that are relevant to trustworthiness are discussed below; then the three procedures used to ensure trustworthiness are explained. The main sources of error are finally indicated in this sub-section.

- **Transferability (generalisability):** This refers to being aware of the purpose of this study and the ability to ensure that the concepts of the strategic management process and described in the qualitative study are applicable to different contexts (broad and narrow). A study is not deemed unworthy if it cannot be applied to broader contexts; instead the study's worthiness is determined by how well others can determine the paper trail to which alternative contexts (the findings) might be applied (Lincoln & Guba, 1994). In this case it entailed the one study at SAEO that was conducted as a replication study of the Mankins and Steele (2005) and Tait and Nienaber (2010) study. This study is described in detail as future research can follow in a different context.
- **Credibility (internal validity):** This refers to the extent that the data allow the researcher to draw accurate conclusions and describe the phenomenon in question. The data for this case study were sourced through interviews which were different from the Mankins and Steele (2005) and Tait and Nienaber (2010) studies. Interviews were conducted with the interviewees to obtain real-life information from the interviewees themselves. This study sought to accurately describe the research questions to answer the question, 'What factors do top, middle and frontline managers perceive as having hindered strategy implementation in the last two years (2009/10 – 2010/11) with a view to determine which factors contribute to the strategy-to-performance gap, and what actions can be taken to minimise or eliminate the performance gap at SAEO?'
- **Confirmability (objectivity):** Information in an objective study should be unbiased, therefore no claims should be made that cannot be supported by relevant data.
- **Dependability (reliability):** Findings between studies should be reproducible, if they are replicated exactly, but this can result in a challenge for qualitative

researchers due to a changing social world. Therefore this study cannot be generalised to the entire population or a different context, since only one organisation in a specific field was used to conduct this study.

As mentioned above, trustworthiness in qualitative data is ensured through the three procedures noted by Onwuegbuzie & Leech (2007). These procedures are briefly explained below.

- Using more than one type of analysis

This procedure will strengthen the rigour and trustworthiness of the findings through consistency. This would be done through more than one research coder coding the data.

- Assessing interrater reliability

This procedure allows the researcher to establish how close the theme ratings are between different raters, for example how closely they agreed or disagreed in terms of different sections. The researcher was the only person involved in the assessment of the results; therefore interrater reliability is not applicable.

- Member checking

This is done when the researcher returns to the interviewees with the findings and/or interpretations to assess the accuracy. Member checking can increase rigour and trustworthiness which are described as descriptive triangulation. The researcher emailed the transcribed interviews to each individual interviewee to check for accuracy and understanding of the recordings as interpreted for the transliterate.

- Main sources of error. Since interviews were conducted and recordings and field notes were used, the reliability of technical equipment due to loss of information was a very real experience for the researcher. Capturing of all information of each interviewee as the interview progressed was not viable and therefore mistakes could have been made where recording instruments were not available.

3.2.3.1 Limitations of this study

Limitations refer to the conditions that may threaten valid conclusions:

- Firstly, this case study research captured a specific period of two years (2009/10-2010/11) within this particular organisation. The three levels of management with different experiences, management styles, qualifications and period in the current position were used to conclude on the results of this study.
- Secondly, the interviews were conducted within working hours which could have been stressful for the interviewees due to time constraints imposed by their work.
- Thirdly, the interviewees reported on what they had experienced and believed to have happened during the past two years.
- Fourthly, the interviewees may have answered what they understood from the question and not necessarily what the meaning was of the question.
- Finally, the interviewees may also have answered what they thought the researcher wanted to hear (Leedy & Ormrod, 2005:184).

The researcher tried to the best of her ability to ensure that all information captured was captured correctly and understood as intended, with the relevant meaningfulness and understanding to ensure that valid conclusions had been derived from the information. To ensure accurate capturing, interviewees were requested to check transcriptions for correctness and mutual understanding.

3.3 CONCLUSIONS

The empirical study

This section described the research design which included the primary and secondary objectives of this study. The research philosophy indicated that the researcher was interested in meaning and understanding of people's meaning-making of a social reality, in this instance factors hindering strategy implementation as perceived by the managers of SAEO. As discussed, the research philosophy

showed that ontological knowledge (in the interpretivist philosophy) is subjective as understanding is mutually constructed. This was applicable to the managers of SAEO because they had been specifically selected at the different hierarchical levels and perceptions were explored in terms of what factors hinder strategy implementation. The research design used in this inquiry was a qualitative case study method which was appropriate.

Method

The selection of interviewees was purposive since one specific organisation in a specific field was used by interviewing top, middle and frontline managers to participate in this study. As mentioned previously, the data instrument was used with permission from Mankins and Steele (2005) and Tait (2006) and adapted for the purpose of this study. The interview guide and the breakdown of the 10 categories were discussed. Questions were clarified in terms of origin and applicability in this study as set out in the interview guide.

The primary and secondary data collection methods used in this study were discussed. The trustworthiness of qualitative data in this case study was discussed in terms of the issues of credibility, transferability, conformability and dependability. Additional limitations to this study were highlighted for clarity of reference.

This chapter discussed the research design and methodology used in the SAEO study.

Chapter 4 will deal with the results and findings of this study.

CHAPTER 4

RESULTS AND FINDINGS OF THE STUDY

4.1 INTRODUCTION

This chapter covers the results and findings of this study, which was aimed at identifying, describing and understanding the perceptions of managers, at the different hierarchical levels, as to what factors hinder strategy implementation. Strategy is the vehicle ensuring goal achievement in an ever-changing environment; therefore it was necessary to conduct further studies to confirm whether other organisations also experienced a strategy-to-performance gap. This study will assist in understanding what gave effect to the performance gap(s), to describe the challenges the relevant organisation experienced resulting in the performance gap(s), and to determine what factors contributed to the performance gap(s). The next section reports on the results and findings of this study. This chapter closes with conclusions.

4.2 RESULTS AND FINDINGS

The results and findings of the study are reported in this section. First, demographic information is provided about the interviewees and the organisation in question. This is followed by the responses about the perceived influences of different factors on the strategy-formulation-implementation-performance gap, and then responses as to what improvements can be made to overcome this performance gap. Finally, an indication is given of what performance can be expected if corrective actions are taken.

4.2.1 Demographic information pertaining to the organisation and interviewees

Certain demographic information about the interviewees and the organisation, such

as position, tenure, qualifications and performance of the South African Electronics Organisation (SAEO) were requested. The questions on position and tenure confirmed whether the interviewees were qualified in terms of management level and tenure in the period 2009/10-2010/11. At the same time information was gathered on their gender, generation (age period), previous experience and qualifications, which may all have a bearing on the perception of the interviewee on the factors influencing the strategy-formulation-implementation-performance gap.

Position and tenure of interviewees

SAEO gave permission for the researcher to request all 18 managers (top, middle and frontline managers) to participate in the study. All the managers accepted the invitation to participate in the study. The organisation arranged the interviews with all the managers at a date, time and venue (premises of SAEO) that were convenient to them. In a number of cases it was necessary to make changes in the interview schedule to accommodate the changing needs of the managers in question. Interviews were conducted with only 14 of the 18 managers, four of whom were top managers, five middle managers and five frontline managers. Four managers' information was not used for this study. Three did not qualify in terms of the required two-year period at SAEO and one manager was used for pre-testing of the questionnaire. These interviews were conducted between December 2011 and March 2012, and 100% participation was obtained. Table 4.1 below gives an indication of the managers that were excluded for the purposes of this study, based on the required two-year period to qualify to participate in this study.

Table 4.1: Tenure at SAEO

Top Managers		Middle Managers		Frontline Managers	
T5	6 months	M2	7½ years	FLM3	6 yrs
T3	5 years	M1	16 years	FLM2	17 yrs
T1	6 years	M4	10 years 8 months	FLM1	1 yr 4 months
T2	6 years	M3	4 yrs 7 months	FLM4	6 yrs
T4	16 months	M5	9½ years	FLM5	11 yrs
T6	23 years	M6	1 year	FLM6	6 yrs

Legend: Top managers (TM) are indicated in blue, middle managers (MM) in red and frontline managers (FLM) in green. Three of the four, managers marked in yellow

did not quality as per the required two-year period at SAEO and one manager was used for pre-testing of the questionnaire.

This study sought managers' views of strategy performance in the period 2009/10-2010/11. Hence, managers who worked for this organisation in the period in question could provide relevant information for purposes of this study. Consequently, the four interviewees (top managers numbers four and five) and (frontline manager number one) were excluded as indicated above, because they were employed by the organisation during the two-year period in question and one manager (middle manager number six) was used for the pre-testing of the questionnaire.

Reporting lines/structure

Figure 4.1 below illustrates the structure of SAEO to provide a holistic view of the organisation, including the positions of the interviewees.

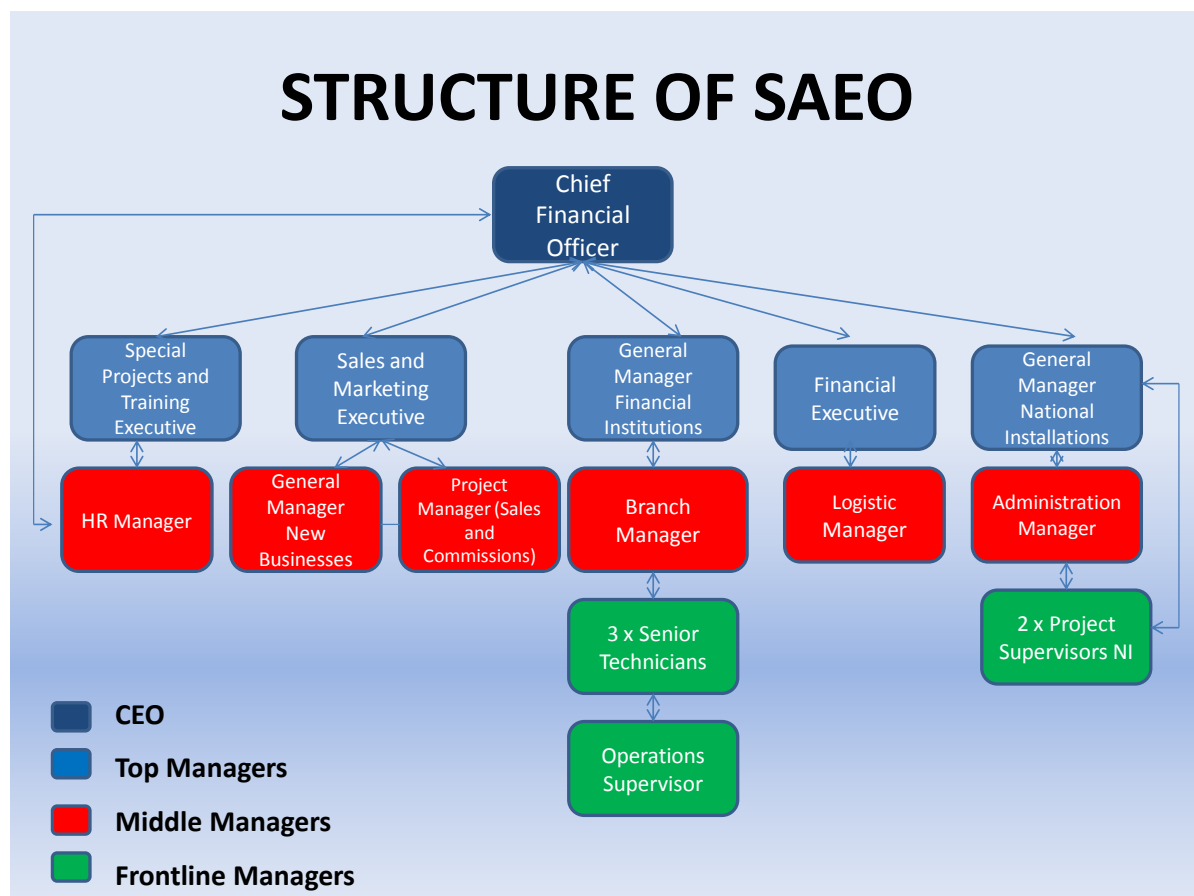


Figure 4.1: The structure of SAEO

Source: Provided by the CEO of SAEO

The special projects and training executive, sales and marketing executive, general managers Financial Institutions, financial executive and the general manager National Institutions report to the Chief **Executive Officer (CEO) as well as the** human resource manager who is a middle manager. The middle managers were mostly either administrative, general, project, logistic or branch managers. Most middle managers worked in the field with the frontline managers to obtain sales and to manage installations and maintenance. Since not all managers had seen the strategic plan, it could not be assumed in this study that formulation and/or implementation happened throughout SAEO. It was also indicated that formulation and implementation take place (although the results evidently indicated ineffective communication) and that it might be difficult to ensure effective formulation and implementation, which could lead to challenges regarding evaluation.

Gender

The majority of interviewees were male: four were top managers, one a middle manager and five were frontline managers. The four females were all middle managers. Top and frontline managers were mostly male-dominated, while middle managers were mostly female-dominated.

Generation (age period) of interviewees

The generation of the above-mentioned managers is reflected in Figure 4.2 below.

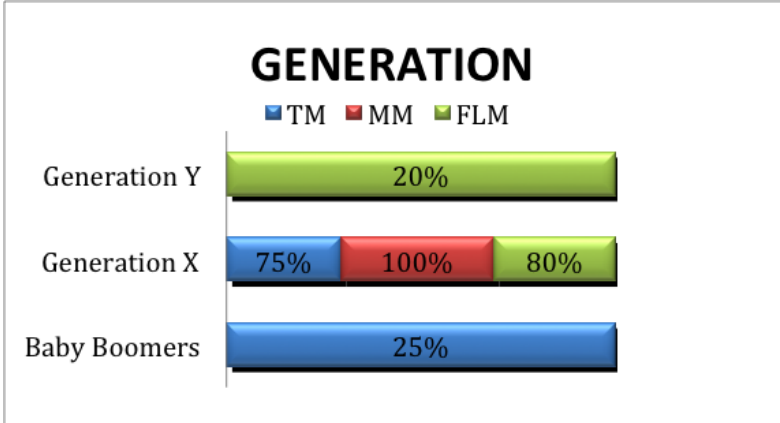


Figure 4.2: Generation of managers at SAEO

The information in Figure 4.2 indicates that the majority of managers were Generation Xers (born 1965-1979), which means that they shared common characteristics. One top manager was a Baby Boomer (born 1946-1964) and one frontline manager belonged to Generation Y (1980 - 2000); thus they shared different sets of characteristics. The implication of this observation is that SAEO does not have many employees that are at retirement level, and most managers are relatively young and will still be working in the next 10-20 years until they reach retirement age. This further implies that, should these managers remain with SAEO, there will be continuity which could be favourable for strategy and consequently performance. However, a characteristic of Generation X is that they have nomadic behaviour – they have no objection to changing jobs. The tenure of the Generation Xers at SAEO is far longer than the average of 3.5 years, as indicated in Table 4.1 above.

Previous experience and knowledge about strategy

The majority of the interviewees had previous work experience. The experience was mainly technical in nature, whether top, middle or frontline managers, and thus relevant to their own section or department. No manager specifically indicated previous strategy experience. The managers only mentioned strategy when they were specifically asked, "Have you heard about the term 'strategy' and where did you hear it?" Most top managers indicated that they only knew about strategy through SAEO. One middle manager knew strategy from a previous organisation, three middle and all four frontline managers confirmed that they knew about strategy from SAEO. The minority of managers did not know about strategy at all at the stage that the interviews were conducted.

Qualifications

Work experience is accompanied by training, whether formal or informal, to assist managers in discharging all that is required within their current management positions. All four top managers had some form of academic qualification, either through a university, college or technical college. Four middle and all five frontline managers had matric, and a few held a diploma or certificate. Owing to the small number of managers in question and the fact that they can easily be identified on the basis of their particular qualification, qualifications are mentioned only broadly to

protect their identity.

Performance of SAEO

Figure 4.3 (Sales targets) and Figure 4.4 (Rand value achieved) provide an overview of the managers' perceptions in relation to SAEO's ability to have sustained the sales targets and Rand value during the period 2009/10-2010/11.

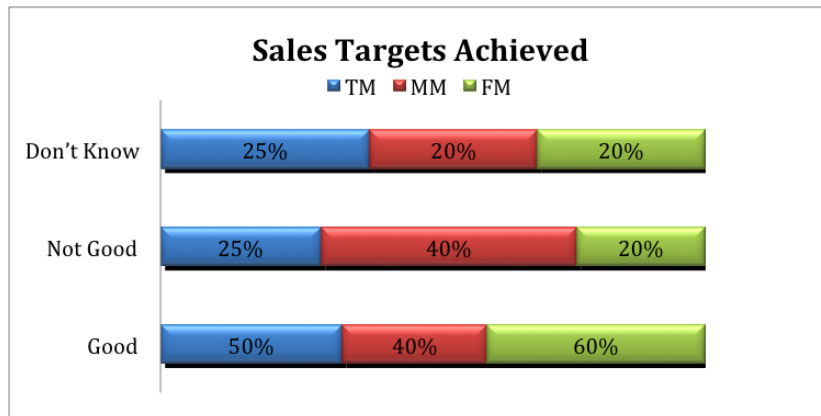


Figure 4.3: Sales targets achieved

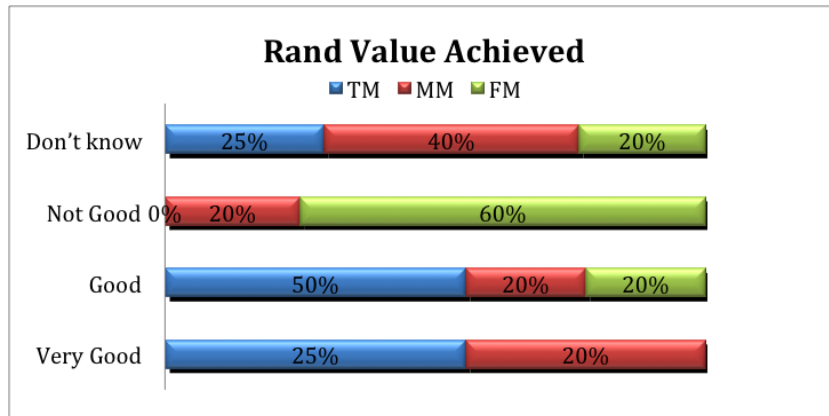


Figure 4.4: Rand value achieved

The majority of top managers indicated that sales and Rand value targets were achieved during the period 2009/10-2010/11, indicating that SAEO was relatively successful in "delivering of services consistently" (service quality). Sales targets for services were achieved but not for products (product quality), and this was classified as good, according to the final answer of top manager number six. Big projects are planned every three months to ensure that SAEO is on track in making a profit and not a loss (planning/growth) (top manager number six). However, service quality,

rather than product quality, secured sales. Their views on Rand value were substantiated by comments such as "The downfall of the world market was our biggest challenge" (economic conditions) (top manager number six); "Our Rand rate is below market rate and our mark-up dropped" (economic and market conditions) (top manager number two); "Our dependability on big projects per year" (customers) (top manager number three); "Over the past four years SAEO acquired a few big projects" (top manager number three). These responses were categorised into themes, which included economic conditions, market conditions, customers, planning, growth, service quality, price setting, sales prices, sales numbers, sales values and targets, tenders and sales and product quality. These responses show that top management were of the opinion that there was room for performance improvement.

Middle managers were divided in their opinion on whether or not sales and Rand value targets were achieved during this period, while some did not know because they were managing projects, rather than setting sales targets. Middle managers number two and four reported the following: "Sales targets were not achieved during the past two years but it is improving." Middle managers number one, three and five reported "Did not know" because they were not involved with the setting of sales targets during this period but believed targets (sales numbers) were realistic (given the economic conditions). The minority of middle managers reported favourable sales performance in terms of the Rand value because SAEO attempts to ensure that prices remain as low as possible to ensure higher profits (economic), resulting in a sustainable customer base. Middle manager number three reported that damaged products (product and service quality) can be very costly for SAEO; Rand value was not good over the past two years, "but has shown improvement over the past four months" (middle manager number four); "It is not our function" (middle manager number one).

Managers mentioned that poor product quality may adversely affect sales, which is unfavourable in the current economic climate. The results and answers from middle managers indicated that they were involved with managing of projects, rather than in setting sales targets. Managers' non-involvement in setting sales targets may have led to a breakdown in formulation and implementation, as is typically the case when

managers are detached from the formulation and implementation process. This situation could have financial implications for SAEO. Middle managers could identify possible dangers such as damaged products, high prices, non-achievement of sales targets and overspending on budget. If corrected, it could also lead to improved performance in terms of sales.

The majority of frontline managers observed that the Rand value of sales was not good during 2009/10-2010/11 "due to competitors' prices that were lower (tenders) than SAEO" and therefore "tenders were awarded to competitors" (frontline manager number two); the Rand value was not good during this period "because profits (sales prices) were dropped" (frontline manager number three); "sales targets were dropped because of the economic downfall" (frontline manager number four) (economic conditions) which was not good but the Rand value of SAEO's products and services was average (sales and product quality). Frontline manager number six commented, "I don't deal with Rand value" (price setting) and therefore could not answer. "Sales targets don't know, but according to hearsay Rand value were good" (frontline manager number five). This information seems to suggest that top management, who are closer to the figures (sales values and targets), have a more favourable assessment of the sales success of SAEO than any others in managerial positions in the organisation. From these responses one can conclude that SAEO's managers were divided in terms of sales targets and Rand value achieved during the period 2009/10-2010/11. However, this confirms the majority of managers' responses that "there was room for improvement".

SAEO's goals and customer performance expectations during the period 2009/10-2010/11

Two questions were raised: (1) What were SAEO's goals in terms of performance expectations? and (2) What were the customers' performance expectations of SAEO? Managers were required to answer the questions according to their knowledge.

This question related to whether SAEO had achieved the goals they had set in terms of performance expectations and whether these goals were realistic during the period 2009/10-2010/11.

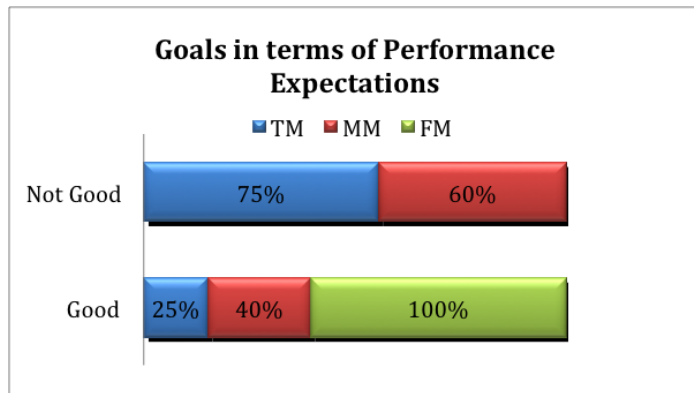


Figure 4.5: Goals in terms of performance expectations

Goals in terms of performance expectation

The majority of top and middle managers indicated that the performance goal expectations of SAEO during the past two years were not good. Reasons given were as follows: "We did not achieve our targets" (top manager's number one, three and six); "... low customer base ..." (middle managers number two and four). The rest of the managers were not specific as to the reasons for not achieving performance goals. All frontline managers agreed that performance goals during this period were achieved. The reason given was that "we keep our customers/clients happy" (frontline managers two, four and six). The rest of the frontline managers did not give specific reasons for agreeing that the performance goal expectations were achieved.

Customer performance goals in this question related to the organisation's goal to keep customers satisfied, retain customers and acquire additional customers during the period 2009/10-2010/11.

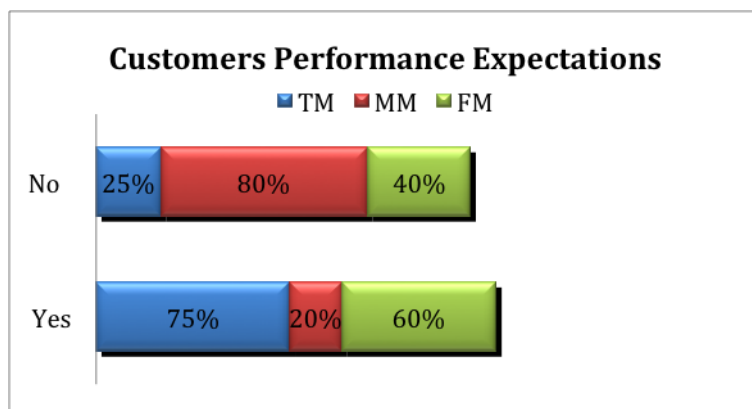


Figure 4.6: Customer performance expectations

The majority of top managers and frontline managers agreed that customers' performance expectations were achieved during 2009/10-2010/11. Reasons given were as follows: "Building good relationships with customers" (top manager number six), "excellent performance" (top manager number one), "being better than our competitors" (frontline manager number three), "satisfied customers" (frontline manager number four). The rest did not give specific answers as the reasons for customer performance expectations being achieved. The majority of middle managers did not agree with top and frontline managers that customers' performance expectations had been met. Reasons given were as follows: "unsatisfied customers" (middle manager number five), "lost business to competitors" (middle manager number two). The rest of the middle managers did not give specific reasons for customer's performance expectations that were not achieved. The responses obtained from the managers were not consistent and therefore it can only be speculated that there might have been reasons other than the responses that were given.

Competitors of SAOE

The majority of managers at all levels could indicate who their competitors were. The minority of middle managers who were office-based either could not give the names of competitors or after thinking about it named one or two. This question will not reveal the names of the competitors, due to the trust relationship but for record purposes it was important to know how many of the managers knew the field they worked in and also what was happening in the economy around their own organisation. SAEO needs to know who the competitors are in the market because it could have an effect on prices, tenders and customers. Knowing your competition could give you a lead in the market if you know about new technology, price changes and market changes.

Table 4.2 below summarises the responses of the managers comparing SAEO's performance to that of the competition.

Table 4.2: SAEO's performance compared to competitors' performance

QUESTION	TM	MM	FLM	NUMBER
Is SAEO better than competition in terms of sales targets?				
Average	2	2	2	6
Are customers more satisfied with SAEO compared to competitors?				
Above average	2	1	4	7
Are employees at SAEO more satisfied to be employed at SAEO than at a competitor?				
Average	3	2	3	8
Is the market share at SAEO better than at competitors?				
Average	2	1	2	5
Are employees at SAEO more productive than competitors?				
Above average	1	3	4	8

This question relates to SAEO's performance (sales targets, customer and employee satisfaction, market share and productivity) compared to competitors. Looking at the previous questions in terms of SAEO's performance goals achieved, it is clear that the majority of top and middle managers agreed that the performance of SAEO was not good, while all frontline managers disagreed and confirmed that the performance goals of SAEO were good. Relating the performance of the previous question to this question, it is evident that that the majority of managers agreed "average and or above average" for all the above statements compared to competitors. The following is outstanding:

- The question "Is SAEO better than competitors in terms of sales targets?" Managers mostly agreed but also disagreed, since not all confirmed this statement.
- The question "Are customers more satisfied with SAEO than with competitors?" The majority of frontline managers agreed, while top and middle managers did not all agree.
- The question "Are employees more satisfied working at SAEO than with competitors?" Top and frontline managers mostly agreed with average, but middle managers were divided in their responses.

- The question "Are employees at SAEO more productive than at competitors?" The majority of middle and frontline managers agreed but top managers were mostly divided in answering this question.
- The question "Market share compared to competitors?" There is a clear indication that although the majority agreed average, all managers were divided in their responses.

Performance influence at SAEO

The vast majority of managers, irrespective of level, indicated that they could influence the performance or results of SAEO through the following:

- Analyse and report on the projects (one top manager).
- Bring about innovation to increase sales (one top and one middle manager).
- Ensure more productive, trained employees to increase turnover and performance (one top and five frontline managers).
- Motivate employees and make a team effort to achieve targets and satisfy customers (one top manager and one middle manager).
- Increase SAEO margin by obtaining lower prices for products and stock; ensure stock arrives timeously which will increase turnaround times; turnaround times in terms of delivering services to customers (three middle managers and two frontline managers).

The results indicated that the majority of managers agreed that they can have a direct influence on the performance of SAEO through the way they function and operate. This does not necessarily mean that they were successful. The results indicate that managers faced a challenge in terms of ensuring satisfactory performance at SAEO.

The following question discussed managers' perceptions of SAEO's performance goals in relation to employee satisfaction, customers' opinion about value obtained, market share, future growth, expansion opportunities, productivity, staff knowledge, skills and attitude. For the purpose of this study, where managers agreed or did not agree is presented in bold type in Table 4.3 and discussed below. These results will be compared to previous questions and answers in relation to the same

performance. Each section will be discussed separately.

Table 4.3: Managers' perception in terms of SAEO's performance

Response	TM	MM	FLM
Financial			
Yes		2	
No	3	2	2
Not Always	1	1	1
Don't know			2
TOTAL	4	5	5
Employee Satisfaction			
Yes	3	3	
No	1	1	2
Not Always		1	3
TOTAL	4	5	5
Customer Satisfaction			
Yes	3	1	4
No	1	1	
Sometimes		3	1
TOTAL	4	5	5
Customers opinion about value obtained			
Yes	4	4	4
Not always		1	1
TOTAL	4	5	5
Market Share			
Yes	1	1	3
No	3	2	
Not always		1	2
Don't know		1	
TOTAL	4	5	5
Goals (Future Growth)			
Yes	2	3	4
No	1	1	1
Not always	1	1	
TOTAL	4	5	5

Response	TM	MM	FLM
Goals (Expansion opportunities)			
Yes	3	1	4
No	1	2	1
Not Always		1	
Don't know		1	
TOTAL	4	5	5
Goals (Productivity)			
Yes	2	2	3
No	2	2	2
Not Always		1	
TOTAL	4	5	5
Goals (Staff Knowledge)			
Room for improvement		2	
Yes			1
No	4	2	4
To a degree		1	
TOTAL	4	5	5
Goals (Skills and attitudes)			
Yes	2		2
No	1	1	3
Not Always	1	4	
TOTAL	4	5	5

Financial performance goals during 2009/10-2010/11

Five of the 14 managers (three top, two middle and two frontline managers) agreed that the financial performance goals during the period in question had not been achieved. The previous questions on sales and Rand value confirm this statement. The minority of top managers were of the opinion that sales and Rand value had been achieved, but middle and frontline managers did not agree or did not know whether the Rand value and sales targets had been achieved. One can only speculate that this was due to top managers' exposure to financial statements which

were readily available to the top managers but not necessarily to all layers of management.

Market share performance goals

Five of the managers (one top and one middle manager and three frontline managers) said that the market share during 2009/10-2010/11 had been achieved, but five managers (three top and two middle managers) said that the market share had not been achieved during the period in question. Out of a total of 10 managers five agreed and five disagreed regarding the same question. Relating this question back to the previous question about sales target and Rand value obtained, it seems as if managers could not clearly indicate or agree on either of these questions. The other four managers could not answer the question. One can only speculate that it was due to financial statements being available to top management and not to all levels of management, although market share also takes into consideration factors such as competitors, price variations and profits.

Employee satisfaction performance goals

Six of 14 managers (three top and three middle managers) indicated that they were satisfied at being employed at SAEO. Two frontline managers said they were not satisfied and the other three frontline managers said they were not always satisfied at being employed at this organisation. This indicates that less than half of the managers confirmed they were satisfied at being employed at SAEO during the period in question. Most reasons given for the dissatisfaction were the following: one top manager confirmed employee dissatisfaction was due to the fact that the previous two CEOs who were very negative had been replaced; two middle managers indicated bonuses were not paid, resulting in unmotivated employees. Four of the five frontline managers expressed unhappiness about poor salaries, no bonuses, heavy work load and not being recognised for good work but overloaded with more work.

Customer satisfaction performance goals

Eight of the 14 managers (three top managers, one middle manager and four frontline managers) indicated that SAEO's customers were satisfied with the services

they received from this organisation. However, three middle managers indicated that customers were not satisfied with the services received from SAEO. On the previous question (Figure 4.6) relating to whether managers could indicate whether they believed that customers' performance expectations had been met, top and frontline managers mostly agreed that customers' performance expectations had been achieved. However, middle managers disagreed with this statement made in the question. In this question the majority of all managers indicated that customers were mostly satisfied with the services received from SAEO. Middle managers mostly concurred that customers were not satisfied with services received from SAEO. The results indicated that although most managers believed customers were satisfied with the services, the results indicated that there was a challenge and there were also some obstacles that SAEO needed to address to ensure overall customer satisfaction.

Customers' opinion about value obtained performance goals

Twelve managers (four top, four middle and four frontline managers) confirmed that customers did get value for services delivered. Reasons for customers confirming that they received value at SAEO were that they had a trust relationship with SAEO. This confirms the results of the previous questions asked, where the majority of managers confirmed that customers were satisfied with services delivered.

Future growth performance goals

Nine managers (two top, three middle and four frontline managers) agreed that future growth had been reached at SAEO during 2009/10-2010/11. Their reason for positive growth was that a new section (fire detection) had been established and seemed to be taking off very well. The evidence indicated that all managers were not of the opinion that future growth at SAEO was possible or would be achieved. This could have related to top managers planning and making future plans but not discussing or requesting middle and frontline managers' opinion; therefore lower levels of managers might not have been involved with the formulation process at SAEO, resulting in a lack of trust and ineffective communication. What might seem to top managers like a bright future might seem to middle and frontline managers like a battle for survival and growth.

Expansion opportunities performance goals

Eight managers (three top managers, one middle manager and four frontline managers) agreed that expansion opportunities had been created during the period under review. Reasons provided for the expansion at SAEO related to the new fire detection section at SAEO and researching the markets (national and international) to determine whether their current products kept track with technological developments. The majority of top and frontline managers confirmed that expansion opportunities are possible at SAEO, while the majority of middle managers did not agree with this statement. One may ask whether this could be due to the same challenge as discussed previously. Top managers formulate plans for the future and for expansion, but do not necessarily involve all levels of management.

Productivity performance goals

Seven managers (two top, two middle and three frontline managers) confirmed that productivity at SAEO had been achieved during 2009/10-2010/11. However, six managers (two top, two middle and two frontline managers) disagreed and indicated that productivity goals had not been achieved. This percentage of confirmation from all levels of managers is very low and raises the question: Why were all managers not positive that productivity was as good as it should be? Reasons for low performance at SAEO were reported as follows: the administration system was technologically behind, and therefore did not report working hours of specifically technical employees, resulting in loss of working hours, staff leaving early and not working a full day's work. Furthermore, management was not 'firm' enough with staff regarding working hours: "We treat the symptoms, not the reasons for the behaviour." This evidence indicated that SAEO needs to address its formulation process to put processes and procedures in place for employees before starting a project. This revealed a strategy-to-performance gap at formulation in more than one section addressed in the question.

Staff knowledge performance goals

Ten managers (four top, two middle and four frontline managers) agreed that staff did not have the necessary knowledge to perform at SAEO during 2009/10-2010/11. The reasons for the skills and knowledge challenge were indicated as specific training

requirements for technical staff to install and maintain systems not being addressed. Although a training facility had been established at SAEO, training was not provided. The results again confirmed that SAEO needs to start with a strategic management process, formulation, implementation and evaluation to address this challenge. The implication is that as long as SAEO does not address formulation, the entire strategic management process will not be dynamic in nature, which will result in a performance gap. Igor Ansoff (1965), Nag *et al.* (2007), Mankins and Steele (2005) and Tait and Nienaber (2010) all confirmed that strategy is a dynamic process that needs to grow with an organisation.

Skills and attitude performance goals

Five managers (one top manager, one middle manager and three frontline managers) indicated that there was not a challenge at SAEO in terms of skills and attitude during the period 2009/10-2010/11. However, another five managers (one top and four middle managers) indicated that skills and attitude were not always good at SAEO. Skills were discussed in the previous questions. The reasons they gave for the dissatisfaction with attitude were related to bonuses not being paid in previous years, or only partially paid. SAEO seemed to have gone through a difficult time financially, and some managers commented that the 'bonus challenge' had been discussed with employees. However, all managers did not agree that the bonus challenges had been discussed with all employees. This was related to ineffective communication and inadequate trust between managers and employees which could have resulted in a strategy-to-performance gap.

The information provided above shows that a performance gap existed in SAEO. The next section attends to the factors responsible for the strategy implementation breakdown, contributing to the performance gap.

4.2.2 Factors influencing strategy implementation

This section covers strategy awareness, responsibility, tools used in shaping strategy, strategy formulation, implementation and evaluation that will indicate the importance, effectiveness and capacity of strategy at SAEO.

Strategy

Interviewees were probed about their awareness and understanding of the concept 'strategy', and whether SAEO had a strategy or not.

Awareness of strategy

Interviewees were generally aware of strategy and they indicated how they had heard about the term 'strategy'; what they understood it to mean and whether the organisation had a strategy. A definition of strategy was shared with the interviewees to establish the degree of shared understanding. Perceptions of formality of the strategy as well as who the main role players were in the process were also tested. The majority of managers confirmed that they knew the term 'strategy' because it had been dealt with at school as well as in their tertiary education and their employment. They had also become acquainted with it through email, books and from the CEO. The minority of managers indicated that the term was seen or used in books or at the workplace. This indicated that although the majority of managers had a fair idea of the meaning of the term 'strategy' and its real implication, a minority still lacked the knowledge that could be of value to SAEO.

What is strategy and did SAEO have a strategy?

All managers interviewed indicated that strategy is a plan or road map to achieve the goals set by the organisation. This definition concurs with the definitions that are found in the literature. The majority confirmed that a strategy existed at SAEO or that they had seen it, but did not work on it (three top managers). Top manager number two commented, "I was not aware of a strategy but believed that the newly appointed CEO will put a strategy in place shortly." The majority of middle managers indicated that SAEO did not have a strategy. Middle manager number five indicated that since the current CEO had taken over, a strategy had been put in place, and said, "I know about the strategy; a meeting was convened where the strategy was explained." Middle manager number four noted that "we have goals, but do not strategise properly"; middle manager number two indicated that "we might have a strategy; I have an idea of what needs to be done, it is just doing what is expected that is a challenge ... at this point I don't think we have a strategy". The minority of middle managers indicated that SAEO had a strategy, although they had not seen the

document. Most of the frontline managers expressed the view that SAEO had a strategy as they "have seen it". Frontline manager number three indicated, "I have seen it this year (2012), the strategy has been shown to us." Frontline manager number six said that "targets are set at the beginning of each year". The minority of frontline managers said they did not have a strategy neither had they seen the strategy document. Frontline manager number five commented, "I don't know if SAEO had a strategy over the past two years, but the past few months a strategy had been discussed at our quarterly meeting." As indicated by managers, most knew what strategy is but strategy was not discussed at all levels of SAEO and therefore the importance of strategy was not known to all. It was evident that the effectiveness of strategising needed to be enforced at SAEO to ensure that the value of formulation (plan), implementation (do) and evaluation (monitor) is understood at all levels. Understanding the process of strategy could lead to improved functioning of all strategy process and monitoring of projects at SAEO.

A definition of strategy was offered to the interviewees to ensure a shared understanding. Ansoff (1965) and Nag *et al.* (2007) explain that strategy is a tool or a vehicle to achieve an organisation's objectives in a changing environment by matching its internal and external environments, with a view to achieving the organisation's goals for financial gain, usually expressed as profit. Profit takes into account customer satisfaction and employee satisfaction.

Interviewees were then required to indicate whether the strategy process in their organisation was formal, informal, deliberate or emergent (developing) or a combination as indicated below. Their responses are reflected in Figure 4.7.

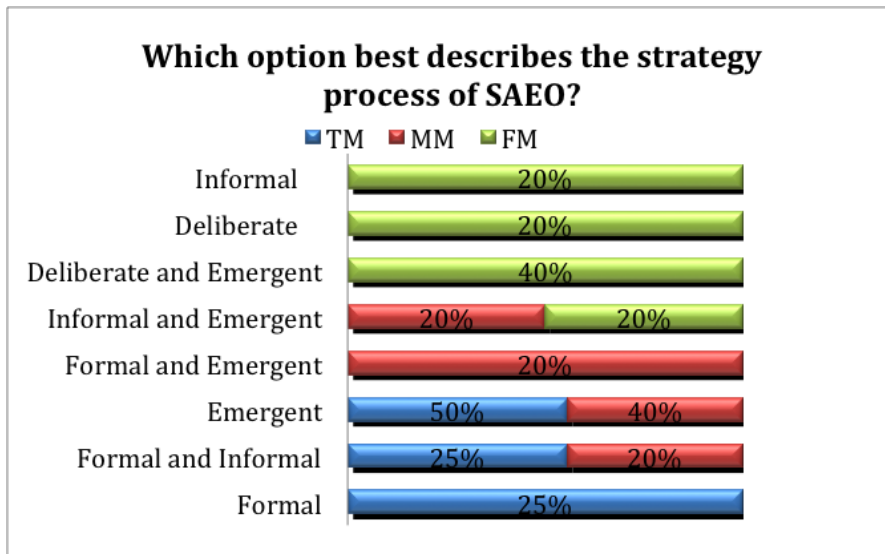


Figure 4.7: Which option that best describes the strategy process of your organisation

There was no agreement among managers at SAEO about which option best described the strategy process of SAEO. The descriptions "formal", "informal" and "emergent" dominated, while "deliberate" was only indicated by some frontline managers. This state of affairs is not uncommon as strategy evolves with changes in the environment.

Over a short period of time (3 years) three CEOs were responsible for SAEO. The third CEO was appointed only a few months before the study. All managers indicated that they had experienced changes and improvements of different degrees since the appointment of the new CEO. These managers believed that the CEO would improve the situation at SAEO and as such initiated the process of formulating a formal strategy for the organisation.

The utilisation of management tools in shaping strategy points to a formal process, rather than an informal one. The use of a formal process can be deliberate and/or emergent.

Responsibility for strategy

Interviewees differed in their response as to who was responsible for strategy at SAEO. The majority of top managers indicated that it would be the Executive Committee (EXCO), the Chief Executive Officer (CEO) and middle and frontline managers, whereas the minority of top managers indicated the Operations

Committee (OPCO), head office and middle and frontline managers. All middle managers indicated top management, followed by themselves (middle managers). An equal number of frontline managers indicated the CEO, head office, top, middle and frontline managers. Top management were divided in their response as per the question whether this person(s) 'lived (acted out) the strategy', as an equal number agreed and disagreed. Middle managers mostly agreed with this statement of top managers that the person responsible for strategy 'lived the strategy' (acted out the strategy) although a few middle managers disagreed with this statement. Generally, frontline managers agreed with the statement of top and middle managers that the person(s) responsible for strategy 'lived the strategy' while a few disagreed. However, some indicated that they had observed a change within the last few months since the appointment of the new CEO.

It is evident from the results that most managers agreed that all managers are responsible and mostly agreed to have also 'lived the strategy'. Everyone in the organisation needs to be involved with strategy to avoid a situation where changes made by the top structure cause the organisation to fall apart. Therefore, it is crucial for everyone in the organisation to be involved with strategy.

Tools used in shaping strategy

There are a number of tools that management can use to shape strategy. The interviewees were tested for their knowledge/awareness; understanding and usage of the six most popular tools indicated by the Bain and Company Survey (2011), namely benchmarking, vision and mission statements, strategic planning, customer relationship management, outsourcing and balanced scorecards. The interviewees were requested to indicate whether they had knowledge of the Bain and Company management's tools and whether SAEO used these tools to shape strategy. This resulted in the interviewees sharing their understanding and usage of these tools at SAEO. After the interviewees had provided their explanation of the tool(s) used at SAEO, the interviewer shared the definition to ensure a shared understanding. Thereafter interviewees were requested to indicate which of the tools were used at SAEO.

Management tools that managers indicated were used at SAEO are reflected in

Figure 4.8 below.

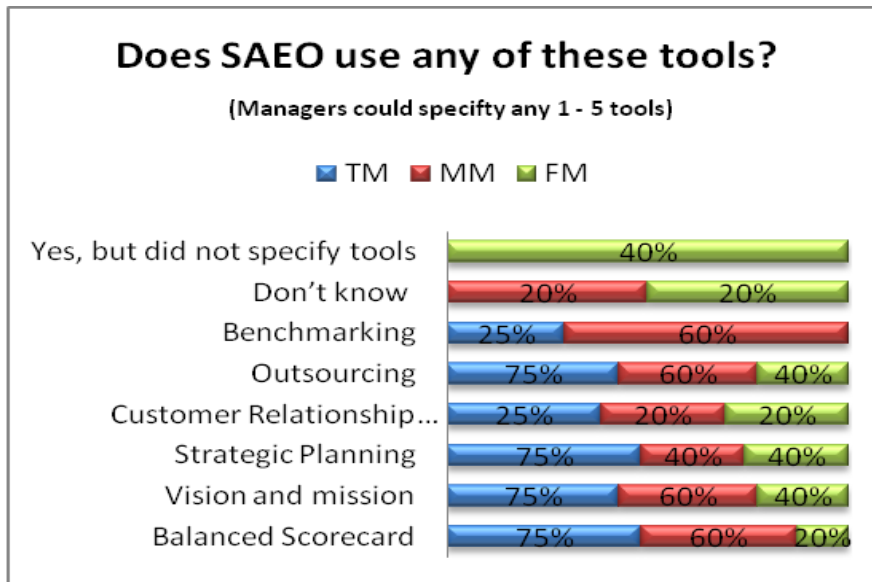


Figure 4.8: Management tools used at SAEO

Top managers mostly agreed on using outsourcing, strategic planning, vision and mission and a balanced scorecard and a few top managers confirmed benchmarking and customer relationship management. Middle managers mostly agreed with top managers that SAEO used the balanced scorecard, vision and mission, strategic planning, outsourcing and benchmarking, but to a higher degree than top managers. Frontline managers mostly agreed on outsourcing, strategic planning and vision and mission and to a lesser extent customer relationship management and a balanced scorecard. A minority of frontline managers did not know whether any of these tools were used and said that tools were used at SAEO but were not specific about which strategic management tools were used. The majority of responses were mixed with regard to the management tools used in shaping strategy. The majority of interviewees, at all levels, indicated that outsourcing and vision and mission statements were used, followed by the balanced scorecard and strategic planning. All of these management tools use the process of formulation, implementation and evaluation to a certain degree. It can be concluded that SAEO did use strategic management tools, although divided responses were given as to the number of tools used by SAEO. The following questions gave a clearer indication as to the use of these tools and the degree of satisfaction it entailed.

Strategy formulation, implementation and evaluation

Strategic management consists of three interrelated phases: formulation, implementation and evaluation. Interviewees were asked to indicate which of the three phases of the strategy management model are more important (if any) in driving the performance/results/success of SAEO. Their responses are graphically represented in Figure 4.9.

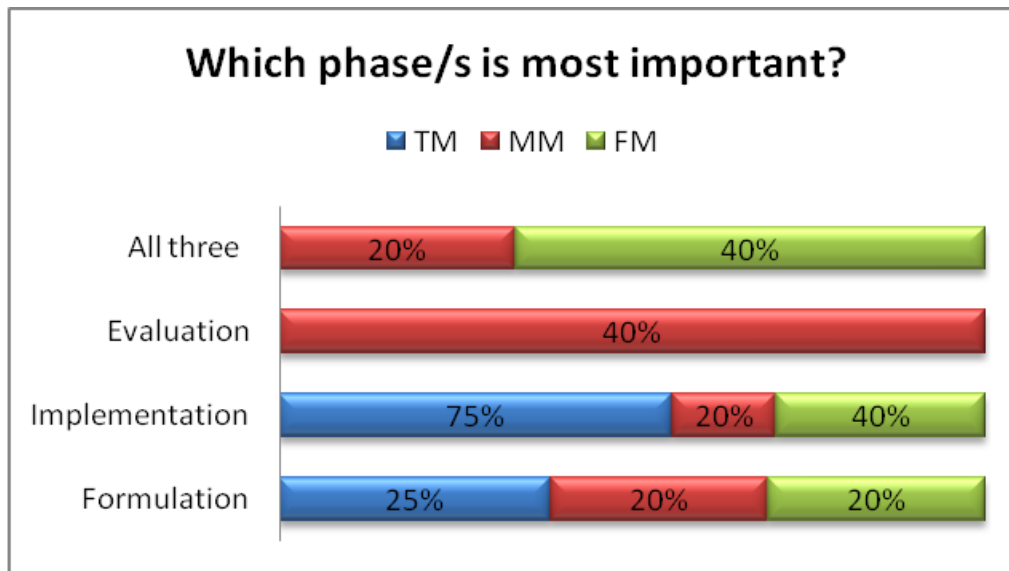


Figure 4.9: Strategic management phases

The majority of top managers indicated that strategy implementation is the most important phase of the strategic management process whereas the majority of middle managers indicated that evaluation is the most important. The majority of frontline managers confirmed that all three phases of the strategic management process are important. This indicates that the majority of managers regarded the strategy implementation process as being the most important, followed by evaluation and then all three phases. Management need to formulate their strategies first before they can implement them, but the results indicate that at SAEO managers were not even sure where to begin.

Management's responses to the effectiveness of SAEO in carrying out the different phases of the strategic management process are reflected in Table 4.4 below.

Table 4.4: Effectiveness of SAEO

QUESTION	Top Managers	Middle Managers	Frontline Managers
Shaping strategy in total			
* Effective		2	4
* Not effective	2	3	
Formulating strategy			
* Effective	1	3	3
* Not effective	3	2	1
Implementing strategy			
* Effective	1	2	3
* Not effective	1	3	
Evaluating strategy			
* Not effective	3	4	2

Generally, top and middle managers responded negatively regarding SAEO's ability to shape strategy, while frontline manager's' responses were positive. According to top management, the formulation and evaluation of strategy were not seen as being effective. Given the integrated nature of strategy, ineffective formulation can have a knock-on effect in implementation and evaluation. All the middle managers indicated that evaluation was not effective. Evaluation, according to these managers, is also the most important part of the strategy process, since it indicates how effective one's strategy formulation and implementation phases were in achieving the ultimate results. If this evaluation phase is not carried out according to specific requirements and procedures, incorrect measurement of achievements may occur.

Managers were requested to indicate the organisation's ability to formulate and implement strategy according to a number of alternatives, as indicated in Table 4.5.

Table 4.5: SAEO's ability to formulate and implement strategy

Question	Top Managers	Middle Managers	Frontline Managers
Above average at formulation BUT average at implementation	1	1	
Average at strategy formulation BUT	1	2	

below average at implementation			
Average at BOTH strategy formulation and implementation	1	1	1
Above average at formulation BUT below average at implementation			2
Below average at BOTH strategy formulation and implementation	1	1	
Below average at formulation BUT average at implementation			2
TOTAL	4	5	5

Top management had different views on their ability to formulate and implement strategy, although they confirmed that SAEO's ability to formulate and implement strategy is not what it should be, therefore the disagreement. The majority of middle management indicated "average at strategy formulation BUT below average at implementation". The majority of frontline managers agreed on "above average at formulaton BUT below average at implementation". This indicates a real strategy-to-performance gap at SAEO due to managers' inability to agree on SAEO's ability to formulate and implement strategy, although the results indicate that some managers believed the process to be effective. The majority of top and middle managers could not confirm this statement.

Responsibility to communicate strategy to all levels in the organisation to ensure a shared understanding

The majority of managers, irrespective of hierarchical level, were of the opinion that strategy was not communicated to the all levels of the organisation. This response corresponded to their earlier views that they were not aware of the strategy in the organisation. The implication is that performance may be adversely affected, which is consistent with their responses regarding the performance of the organisation whether in terms of sales targets, Rand value or customer expectations, which all could improve.

The lack of communication should be seen against the backdrop of the short tenure of CEOs in the period under review, and the new CEO who had changed the strategy. However, the replacement of CEOs can be interpreted as Head Office's effort to improve the performance of its Strategic Business Unit (SBU), which is

consistent with the performance reported in annual reports. Strategy is the vehicle that ensures that the organisation achieves its goals, which is necessary for successful performance. As such, strategy is the responsibility of every employee in the organisation. Hence every employee in the organisation must be knowledgeable about the strategy, which necessitates communication (Tait & Nienaber, 2010).

Awareness of vision, mission and goals of SAEO

All interviewees, except one frontline manager, confirmed that they were aware of SAEO's vision, mission and goals. Vision, mission, goals (and values) provide direction and indicate the priorities of an organisation, which ensures unified motion towards goal achievement. Should a conflict arise, everybody should know and act in accordance with the direction and priorities.

Expectations in terms of strategy implementation

All except one middle manager and two frontline managers indicated that they knew what was required or expected of them in implementing strategy. It should be noted, however, that this response is in contrast with earlier responses that strategy was not communicated and uncertainty surrounded the strategy of the organisation. However, they were divided in their response as to whether other staff knew what was expected of them with regard to implementing strategy. Uncertainty as to what is expected of employees in terms of strategy implementation may hamper the successful performance of the organisation.

Accountability in implementing strategy implementation

All except one top manager, one middle manager and one frontline manager indicated that they were aware of the nature of their accountability in implementing strategy at SAEO. This response is partially consistent with their responses to whether they knew what was expected of them in implementing strategy. The majority of all managers believed that employees at SAEO did not know what they were accountable for. In comparing this question to the questions regarding demographics, it was evident that managers mostly had the required skills and capabilities to implement strategy. However, in the previous question when managers were asked to indicate how they felt about SAEO's performance in terms

of knowledge and skills, 10 of the managers commented that employees did not have the relevant knowledge and skills to implement strategy. Managers are responsible for communicating strategy, but also for ensuring that employees are trained to implement strategy effectively. Managing is an action that relies on an intuitive response, but also a science that is primarily responsible for creating and maintaining competitive advantage. Therefore science underpins management, resulting in correct and relevant knowledge and skills which is critical in mastering management in theory and practice (Nienaber, 2007).

Access to resources to implement strategy

Interviewees generally indicated that they had access to resources (time, talent, money, equipment, tools, systems, processes, skills and knowledge, motivation and attitude) to implement strategy. However, some top managers indicated that time and motivation were challenges. Managers indicated that the rest of the employees had access to time, talent, money, equipment tools, systems, processes and motivation but less access to skills, knowledge and attitude. It is evident from the results that managers believed that they needed to improve the employees' motivation levels by spending quality time with employees at the office and addressing skills and knowledge challenges through the relevant in-house training, which would directly influence the employees' attitude. Nienaber (2007) claims that employee performance is at the core of achieving the purpose of the organisation; hence customers should ultimately judge performance. Nienaber (2007) also emphasises that South African employees lack the ability to perform, which relates to the unavailability of skilled labour. Therefore organisations should introduce appropriate in-house training and development programmes. SAEO did indeed institute an in-house training facility but at the time of the interviews it had not been used for the past three years.

Constraints in implementing strategy at SAEO

Interviewees were requested to list the number of constraints they believed to have had an influence on the strategy implementation process at SAEO. Managers could give any number of constraints with explanations of what resulted in these constraints. For ease of reference, the responses of the interviewees regarding the

major constraints in implementing strategy are reflected in Table 4.6 below.

Table 4.6: Major constraints in implementing strategy

Response	Top Managers	Middle Managers	Frontline Managers
Money	1	1	2
More employees	1	1	
Understanding of strategy	2	1	
Knowledge and skills	3	2	4
Attitude	1	3	1
Processes		2	
Orders	1	1	
Time (Productivity)	1		
Need bigger client base	1	1	
Marketing / Branding	1	1	
Rewards / Increases		1	1
Communications		1	
Motivation	1	1	2
Customer relationship management	1		
Arranging training			1

The interviewees were divided in their response as to the major constraints to strategy implementation. Overall knowledge and skills were identified as major constraints. This is contrary to the previous response relating to access of resources, specifically to knowledge and skills, although managers did indicate that other employees had less access to skills and knowledge. However, given the demographic profile of the interviewees, in particular their qualifications, it is plausible that knowledge and skills could be a challenge. Middle management indicated that attitude was the major constraint in the evaluation of strategy. This is consistent with their previous response – although they indicated a positive attitude there was room for improvement.

Managers were requested to indicate whether they had access to the required skills and/or capabilities to formulate/implement/evaluate strategy and to provide reasons for their answers (Figure 4.10).

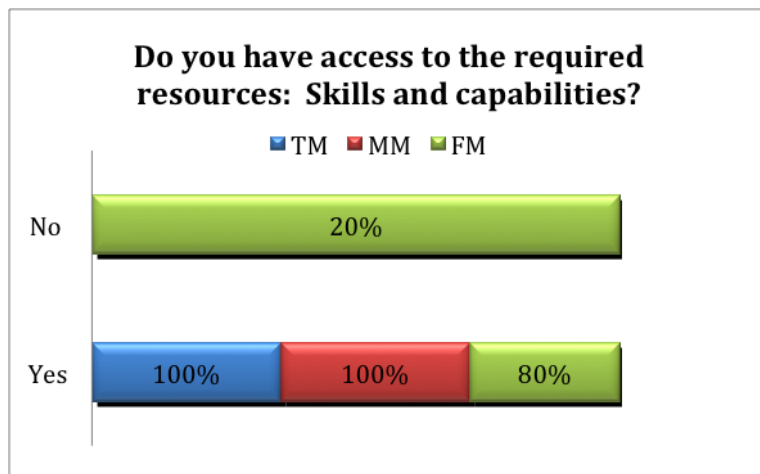


Figure 4.10: Managers' response to access to the required skills and capabilities

With regard to skills and capabilities, the majority of the managers believed that they had access to the required skills. It is, however, noteworthy that managers indicated in the previous questions that skills and knowledge were the biggest constraints at SAE0; this also applied to access to resources. The two answers that were provided contradicted each other; however, it could be due to the challenges discussed above. This question could have elicited a different answer due to the fact that there were some slight changes with regard to 'skills and knowledge' and 'know asking skills and capabilities'. From the interviews it was clear that although all employees might not have the required skills and knowledge, most employees (technicians) have the required capabilities to do their work due to relevant experience and knowledge of the field in which they are working.

Managers were required to distinguish whether they believed they had access to the required resources and whether they believed that other employees had access to the required resources.

The resources were divided into time, talent, money, equipment, tools, systems, processes, skills and knowledge, motivation and attitude. The results indicated that managers believed they had more access to all the resources although they faced challenges with regard to time, talent, money, motivation and attitude. The reasons provided were that training had been stopped because there were no funds. This directly brought about a challenge in terms of skills and knowledge although it was not indicated in this question but in previous questions. This ultimately resulted in a

lack of motivation which influenced the employees' attitude towards performance. Employees were slack at doing jobs, left early after a job was done and abused organisational resources for their own benefits, such as using the organisation's vehicles at weekends for private purposes.

Whether managers believed that other employees had access to the required resources

Managers indicated that the rest of the employees had access to all resources but faced challenges with regard to skills and knowledge, motivation and attitude. Managers believed that employees' lack of skills and knowledge had a direct impact on their performance, resulting in a lack of motivation and ultimately attitude. It was evident that these challenges can be addressed if the necessary assistance is given to employees, especially the technical employees who seemed to need specific product and installation training to serve customers. Nienaber (2007) indicated that it is possible that employees are not empowered to perform, which results in a lack of recognition and rewards for their contributions. Hence, the challenge of not providing adequate training could result in a lack and motivation and attitude towards goal achievement.

Consequences of failure to implement strategy

Top managers were divided in their opinion on whether there were consequences for failure to implement strategy, while the majority of middle and frontline managers believed that there were consequences for failing to implement strategy. Top management indicated that due to daily pressures they mostly oversee things to keep customers happy; all employees do not have key performance indicators (KPIs) to be measured on (top manager number three and middle manager number three). Top management indicated that employees cannot be disciplined if they do not have the relevant skills and if there is no formal plan in place to monitor performance; therefore there were not always consequences for individuals who failed to implement strategy. However, middle and frontline managers mostly agreed that there were indeed consequences for employees who did not implement strategy. The minority of middle and frontline managers disagreed with the statement and indicated that "warnings and further steps" are not always implemented when necessary, and

sometimes there are no consequences. However, if management does act against one person, the rest of the employees also responsible for a specific task were not taken to task and believed "that staff was not reprimanded as they should have been".

The managers who confirmed that there are significant consequences said that "if staff members do not perform they will not be promoted but will be demoted and this has happened in the past" (three managers confirmed); "... for every action there is a consequence or reaction" (middle managers one and two). "If employees do not perform they will not be rewarded with a yearly increases or bonuses." "Employees will get bonuses and yearly increases depending on their performance during the year should SAEO make enough profit to do so"; "SAEO is penalised by customers if they do not deliver" (frontline manager number two). From the results it is evident that managers strongly believed that drastic measures would be taken and implemented should they not deliver (one top, two middle and three frontline managers) although there was a perception among a small number of managers that not enough was being done to take the necessary steps against employees who do not perform (two top, two middle and one frontline manager).

The view that there are no consequences for failure to implement strategy is consistent with previous studies (Mankins & Steele, 2005; Tait & Nienaber, 2010). The Mankins and Steele study indicated that a 3% loss was due to no consequences and Tait and Nienaber (2010) strongly agreed with Mankins and Steele (2005). This phenomenon has been reconfirmed in this study. Nienaber (2007) argues that employees are the most precious resource in creating value and wealth for an organisation. That may suggest that managers concentrate on 'doing things right' and not 'doing the right things'. Employees should be productive in order to enhance the organisation's survival and growth and should not jeopardise its processes and systems, thus causing failure to implement strategy.

Rewards for implementing strategy

The majority of top managers were of the opinion that there were no rewards for strategy implementation. This view was supported by all frontline managers, while middle managers were divided on whether or not there were rewards for strategy

implementation. Reasons advanced for their positions, according to some managers, were that SAEO does not have a monitoring system to monitor employees and rate their performance effectively (two top and three middle managers). This response regarding the absence of a monitoring system corresponded to the responses of top and middle managers who commented that SAEO was not effective in evaluating the strategy. Nevertheless, interviewees generally acknowledged that partial bonuses were paid (three top, three middle and one frontline manager), but it appeared to be for performances achieved in a previous period. However, partial bonuses were not seen to recognise and reward employees fairly, which also strained relations among employees (one top and four middle managers).

Job security was also offered as a means of rewarding employees for implementing strategy (two top and two middle managers). The results as per the tenure of employees (Table 4.1) indicated that most employees at SAEO were employed longer than the average 3.5 years. Incentives (one top, one middle and two frontline managers) are another means of rewarding employees for implementing strategy. This was the case, specifically in terms of employees acquiring new business for the organisation and technical employees for putting in extra work and delivering good services. Lack of recognition due to not being empowered with resources, skills and knowledge, capital and management buy-in is consistent with previous research (Mankins & Steele, 2005; Tait & Nienaber, 2010). Nienaber (2007) reported that according to management literature reviewed, employee performance is at the core of achieving the goals of an organisation, indicating that satisfied employees will deliver better services, resulting in higher profits, due to better performance in all areas for which they are responsible.

Organisational impediments in implementing strategy

Interviewees generally agreed that there were organisational impediments in implementing strategy, with silos and culture cited as the main ones. However, one top manager (top manager number two) was not convinced of organisational impediments to strategy implementation: "You will always have organisational impediments, but SAEO measures it on a regular basis" (top manager number six). One middle manager and one frontline manager noted that their teams did not work together before. They had experienced a challenge between the teams in the past

but they were steered away from it (middle managers number four and frontline manager number two). The teams worked together (three top, one middle and three frontline managers). This indicates that most managers believed that there had been a challenge in the past but over the past few months the challenge had been addressed and changes had been made; SAEO was in the process of being changed. This appeared to be a significant improvement for SAEO because teams must work together to avoid silos and culture differences. Mankins and Steele (2005) indicated that 3.7% of their study revealed performance loss due to organisational silos and culture-blocking execution. These results indicate that such differences could lead to loss of income of an organisation and might also have long-term effects in terms of future growth.

Strategy processes, systems and procedures

During the interview it became evident that all managers did not understand the difference between processes and systems and processes and procedures. After the differences were clarified, interviewees generally agreed that SAEO had processes, systems and procedures in place to monitor performance, though top management indicated that these were ineffective. These responses are contrary to earlier responses in connection with availability of resources. In the previous questions regarding access to resources managers indicated that they had access to processes and systems. It can only be speculated whether managers understood the previous questions and answered the questions in terms of knowledge about systems and processes. The challenge could have arisen where these questions referred to processes, procedures and systems. These questions required management to name the systems, processes and procedures they used at SAEO and that seemed to confuse managers. This response is consistent with those noted in previous studies (Mankins & Steele, 2005; Tait & Nienaber, 2010).

Environmental monitoring

Interviewees were divided in their responses as to the availability of systems and processes to monitor the environment with a view to adjusting strategy, with the majority of middle and frontline managers viewing these as being absent. This response is consistent with earlier responses on the lack of evaluation. The top

managers indicated that although SAEO had all the systems and processes in place to monitor the environment, all systems and processes had not necessarily been approved as a formal process or systems during 2009/10-2010/11.

Figure 4.11 reflects the responses to the question: When strategy breaks down does SAEO have clear processes to swiftly take corrective action?

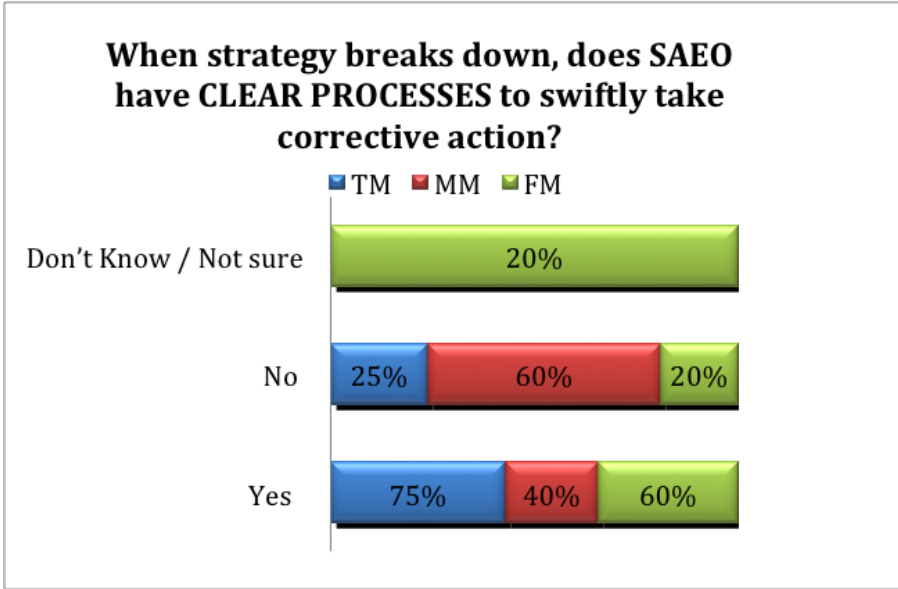


Figure 4.11: Clear process to take corrective action

The majority of top and frontline managers confirmed that SAEO had clear processes in place to swiftly take corrective action when strategy breaks down, while the majority of middle managers disagreed. Managers supporting the view that environmental monitoring processes and systems were in place substantiated their views with comments such as, "We look at a situation and take corrective actions as required" (three top, one middle and four frontline managers); "... depends on the manager in charge and the challenge we have to deal with" (top manager number two); "... depending on the process and the product" (middle manager number five); "There was no direction for our organisation, we don't foresee challenges, we just fix them when the challenge arises" (two middle managers). These responses are indicative of the ineffectiveness of the current processes and systems. It is noteworthy that in the previous question on how effective SAEO was at strategy evaluation, the majority of managers indicated that strategy evaluation was not effective at SAEO. The question on which part of the strategy process (formulation,

implementation and/or evaluation) is most important, the majority of middle managers indicated that evaluation is important although top management confirmed implementation and frontline managers all three processes.

Factors to blame when strategy breaks down

Factors that were deemed responsible for the breakdown in strategy implementation are reflected in Figure 4.12 below.

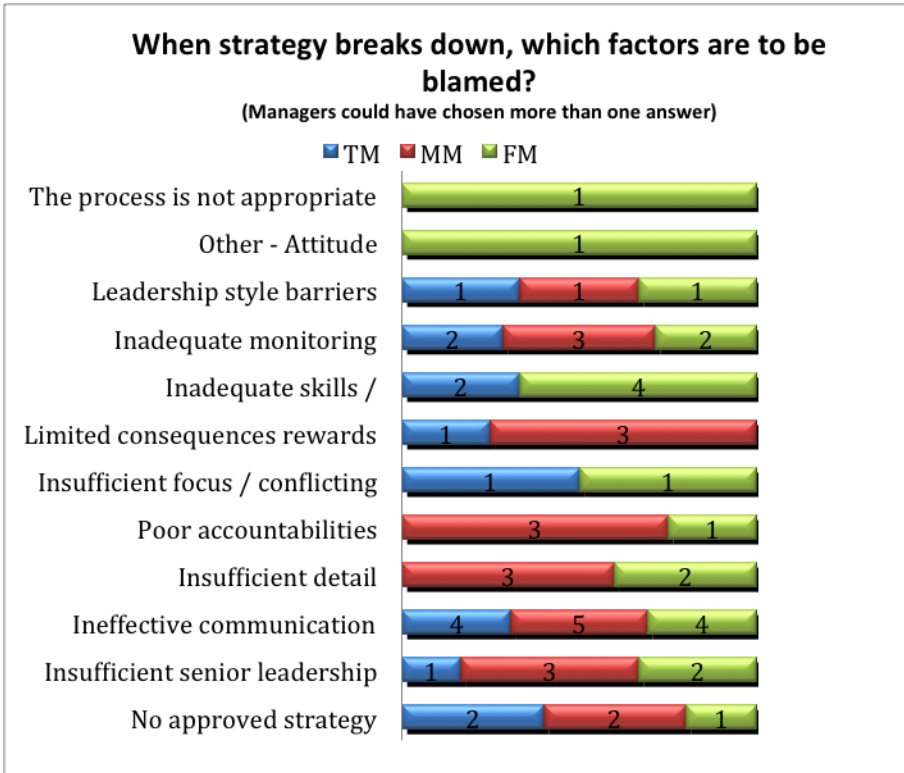


Figure 4.12: Factors to blame when strategy breaks down

The different levels of management rated the factors responsible for strategy breakdown differently. However, the majority of all managers (four top, five middle and four frontline managers) indicated that ineffective communication was the most important factor responsible for strategy breakdown. This was followed by inadequate monitoring (two top, three middle and two frontline managers), then by insufficient leadership commitment (one top, three middle and two frontline managers) and no approved strategy (two top, two middle and one frontline manager). These responses are consistent with their earlier responses to poor communication, monitoring and leadership (regular replacement of CEOs) and no

strategy in the organisation. When comparing the results of the Mankins and Steele (2005) and Tait and Nienaber (2010) studies with this study it is evident that most of the challenges experienced correspond; however, the ranking order of the factors to be blamed for the strategy breakdown differed.

Why these barriers exist

The interviewees were not unanimous in their responses; however, all indicated poor management (again confirming the need for management training and education) and poor communication as the reasons for the barriers to strategy shaping. In addition, these responses correspond with the results from the previous responses to particularly the factors to blame for strategy breakdown and the barriers to strategy formulation, implementation and evaluation. These results are consistent with those of the studies by Mankins and Steele (2005) and Tait and Nienaber (2010).

The stages at which these barriers (formulation, implementation and/or evaluation) originate are reflected in Figure 4.12.

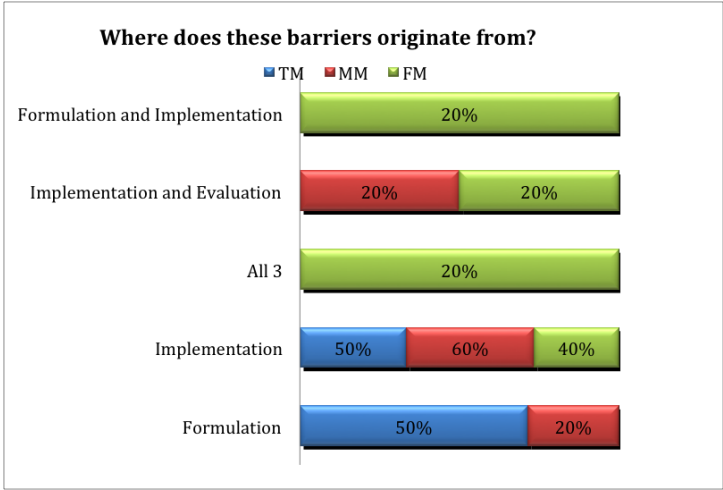


Figure 4.13: Where do these barriers originate from?

The interviewees' responses differed. Generally managers at all levels indicated the implementation phase as the source of the breakdown, which seems odd in view of the reasons cited for the breakdown, namely ineffective communication, inadequate monitoring, insufficient leadership and no approved strategy. Communication and leadership are present in all three phases, while monitoring forms part of evaluation and no approved strategy falls within the formulation phase. Hence, one could have expected more responses indicating all three phases, as well as formulation and evaluation, rather than implementation. This raises the question as to whether these interviewees were predisposed to an implementation focus, which would be consistent with their general view expressed previously that the implementation phase is more important in securing (good) performance. Only top managers were of the opinion that implementation is the most important phase in the strategic management process, with frontline managers mostly indicating that all three phases are equally important and middle managers mostly agreeing that evaluation is the most important phase of the process. This study cannot confirm the reasons for the managers' differences in opinion regarding these phases. It is, however, important to note that top managers agreed overall that implementation is the most important phase of the process but they also confirmed that formulation and implementation are responsible for the strategy breakdown. Middle managers believed that accordingly, evaluation is the most important phase of the strategic management process and mostly agreed that the breakdown starts at the implementation phase. Frontline managers, however, indicated overall that all three phases of the strategic management process are important but also noted overall that the majority of breakdown takes place at implementation. This confirms that all managers believed that the strategy breakdown at SAEO happened at the implementation phase.

In this section a number of factors that influence strategy implementation were mentioned. The majority of these factors (ineffective communication, inadequate monitoring, insufficient leadership and no approved strategy) hindered strategy implementation at SAEO. The next section attends to actions that SAEO can take to facilitate strategy implementation.

4.2.3 Improvements to minimise or close performance gap(s)

Improvements that can be effected to minimise, if not close, the strategy-to-performance gap at SAEO can enhance the performance of the organisation through certain corrective actions. A list of such actions was provided to the interviewees, and they were requested to identify and rank the five most important actions which would minimise if not close the performance gap (Figure 4.14).

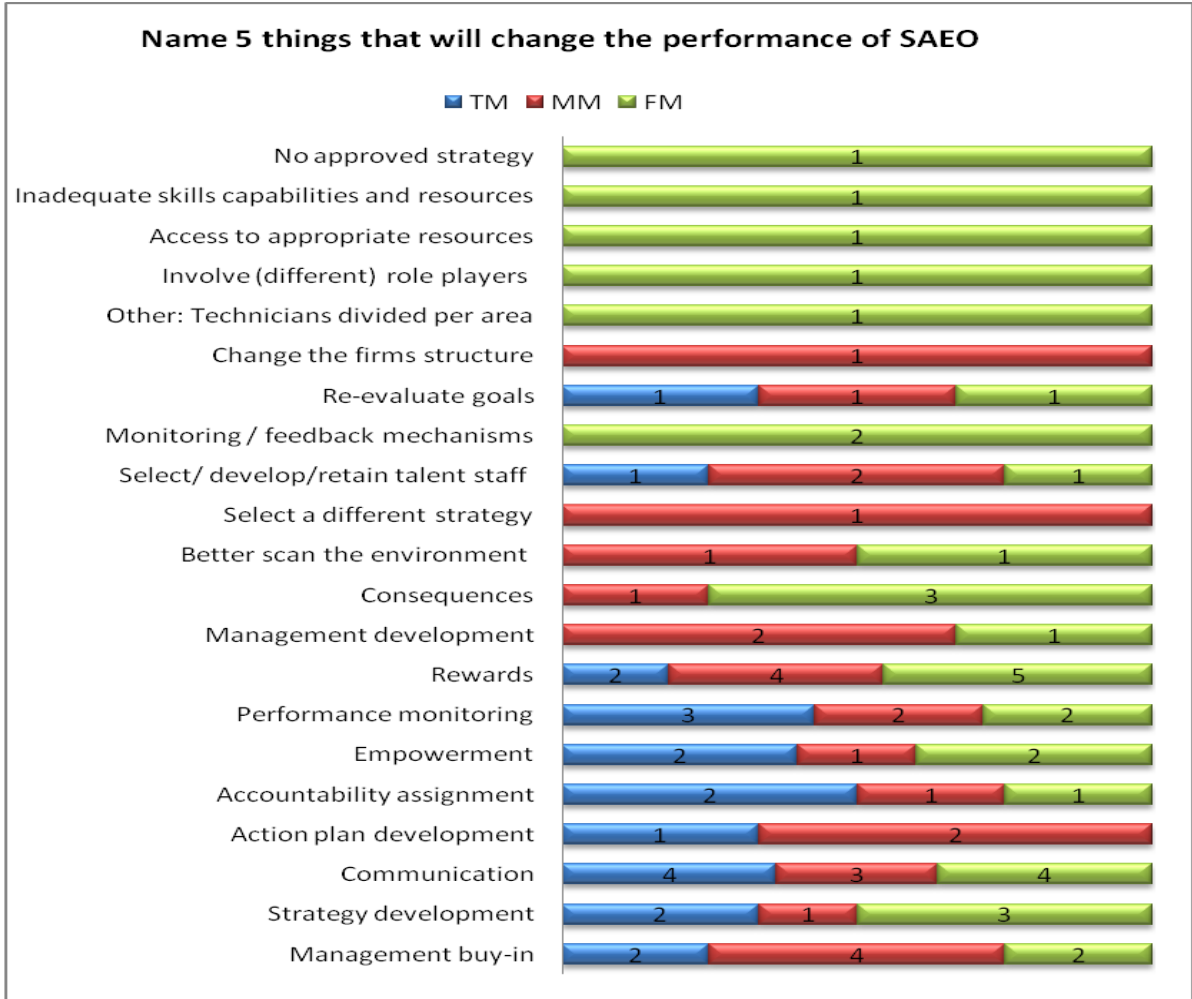


Figure 4.14: Five things that will change the performance at SAEO

Interviewees were not unanimous in their responses. Overall, communication and rewards were deemed to be the factors that would have the most significant impact on strategy implementation, followed by management buy-in, then performance monitoring and lastly strategy development. Again, it is observed that the perceived improvement in strategy implementation does not correspond entirely with the interviewees' responses to the breakdown in strategy implementation. Rewards and

management buy-in were not high on the list of barriers causing the failure to implement strategy.

Figure 4.15 reflects the interviewees' responses to the question: If these corrective actions were taken how much would performance improve?

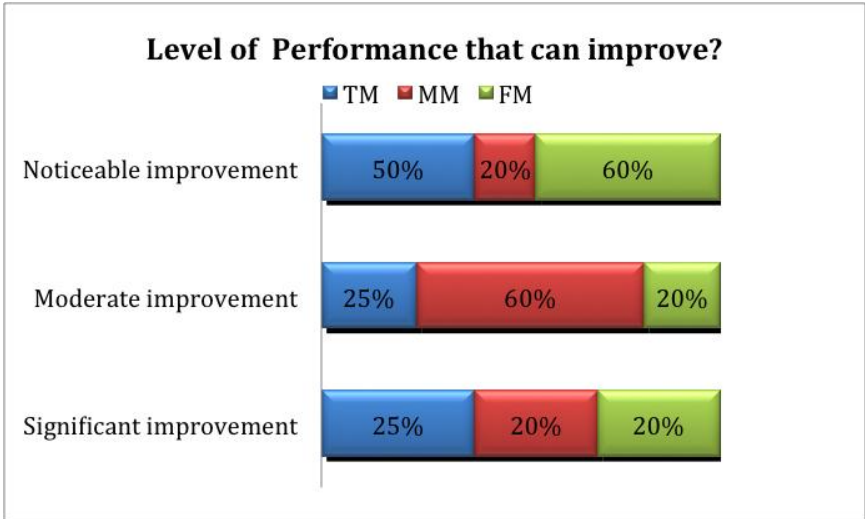


Figure 4.15: Performance improvements

The majority of top and frontline managers indicated that should these improvements as indicated in Figure 4.15 be effected a noticeable improvement (10%-25% increase in annual after-tax profits) should be achieved, while the majority of middle managers indicated a moderate improvement (25%-50% increase in annual after-tax profits). Middle managers seemed to be more optimistic about performance improvements than top and frontline managers. Both Mankins and Steele (2005) and Tait and Nienaber (2010) found that a noticeable to moderate improvement would be achieved should the organisation make the necessary changes. These findings correspond to the findings of this study.

This section identified improvements that can be effected to minimise, if not close, the strategy-to-performance gap. Improvements include effective communication, rewards and management buy-in to alleviate the challenges of ineffective communication and monitoring, insufficient leadership and no approved strategy, which were highlighted as the reasons for the strategy-to-performance breakdown at SAEO. The next section concludes this chapter.

4.3 CONCLUSIONS

The purpose of this chapter was to present the results and findings of the study. It was evident from the profile of the organisation that performance was less than optimal and it was consequently deemed that a strategy-formulation-implementation-performance gap existed in the case of the organisation studied. Interviewees differed in their views as to the existence of a strategy in the organisation as well as their participation in shaping strategy. Generally, the strategy process was viewed as informal and emergent. Implementation was commonly seen as the most important phase in the strategy-shaping process. Effectiveness of the managers' ability to implement strategy was evident although their ability to evaluate strategy was indicated to be a challenge at SAEO. Poor communication, inadequate monitoring, insufficient leadership and no approved strategy were mentioned as the factors to be blamed for the strategy implementation breakdown. The reasons advanced for the existence of these breakdown factors were poor management and poor communication, while the implementation process of the strategy shaping was specified as the source of these barriers. The five most important actions that could be taken to significantly improve strategy implementation were stated as communication, rewards, management buy-in, performance monitoring and strategy development. Should these actions be taken performance would improve with noticeable to moderate results.

It was observed that a variety of responses did not correspond entirely, for example the existence of a strategy, participation in strategy shaping, barriers to effective strategy implementation and consequent corrective actions.

The results and findings of the study mostly correspond to those of Mankins and Steele (2005) and Tait and Nienaber (2010), although the factors responsible for the strategy breakdown and the corrective actions to be implemented differed in the ranking orders.

Conclusions and recommendations are covered in Chapter 5.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

Strategy is the tool that ensures organisational performance by matching its internal resources with conditions in the external environment with a view to financial gain. Should there be a breakdown in the strategy, financial performance suffers, ultimately. This being said, the literature is equally clear that organisations could expect a gap between planned and realised performance, despite any strategy process applied in the organisation. This performance gap can be expected owing to, amongst other things, the dynamic environment in which organisations operate and the complexity of strategy. Even so, this gap can be minimised by the diligent application of an appropriate strategic management process as manifested in a tool, which continually shapes the strategy of an organisation, with a view to minimising the performance gap.

The incidence of a performance gap prompted a number of studies over a long period, by various researchers from different viewpoints, mainly in developed economies. These studies, despite their limitations, have contributed to knowledge and understanding of the performance gap phenomenon. However, a conclusive answer to the performance gap phenomenon seems elusive. Conclusions of previous strategy-performance gap studies are divergent, highlighting the complexity of the strategy-performance debate.

Consequently, this study set out to explore the strategy-formulation-implementation-performance gap by employing a qualitative case study. Top, middle and frontline managers of a South African electronics organisation (SAEO) were interviewed to establish their perceptions on variables affecting the performance of the organisation, with a view to understanding the strategy-performance gap in this organisation. The research design and methodology are consistent with the exploratory nature of the study. This study attempted to contribute to an understanding of the strategy-to-

performance gap by replicating and extending the studies of Mankins and Steel (2005) and that of Tait and Nienaber (2010).

5.2 THE PERFORMANCE GAP, REASONS FOR THE GAP AND CORRECTIVE ACTION

Top, middle and frontline managers at the SAEO concurred that the organisation experienced a performance gap in the 2009 – 2010 financial years, because financial goals were not achieved. The reasons advanced for the non-attainment of financial goals included the economic slowdown and increased competition from imported products. However, all the interviewees acknowledged that the financial performance of the organisation could improve, despite the economic slowdown and increased competition from imports. They all concurred that the future financial results, when compared to the results under review 2009 – 2010 (the latest available financial results at the time when the study was conducted), should they take the actions required to be described as excellent in strategy implementation, would lead to either nominally or moderately improved results. In checking the latest Annual Report (2011 and 2012) it seems as if performance has indeed improved, albeit marginally (see Table 5.1 below), despite the continued weak economic conditions and persistent competition from imports. Given the unchanged business conditions, it can be inferred that the actions taken to correct strategy implementation have paid off.

Table 5.1: SAEO Revenue and operating profit for the period 2009-2012

YEAR	REVENUE	OPERATING PROFIT
2009 (due to large projects from 2008).	Increased by more than 40%	Increased by just less than 60%
2010	Decreased by 30%	Decreased by more than 60%
2011	Decreased by over 10%	Decreased by over 15%
2012	Increased by over 20%	Decreased by over 15%

The information in Table 5.1 above shows that the financial performance of SAEO deteriorated in the period under review. The interviewees indicated that a

performance gap was experienced, which could be indicated by the declining financial performance.

The managers at the different hierarchical levels of the organisation differed in their views on what factors were to blame for the breakdown in strategy implementation. However, the majority of interviewees, irrespective of managerial level, indicated that the most significant factor contributing to the strategy implementation breakdown in this organisation was ineffective communication, followed by inadequate monitoring, then insufficient leadership commitment and no approved strategy. This finding is consistent with those from previous studies, especially that of Mankins and Steel (2005) and Tait and Nienaber (2010). In addition, these responses were consistent with their earlier responses in connection with matters related to communication, monitoring, leadership and strategy, alluding to the trustworthiness of responses of interviewees. These factors can be classified according to all three phases of the strategy shaping process. While inadequate monitoring forms part of the evaluation phase, strategy approval can be regarded as being part of the formulation phase, and communication and leadership can be considered as being present during all three phases. Hence, these responses show that all phases of the strategy shaping process matter. This finding corresponds with the findings from especially the Tait and Nienaber (2010) and Hrebiniak (2006) studies. In addition these responses indicate that the formulation and evaluation phases of the strategy process are perhaps more important than the advocated implementation phase.

The reasons advanced for the breakdown in strategy implementation in this study corresponded to those found in the Mankins and Steele (2005) as well as the Tait and Nienaber (2010) studies, though the specific order differed, while insufficient leadership commitment corresponded to the study conducted by Jooste and Fourie (2009).

The interviewees were not unanimous in their views on the factors that would have the greatest impact on effective strategy implementation. However, the majority of all managers on all hierarchical levels indicated that improvement in communication would be the most significant factor in improving strategy implementation, then rewards, followed by management buy-in and thereafter performance monitoring. His finding is consistent with that of Mankins and Steel (2005), Tait and Nienaber (2010),

Hrebiniak (2006), Cocks (2010) and Crittenden and Crittenden (2008).

It is observed that the perceived factors that would result in an improvement in effective strategy implementation are not entirely consistent with the responses offered by the interviewees as to the factors responsible for the breakdown in strategy implementation. This finding is also consistent with those of Mankins and Steele (2005), Tait and Nienaber (2010). Nevertheless, these factors can also be categorised according to the three phases of the strategy-shaping process. Rewards and performance monitoring are deemed to form part of the evaluation phase, management buy-in constitutes part of the formulation phase and communication is present at all three stages. Again the remedies proposed by the interviewees to ensure effective strategy implementation highlight the importance of the strategy formulation and evaluation phases, rather than the purported implementation phase, underscoring the importance of the integrated nature of the process.

The reported perceptions of interviewees are indicative that all three phases in the strategy-shaping process mattered, whether or not they acknowledged it as such, underscoring the integrated nature of the strategy-shaping process. The management tools used in shaping strategy, as reported by these interviewees, encapsulate the integrated nature of strategy formulation, implementation and evaluation. Hence, the reasons advanced for the breakdown of and the improvement in effective strategy implementation seem odd (they indicated implementation). Therefore, it is concluded that these tools might not be optimally used or their translation may be ineffective. Consequently, more attention could be concentrated on the integrated nature of strategic management, which may be at the heart of the strategy-performance gap. This observation in itself may also be indicative of the complexity of the subject at hand, which is compounded by perceptions – which need not correspond with reality.

This study relates to previous strategy-performance gap studies and confirms their findings in the following ways:

- The strategy-to-performance gap is real (Mankins & Steele 2005; Tait & Nienaber, 2010).

- The entire strategic management process matters if the strategy-to-performance gap needs to be closed (Finnegan, Crespi & Hernandez 1998; Pearce & Robinson 2009; Porter 1996; Tait & Nienaber 2010; Wery and Waco 2004).
- Leadership, especially the CEO, plays an important role in the strategy-performance gap phenomenon (Jooste & Fourie, 2009; Nienaber, 2004).
- Rewards and motivation are a requirement to keep employees motivated. Employees are the most precious resource in creating value and wealth for an organisation (Nienaber, 2007).

The contribution of this study is that it adds the following to existing knowledge about this problem:

- These gaps corresponded with those identified by Mankins and Steele (2005) as well as Tait and Nienaber (2010), although the order differed.
- The most significant contributors to the strategy-performance gap are ineffective communication, inadequate monitoring, insufficient leadership and no approved strategy.
- Leadership plays an important role in the strategy-performance phenomenon (Jooste & Fourie, 2009).
- Attention should be focused on the integrated nature of strategic management, rather than trying to pin the problem down to any of the strategy-shaping stages, namely formulation, implementation and evaluation.
- Rewards are important to indicate to employees how much their work is appreciated.
- Job stability can also be seen as a way to express gratitude towards good performance.
- The integrated nature of formulation, implementation and evaluation is underscored.

In sum, the findings of the study answered the research question and as such closed the gap in the literature.

5.3 RECOMMENDATIONS

5.3.1 Recommendations for SAEO

This study recommends that SAEO should first address the communication challenge, then start addressing the strategy challenge which will ultimately lead to effective formulation, implementation and evaluation of the organisation.

SAEO needs to address the challenges with rewards, motivation and attitude. This study confirmed that managers and employees feel neglected because rewards are not provided. This hampers their motivation and influences their attitude towards their work. Job stability in the current economic conditions is also a way of rewarding managers and employees for good work and trying to build the organisation. In this situation it seems to have an even greater effect on the technicians working in the field, and their ability to deliver services. Since the technicians are the employees doing the physical work and bringing in the profit it is so much more important for SAEO to look after its employees – not only the technical employees but all employees. Every individual employee is important in ensuring success.

Management development at all levels could be considered to optimise the performance of SAEO.

5.3.2 Recommendations for academics

Further study will contribute to ontological knowledge in this field which is required to find alternative solutions to the strategy-to-performance gap and how these gaps can be closed or overcome by organisations. Further studies on different levels of management or organisations might reveal alternative challenges but also ways in which organisations can minimise such performance gaps. Such studies could contribute to alternative knowledge in this field and lead to enhanced solutions for management on how to best address these challenges.

5.4 CONCLUSION

Organisations seem to see strategy as a document on paper, not to be looked at again. However, strategy formulation should only be the beginning of greater events to take place. Therefore it is important to indicate that organisations should not only

see the strategy of an organisation as a plan but as a tool to be used to ensure success and ultimately financial gain.

The aim of this study was to establish whether a performance gap existed at SAEO and to determine whether SAEO used management tools, and how effective these tools had been in assisting SAEO in strategy formulation, implementation and evaluation. A further aim was to make recommendations to the organisation regarding possible actions they can take to assist them in closing the strategy-to-performance gap. It is evident that a performance gap exists at SAEO and one remains hopeful that this study – and others – will assist organisations in closing the strategy-to-performance gap.

This study was unique in the sense that no previous study has been conducted in this industry in South Africa or with top, middle and frontline managers to establish what factors hinder strategy implementation, thus resulting in a performance gap.

This study was not only rigorous in terms of scholarship but also relevant to the organisation in question. Other organisations might also benefit by attending to the themes addressed in this study, namely by paying attention to the integrated nature of strategy. It appears that leadership matters and formulation and evaluation phases are perhaps more important than the alleged implementation phase. Communication is clearly critical in closing the strategy-to-performance gap.

Management at all hierarchical levels of the organisation matters. Management is a scarce skill in South Africa; hence it is recommended that SAEO in particular and managers in general attend to management development at all hierarchical levels.

The outcome of this study, which was conducted in completion of the degree of Magister Technologiae in Business Administration, was to demonstrate proficiency in the application of the research process. This outcome was achieved. In addition, this study has also contributed to knowledge regarding the identification, understanding and description of the strategy-to-performance gap phenomenon.

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APPENDIX A

REQUESTING PERMISSION AND PERMISSION GRANTED

1. PERMISSION GRANTED BY MR ANDRÉ TAIT (28/06/2011):

(Correspondence was conducted in Afrikaans)

Ralie

Vergewe my ek het heeltemal die epos oorgeslaan terwyl ek gereis het en hoop jy kan my vergewe. Ek heg hiermee aan my verhandeling in elektroniese formaat vir jou benutting. Nogmaals jammer vir dit. In SA van Vrydag af as jy dalk iets wil bespreek.

Kind regards

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**2. REQUEST TO USE QUESTIONNAIRE FOR DISSERTATION -
MARGRIETHA (RALIE) VAN DER MERWE STUDENT NR: 40681580**

Dear Mr Kissel

Thank you so much for your response. I do appreciate your approval and I am assuring you that proper references will be used.

I do need a copy of the questionnaire. I have contact with Mr Tait who confirmed that he do have a copy but can only

Give it to me with your organizations approval. Can you kindly confirm if this will be order?

Regards

Ralie v/d Merwe

3. PERMISSION GRANTED BY MR. NEAL KISSEL (23/05/2011):

Ralie

Yes you have our permission to use the survey, again so long as the accreditation to Marakon is duly noted. I would also request that we get a copy of your findings; as Marakon is in the process of using the underlying research for additional commentary on the subject matter. I am sure there could be opportunities for a collaborative piece of writing down the road – but we are comfortable for you to proceed.

If I could ask that you forward us a copy of the survey itself once you get it from Mr. Tait, I would appreciate it so we have the same version on file.

Kind regards

Neal Kissel
Director
Managing Director Europe Marakon
A Charles River Associates Company
99 Bishopsgate,
London, EC2M 3XD

Tel: +44 (0)20 7664 3737
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Tel: +44 20 7664 3721
Web: www.marakon.com

4. REQUEST TO USE QUESTIONNAIRE FOR DISSERTATION - MARGRIETHA (RALIE) VAN DER MERWE STUDENT NR: 40681580

Dear Mr Romberger & Mr Kissel

I have forwarded a request on 8 May 2011 regarding the use of the questionnaire that was developed by Mr Mankins and Mr Steele in 2005 for an in house work in progress study. (Please see mail below if you did not receive the e-mail).

The document is registered as a journal on Harvard Business review as "Mankins, MC & Steele, R 2005. Turning great strategy into great performance, (July - august 2005): 65 - 72".

Could you kindly inform me who I need to get permission from to use this questionnaire for my study or refer me to the relevant contact.

Your cooperation will be highly appreciated.

Regards

Ralie v/d Merwe

+27829234846

5. PERMISSION GRANTED BY MR. TIM ROMBERGER (27/05/2011):

Ralie – I am ok with this. I believe you had asked about the questionnaire itself which we have found some difficulty in tracking down.

Are you still interested in getting that? To the extent that you re-do this study we would love to get access to your results, and permission to leverage those results (as relevant) as part of follow on conversations with our client base.

Tim

6. PERMISSION FOR MRS MM VD MERWE TO CONDUCT HER RESEARCH FOR THE PURPOSE OF THE DEGREE: M TECH: BUSINESS ADMINISTRATION AT XXXXXX

Prof H Nienaber
Department of Business Management
University of South Africa (Unisa)

Dear Prof Nienaber

PERMISSION FOR MRS MM VD MERWE TO CONDUCT HER RESEARCH FOR THE PURPOSE OF THE DEGREE: M TECH: BA AT

Our discussion of Thursday 22 August 2011 in the above regard refers.

As agreed Mrs. vd Merwe has my permission to conduct her research for purposes of the degree: M Tech: BA at [redacted]. My understanding is that the study concerns factors that hinder strategy implementation and, as such, contributes to the performance gap. The research may be conducted at [redacted] provided that:

- Participation is voluntary;
- Participation is anonymous – no one nor the company may be identified at any stage;
- Participants may withdraw at any stage without any negative consequences;
- Information provided by participants will be treated as confidential;
- The results will only be used for academic purposes, including the publication of an article in an academic journal.

I also confirm that I am the duly authorised person to give such permission.

I am looking forward to assisting you as well as the results of your study.

Kind regards

M Mare



The organisation that provided permission for the researcher to conduct the study at this organisation agreed on the principal that they would remain anonymous as well as all the participants. Therefore the name of organisation was removed from this document.

**7. REQUESTING PERMISSION TO USE RESEARCH FINDING:
"WHY STRATEGIES MISS THE MARK IN EXECUTION, 2012"**

Dear Mr Joe Evans

I am a student at Unisa South Africa conducting research for the purpose of my dissertation of limited scope for a M.Tech: Business Administration. My study is a replication study of Mankins and Steele, 2005 and Tait and Nienaber, 2010, building on the strategy-formulation-implementation-evaluation-performance gap.

I am kindly requesting your permission to use a part of your article (Research Findings: Why Strategies Miss The Mark in Execution, 2012) to compare results from previous studies.

My student number: 40681580 and my study leader Professor Hester Nienaber. Her contact details are as follows:

Tel: 012 - 429 2994

Cell: 082 453 6816

Email: nienah@unisa.ac.za

Should you require more information you are welcome to contact Professor Nienaber or myself. Your favorable consideration will be highly appreciated.

Kind regards,

Ralie v/d Merwe

082 923 4846

8. PERMISSION GRANTED FROM MR. JOE EVANS (30/10/2013):

Yes, you have my permission. I apologize for the delayed response.

Kind regards,

Joe

Joe Evans
President, CEO
Method Frameworks - A Division of Forte Solutions Group, LLC
101 East Park Boulevard,
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Facebook | <http://on.fb.me/WL3122>
Website | <http://www.methodframeworks.com>
Twitter | <http://twitter.com/methodframework>

APPENDIX B

INFORMED CONSENT FROM SAEO

REQUEST FOR EMPLOYEE TO PARTICIPATE IN A RESEARCH STUDY

Dear

I am currently studying for a Master of Technology: Business Administration at UNISA. My supervisor is Prof. H. Nienaber. As part of my studies, I am required to conduct a research project. The title of my research is ***Factors Hindering Strategy Implementation: Perspectives of Management at a South African Security Systems Firm***. The purpose of this research is to gain a better understanding of the performance gap that arises as a result of a breakdown in the strategy-formulation-implementation process. I wish to use Firm X as a case study to get a better insight into the different managerial levels in an actual firm. Hence, I need to conduct interviews with members of this firm's management at top, middle and front-line level.

This study duplicates existing studies conducted by Bain and Company (2009), Mankins and Steele (2005), and Tait and Nienaber (2010).

Mr/Ms....., I hereby invite you, as a member of management, to participate on a voluntary and anonymous basis in this study. Moreover, all information provided during the interview will be treated as confidential. I would like to bring to your attention that I have already obtained informed consent from the CEO to conduct this study at your firm. Hence, your participation does not pose a problem for your firm or CEO.

Participation will involve an individual interview where issues pertaining to strategy at the firm will be explored/discussed. These interviews will be in-depth, which will require interviewees to share their own views, perceptions, opinions and understanding of "strategy" at the firm in question. The interview will cover a description of my study, your role in the firm as well as your experience regarding strategy and your perceptions and opinions about strategy and the strategising

process at your firm. The emphasis will be on factors that you consider to be hindering strategy implementation at your firm.

I need approximately two hours (2) of your time and a venue convenient to you. With your permission, this interview will be recorded to ensure that I capture all relevant information in a complete manner. If you wish, a transcript of the interview will be accessible/presented to you for review and comment as soon as it is available.

As part of research ethics, it is my duty to inform you of any risks and benefits your participation in the research may hold. At this stage no risks are foreseen as the interviews will be anonymous and confidential. Your identity will not be disclosed. The possibility that you or your opinions may be identified is minimal as all responses will be summarised into categories presenting factors hindering strategy implementation at your firm. The main benefit of this study is that you will have access to the results of the study and that you may gain insights into possibilities to reduce the performance gap that results from a breakdown in the strategy-formulation-implementation process at your firm. Benefits of this study extend beyond the firm and its interviewees. It will also contribute to the advancement of strategy literature and an understanding of performance gaps prevalent during strategy implementation.

As part of research ethics, I also have to inform you that your decisions will be respected. This means that if you do not wish to answer a question, I will record it as such. Furthermore, you are free to withdraw, voluntarily, at any stage if you so wish, without any negative consequences to you.

I have read this consent form and was given the opportunity to ask questions.
I (full name and surname) understand
the explanation provided and consent to participate, voluntarily and on an
anonymous basis, in this research.

Interviewee's signature: Date:

Researcher's signature: Date:

Should you have any other questions or concerns, please do not hesitate to contact
me.

.....
Ms M.M. (Ralie) van der Merwe

Cell: 082 923 4846

Email: vdmerwemm@telkomsa.net or Margrietha.vandermerwe@gauteng.gov.za

APPENDIX C

QUESTIONNAIRE "EXPLORING FACTORS, CONTRIBUTING TO THE STRATEGY-TO-PERFORMANCE GAP: THE CASE OF AN SA ELECTRONICS ORGANISATION" AS ADAPTED FROM MANKINS AND STEELE (2005) AND TAIT (2006)

INTERVIEW SESSION AT SAEO

DATE:

INTERVIEWEE: NAME AND SURNAME:

1. INTRODUCTION

Establish and validate identity/authenticity

1.1 Disclosure

- Who am I.
- The purpose of my study; implications in terms of harm to the respondent.
- My reasons for doing the study (I want to know more about strategising in an actual firm).
- Informed consent (signing of letter). If not signed, the interview cannot continue.
- Thanks for your time and participation.

2. DEMOGRAPHICS

2.1 Observation of gender and age categories:

2.2

Generation	Year	Mark
Baby boomer	1946 to 1964	
Generation X	1965 to 1979	
Generation Y	1980 to 2000	

2.3 How long have you been with this firm?

.....

2.4 Tell me about your previous experience (in this or at any other firm) (listen for possible strategy exposure).

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2.5 What training do you have?

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Did the training lead to a qualification? **If yes, specify the qualification**
(matric/certificate/diploma/degree/post-graduate degree).

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2.6 Do you think that your training/qualifications assist you in discharging all that is required in order to perform your duties in your current position? (Discharging: The action of doing all that is required to fulfil a responsibility or perform a duty, for example directors must use skill in the discharge of their duties.

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2.7 Can you give a short description of your firm's products/services in terms of sales targets, rand value (good/unsatisfactory) over the past two (2) years?

Sales Targets

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Rand Value (Good / unsatisfactory)

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2.8 Can you give a short description of your firm's goals/customers in terms performance expectations over the past two (2) years?

Goals (Performance expectations)

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Customers (performance expectations)

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2.9 Who are your competitors?

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2.10 How does **your own performance** compare **to your competitors?** (in terms of sales targets, customer satisfaction, employee satisfaction, market share (benchmarking against competitors) and productivity over the past two (2) years?) Would it be above average, average, or below average? Please explain.

Sales targets

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Customer satisfaction (Your own performance)

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Employee satisfaction (Your own performance)

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.....

Market Share (Your own performance)

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Productivity (Your own performance)

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2.11 How do you feel about **your firm's performance** or the results that your firm achieves? (Tait Q4)

Does the firm achieve its goals in terms of financials (profit, sales targets?). **Please explain.**

.....

Does the firm achieve its goals in terms of employee satisfaction? **Please explain.**

.....

Does the firm achieve its goals in terms of customer satisfaction? **Please explain.**

.....

Does the firm achieve its goals in terms of customers' opinion about value obtained? **Please explain.**

.....

Does the firm achieve its goals in terms of market share? (sales - Rand value) **Please explain.**

.....

Does the firm achieve its goals in terms of future growth? **Please explain.**

.....

Does the firm achieve its goals in terms of expansion opportunities (same/similar or different products/services)? **Please explain.**

.....

Does the firm achieve its goals in terms of productivity? **Please explain.**

.....

Does the firm achieve its goals in terms of staff knowledge? **Please explain.**

.....

Does the firm achieve its goals in terms of skills and attitudes? **Please explain.**

.....

2.12 **Do you think that your firm can improve on its performance in (all) the above areas?**

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.....

Please explain. Is there room for improvement? (in terms of specific variables like all of the above, including turnover, more clients, "better customers", profitability, employees).

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2.13 **What is your current position in the firm?** (top management, middle management, supervisory/front-line manager or director, HR, marketing manager, operations manager, etc.)

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2.14 How long have you been in this position?

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2.15 What is your current role in the firm? (duties and responsibilities) (listen for link with strategy)

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2.16 In your current position, can you influence the performance or results that your firm achieves? (If yes - how or in what ways? (Listen for link to strategy) If no - Please explain.

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3. STRATEGY

Creating common ground

3.1 Have you heard about the term "strategy"? (Y/N)

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3.2 Where did you hear it?

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3.3 In your opinion, what is "strategy"?

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Respond to answer by highlighting similarities and differences between strategy definitions (Ansoff, 1965; Nag, Hambrick & Chen, 2007).

[Tool/vehicle to achieve the firm's objectives in a changing environment by matching internal and external environment, with a view of achieving the firm's goals for financial gain - usually expressed as profit. Profit takes into account customer satisfaction and employee satisfaction].

3.3 Why or why not do we agree on the definition of strategy? **Ensure that the interviewer and interviewee agree on the definition of strategy.**

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3.4 In view of the discussion so far, and in particular the definition/description of strategy, would you say that your firm has a strategy? (Y/N)

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Please explain.

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.....

(Link response to) the process of strategy by saying something like according to the literature, strategy is shaped by a process which can be **formal** (i.e. an official process taking place periodically annually or bi-annually) or **informal** (haphazard/laissez faire - go with the flow) or **both**, and the process can be **deliberate** (intended and planned) or **emergent** (capitalising or avoiding unexpected conditions) or **both**.

3.5 In your opinion, which of these options **best describes** the strategy process in your firm? (T 7 v25)

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3.6 **Please explain.**

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3.7 Given the discussion around the process of strategy, whether formal/informal/both or deliberate/emergent/both, who would you say are the major role players in this process? Link with the hierarchical levels and their involvement in the process.

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3.8 In your opinion, is the person(s) ultimately responsible for your firm's strategy demonstratively committed (living the strategy) to the strategy? Y/N - Why do you say that? (T 7 v 26)

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3.9 A number of management tools are available to assist firms in shaping their strategy. Are you familiar with any of these management tools? (Y/N) (T Q1)

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Examples of the management tools that are most often used include benchmarking, strategic planning models, vision and mission statements, customer relationship management, outsourcing, and the balanced scorecard. Have you heard of any of these tools before? (Y/N)

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If yes, how do you understand these tools? Listen carefully to their description and rephrase in terms of the definitions provided by Bain and Company. As for strategic management, be sure to use the description of Pearce and Robinson according to the model that you are going to use.

Benchmarking

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If no, provide a description (test for shared understanding).

Benchmarking (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

Benchmarking improves performance by identifying and applying the best demonstrated practices to operations and sales. Managers compare the performance of their products or processes externally with those of competitors and best-in-class companies and internally with other operations within their own firms that perform similar activities. The objective of benchmarking is to find examples of superior performance and to understand the processes and practices that drive performance. Companies then improve their performance by tailoring and incorporating these best practices into their own operations - not by imitation, but by innovation.

Vision and mission statements

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If no, provide a description (test for shared understanding).

Vision and mission statements (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

A mission statement defines the company's business, its objectives and its approach to reach those objectives. A vision statement describes the desired future position of the company. Elements of mission and vision statements are often combined to provide a statement of the company's purposes, goals and values. However, sometimes the two terms are used interchangeably.

Strategic planning models

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If no, provide a description (test for shared understanding).

Strategic planning (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

Strategic planning is a comprehensive process for determining what a business should become and how it can best achieve that goal. It appraises the full potential of a business and explicitly links the business's objectives to the actions and resources required to achieve them. Strategic planning offers a systematic process to ask and answer the most critical questions confronting a management team - especially large decisions that commit resources irrevocably.

Customer relationship management

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If no, provide a description (test for shared understanding).

Customer Relationship Management (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

Customer Relationship Management (CRM) is a process that companies use to understand their customer groups and to respond quickly - and at times, instantly - to shifting customer desires. CRM technology allows firms to collect and manage large amounts of customer data and then carry out strategies based on that information. Data collected through focused CRM

initiatives help firms solve specific problems throughout their customer relationship cycle - the chain of activities from the initial targeting of customers to efforts to win them back for more. CRM data also provides companies with important new insights into customers' needs and behaviours, allowing them to tailor products to targeted customer segments. Information gathered through CRM programmes often generates solutions to problems outside a company's marketing functions, such as supply chain management and new product development.

Outsourcing

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If no, provide a description (test for shared understanding).

Outsourcing (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

When Outsourcing, a company uses third parties to perform non-core business activities. Contracting third parties enables a company to focus its efforts on its core competencies. Many companies find that outsourcing reduces cost and improves performance of the activity. Third parties that specialise in an activity are likely to cost less and be more effective, given their focus and scale. Through outsourcing, a company can access the state of the art in all of its business activities without having to master each one internally.

Balanced scorecard

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If no, provide a description (test for shared understanding).

Balanced scorecard (Rigby & Bilodeau, 2011. Bain & Company Management Tools & Trends 2009).

A balanced scorecard defines what management means by "performance" and measures whether management is achieving the desired results. The balanced scorecard translates mission and vision statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. These measures typically include the following performance categories:

- Financial performance (revenues, earnings, return on capital, cash flow);
- Customer value performance (market share, customer satisfaction measures, customer loyalty);
- Internal business process performance (productivity rates, quality measures, timeliness);

- Innovation performance (percent of revenue from new products, employee suggestions, rate of improvement index);
- Employee performance (morale, knowledge, turnover, use of best demonstrated practices).

3.10 In view of the identified tools and their descriptions, do you think that your firm uses these tools (or some of them) in shaping its strategy? (Y/N) (T Q2)

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Why or why not?

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SHOW THE STRATEGIC MANAGEMENT MODEL OF PEARCE AND ROBINSON AND THEN SAY THE FOLLOWING:

The strategic management model (Pearce & Robinson; 2009) is a comprehensive tool addressing most if not all parts of other management tools, e.g. vision and mission statements, benchmarking, customer relationship management, and the balanced scorecard. This tool addresses both process (vision, mission, goals, variables in the environment impacting strategy, evaluation mechanisms, feedback, management information systems) as well as content that is the different strategic options (grow, maintain, harvest, liquidate on corporate level and focus, low cost, differentiation on competitive level). Now I would like to ask your opinion on these aspects.

3.11 This model consists of three interrelated parts, namely formulation, implementation and evaluation. In your view, which of the three parts of the strategy process is more important (if any) in driving the performance/ results/success of your firm? (T Q3)

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3.12 How effective (goal achievement - **Tait 5** use the scale) do you deem your firm to be at:

(i) Shaping strategy in total?

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(ii) Formulating strategy?

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(iii) Implementing/executing strategy?

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(iv) Evaluating strategy?

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3.13 In your view, your firm's ability to formulate and implement strategy, based on the last two years, is: (T 6)

- **Above average** at BOTH formulation and implementation.
- **Above average** at formulation BUT **average** at implementation.
- **Average** at strategy formulation BUT **above average** at implementation.
- **Average** at BOTH formulation and implementation.
- **Below average** at strategy formulation BUT **average at implementation**
- **Below average** at strategy formulation BUT **above average** at strategy implementation.
- **Average at strategy formulation BUT below average at implementation**
- **Above average** at strategy formulation BUT **below average** at strategy implementation.

3.14 In your opinion, does the person(s) ultimate responsible for strategy communicate this strategy to all hierarchical levels in the firm? **Y/N** (Tait 7 v27)

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3.15 Does this person ensure a shared understanding of strategy? **Please explain.**

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4. FORMULATION

4.1 Direction-setting

Are you aware of your firm's vision? Mission? Goals? Can you briefly describe each of them?

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4.2 How do you know this? (communication)

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5. INTERNAL/EXTERNAL ENVIRONMENT - (STRENGTHS AND WEAKNESSES)

5.1 Do you know what is required of you to ensure that your firm's strategy is implemented? (action plans)? (T 7 v28)

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5.2 Do you believe that other employees in your firm knows what is required of them to implement your firm's strategy? Please explain.

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5.3 Do you know what your accountabilities are in implementing strategy? (T 7 v29)

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5.4 Do you believe that **all employees** in your firm know what their accountabilities are in terms of strategy implementation?

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5.5 Do you believe that **you** have access to the required resources (time, talent, money, equipment, tools, systems, processes, etc.) to implement strategy Y/N Please elaborate (talent, skills knowledge, attitude, motivation, etc?) (internal environment) **Yes which / which not:**

Time	
Talent	
Money	
Equipment	
Tools	
Systems	
Processes	
Skills/ knowledge	
Motivation	
Attitude	

5.6 **If not, in your opinion, what is the major constraint? Please explain.**

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5.7 Do you believe that **other employees** have access to the required resources (time, talent, money, equipment, tools, systems, processes, etc.) to implement strategy?

.....

5.8 Do you believe that **you have access** to the required skills/capabilities to formulate/implement/evaluate strategy? **Please explain.**

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5.9 **Which one (formulation, implementation, evaluation) is most affected** in terms of skills/capabilities?

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5.10 Do you believe that **your firm** has access to the required skills/capabilities to implement strategy? (T 7 v33)

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Please explain.

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5.11 Sometimes there may be competing demands for resources. **Would you say that this happens at your firm?**

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How often?

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5.12 **If so, is it clear which strategy initiative takes precedence?**

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(T 7 v30) **Please explain.**

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5.13 **In your opinion, are there significant consequences (e.g. in terms of career advancement, pay reputation, etc.) for individuals who fail to implement strategy? (T 7 v31).**

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Please explain.

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5.14 **In your opinion, are there substantial rewards for people/staff who successfully implement key elements in terms of vision mission of your firm's strategy? (T 7 v32)**

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Please explain.

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5.15 **In your opinion, are there any organisational impediments (e.g. silos, culture, turf wars, etc.) to effective strategy implementation? (T 7 v35)**

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6. FEEDBACK/EVALUATION

6.1 **In your opinion**, does your firm have the necessary process/systems/procedures in place to monitor performance to implement strategy effectively? (T 7 v34)

Processes

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.....

Systems

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Procedures

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6.2 **In your opinion**, does your firm have the necessary systems/processes in place to monitor the environment with a view to detecting changes in advance and making the necessary strategy adjustments?

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6.3 When strategy breaks down (formulation-implementation-evaluation), does your firm have **clear processes** to swiftly take corrective action? (T 7 v36)

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7. BREAKDOWN (BARRIERS)

7.1 When your firm's strategy breaks down, which of the following factors would you say are to blame? (T 8 v 37-48)

Rank	Extra Info	Please explain
No approved strategy		
Insufficient senior leadership commitment	No real buy-in to the strategy by top management (e.g. lip service, false consensus)	
Ineffective communication	The strategy is poorly communicated to lower levels in the firm (e.g. no clarity no passion, no conviction)	
Insufficient detail	The actions required to execute the strategy were not clearly delineated	
Poor accountabilities	The individuals responsible for taking the actions required to execute the strategy were not clear	
Insufficient focus/ conflicting priorities	Too many competing demands on the resources required to execute the strategy (e.g. time, talent and/or money)	
Limited consequences/ rewards	Few consequences for failing to execute the strategy and/or limited rewards for successfully executing the strategy.	
Inadequate skills/ capabilities/ resources	The firm lacked the skills, capabilities and/or resources necessary to execute the strategy effectively.	
Inadequate monitoring	No mechanism for tracking performance to ensure that the strategy was being successfully executed.	
Organisational impediments	Function silos and/or business boundaries prevented execution of the strategy	

Rank	Extra Info	Please explain
Leadership style barriers	Senior executives were unwilling to hear bad news or about failures.	
The process is not appropriate	(rank most important to least important) why	
The content is not appropriate	(grow while harvesting)	
Others - please specify		

7.2 Why **do you** think these barriers to strategy (**formulation, implementation, and/or evaluation**) exist?

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.....

.....

7.3 At which stage (**formulation, implementation, and/or evaluation**) do you think these barriers originate/are present? (knock-on effect)

Hypernyms ("knock-on effect" is a kind of ...): consequence; effect; event; issue; outcome; result; upshot (a phenomenon that follows and is caused by some previous phenomenon) (http://www.audioenglish.net/dictionary/knock-on_effect.htm; 6 December 2011)

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7.4 How do you think these barriers affect your firm?

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8. PERFORMANCE IMPROVEMENT

8.1 In order to improve the performance of the firm, certain corrective actions can be taken to overcome these barriers and reduce the performance gap. Kindly rank, from the list provided, the **five** most important actions that will have a significant impact on implementation (where 1 would be the most positive impact, 2 the second most positive impact, and so on) (T 9-v49-

58):

Rank	Extra Info	Please explain
Management buy-in	Get the right people engaged in the strategy from the beginning.	
Strategy development	Make better strategic decisions in the first place.	
Communications	Do a better job of communicating the strategic decisions we make.	
Action plan development	Do a better job of prescribing the specific actions required to execute our strategies.	
Accountability assignment	Do a better job of holding individuals accountable for taking action and delivering results.	
Empowerment	Give people more freedom and authority to execute.	
Performance monitoring	Do a better job of monitoring whether we are on track to deliver anticipated performance.	
Rewards	Make individual success and failure of execution more sequential.	
Management Development	Do a better job of building the skills and capabilities required to execute our strategies.	
Use a different strategic management tool(s) (which? and please explain.)		
Select a different strategy (on corporate/competitive level/both) (e.g.) Please explain.		
Involve (different) role players in implementing earlier in the process e.g. formulation		
Add consequences		

Rank	Extra Info	Please explain
Better scan the environment for opportunities and threats		
Select customers better		
Select/develop/retain talent/staff better		
Access to appropriate resources		
Improve systems and processes		
Monitoring/feedback mechanisms		
Re-evaluate goals to ensure that they are in line with the environmental situation		
Change the firm's structure		
Culture		
Processes		
Other - please specify		

8.2 If these corrective actions were taken, would you say that your firm would achieve this desired level of performance > 80% of the time in terms of after-tax profits? (T 10 v59-V61)

Improvement	After-tax Profits	Answer
Significant improvement	> 50% increase in annual after-tax profit	
Moderate improvement	25% to 50% increase in annual after-tax profit	
Noticeable improvement	10% to 25% increase in annual after-tax profit	
Slight improvement	0% to 10% increase in annual after-tax profit	
No improvement		

9. CLOSING

Do you have companies that you admire? Y/N

.....

Who are they?

.....

Why do you admire them (strategy/performance)

.....

10. THANK YOU

Would you and your staff like to know more about strategy?

Would you like us to perform a presentation explaining what strategy is and how it can assist your firm to improve performance?

APPENDIX D

QUESTIONNAIRE "THE EXECUTION OF CORPORATE AND BUSINESS STRATEGY" AS ADAPTED BY ANDRÉ TAIT FOR THE STUDY "AN INVESTIGATION INTO THE STRATEGY FORMULATION AND IMPLEMENTATION GAP OF LOA MEMBER COMPANIES"

Everyone knows that great strategies can't produce great performance without superior execution. Yet many companies struggle to translate their strategy into action and, consequently, fall short of their performance potential. This survey seeks to identify the factors that most contribute to the successful (and unsuccessful) execution of strategy.

Your privacy is protected by the attached letter from the Graduate Business School at the University of Pretoria, dated 16 March 2006 and your personal details will not be shared with any third party, including the survey sponsor.

QUESTIONNAIRE - THE EXECUTION OF CORPORATE AND BUSINESS STRATEGY	RESPONDENT #: _____	FOR OFFICE USE											
1. WHAT STRATEGIC MANAGEMENT TOOLS DO YOU USE IN THE STRATEGIC MANAGEMENT PROCESS? YOU MAY SELECT MORE THAN ONE.													
STRATEGIC PLANNING PROCESS MODELS	1	V1											
CORE COMPETENCIES	2	V2											
MISSION AND VISION STATEMENTS	3	V3											
CRM (CUSTOMER RELATIONSHIP MANAGEMENT)	4	V4											
GROWTH STRATEGIES	5	V5											
BUSINESS PROCESS RE-ENGINEERING	6	V6											
SCENARIO AND CONTINGENCY PLANNING	7	V7											
BALANCED SCORECARD	8	V8											
ECONOMIC VALUE-ADDED ANALYSIS	9	V9											
OTHER, PLEASE SPECIFY _____	10	V10											
2. OF THE TOOLS CHOSEN IN QUESTION 1, WHAT IS YOUR LEVEL OF SATISFACTION? PLEASE RATE THE LEVEL OF SATISFACTION (WHERE 0 IS A ZERO LEVEL OF SATISFACTION AND 10 IS 100% SATISFACTION)													
0% SATISFACTION..... 100% SATISFACTION													
STRATEGIC PLANNING PROCESS MODELS	0	1	2	3	4	5	6	7	8	9	10	V11	
CORE COMPETENCIES	0	1	2	3	4	5	6	7	8	9	10	V12	
MISSION AND VISION STATEMENTS	0	1	2	3	4	5	6	7	8	9	10	V13	
CRM (CUSTOMER RELATIONSHIP MANAGEMENT)	0	1	2	3	4	5	6	7	8	9	10	V14	
GROWTH STRATEGIES	0	1	2	3	4	5	6	7	8	9	10	V15	
BUSINESS PROCESS RE-ENGINEERING	0	1	2	3	4	5	6	7	8	9	10	V16	
SCENARIO AND CONTINGENCY PLANNING	0	1	2	3	4	5	6	7	8	9	10	V17	
BALANCED SCORECARD	0	1	2	3	4	5	6	7	8	9	10	V18	
ECONOMIC VALUE-ADDED ANALYSIS	0	1	2	3	4	5	6	7	8	9	10	V19	
OTHER, PLEASE SPECIFY _____	0	1	2	3	4	5	6	7	8	9	10	V20	

3. WHICH OF THE FOLLOWING DO YOU BELIEVE IS MOST IMPORTANT IN DRIVING SUPERIOR FINANCIAL PERFORMANCE AT MOST COMPANIES?		v21	
SUPERIOR STRATEGY - HAVING A BETTER STRATEGY THAN COMPETITORS AND PEERS	1		
SUPERIOR EXECUTION - EXECUTING A STRATEGY BETTER THAN COMPETITORS AND PEERS	2		
4. WHICH OF THE FOLLOWING MOST ACCURATELY DESCRIBES YOUR COMPANY'S FINANCIAL PERFORMANCE OVER THE PAST FIVE YEARS?		v22	
EXCELLENT - IN THE TOP QUARTILE COMPARED TO COMPETITORS AND PEERS	1		
AVERAGE - IN THE 2ND OR 3RD QUARTILE COMPARED TO COMPETITORS AND PEERS	2		
BELOW AVERAGE - IN THE BOTTOM QUARTILE COMPARED TO COMPETITORS AND PEERS	3		
5. HOW EFFECTIVE IS YOUR COMPANY AT STRATEGY EXECUTION?		v23	
Very effective - we achieve the performance we aim for >80% of the time	1		
Effective - we achieve the performance we aim for 60%-80% of the time	2		
NEITHER EFFECTIVE NOR INEFFECTIVE - WE ACHIEVE THE PERFORMANCE WE AIM FOR 40%-60% OF THE TIME	3		
Ineffective - we achieve the performance we aim for 20%-40% of the time	4		
VERY INEFFECTIVE - WE ACHIEVE THE PERFORMANCE WE AIM FOR <20% OF THE TIME	5		
6. WHICH OF THE FOLLOWING MOST ACCURATELY DESCRIBES YOUR COMPANY'S ABILITY TO DEVELOP AND EXECUTE STRATEGIES RELATIVE TO COMPANIES OF SIMILAR SIZE?		v24	
WE ARE ABOVE AVERAGE AT STRATEGY DEVELOPMENT <u>AND</u> ABOVE AVERAGE AT STRATEGY EXECUTION	1		
WE ARE ABOVE AVERAGE AT STRATEGY DEVELOPMENT <u>BUT</u> AVERAGE AT STRATEGY EXECUTION	2		
WE ARE AVERAGE AT STRATEGY DEVELOPMENT <u>BUT</u> ABOVE AVERAGE AT STRATEGY EXECUTION	3		
WE ARE AVERAGE AT STRATEGY DEVELOPMENT <u>AND</u> AVERAGE AT STRATEGY EXECUTION	4		
WE ARE BELOW AVERAGE AT STRATEGY DEVELOPMENT <u>BUT</u> AVERAGE OR ABOVE AVERAGE AT STRATEGY EXECUTION	5		
WE ARE AVERAGE OR ABOVE AVERAGE AT STRATEGY DEVELOPMENT <u>BUT</u> BELOW AVERAGE AT STRATEGY EXECUTION	6		

7. PLEASE RATE EACH STATEMENT BELOW ON A 1-10 SCALE IN TERMS OF YOUR AGREEMENT (WHERE 1 INDICATES "STRONGLY DISAGREE AND 10 "STRONGLY AGREE)											FOR OFFICE USE	
STRONGLY DISAGREE....STRONGLY AGREE												
STRATEGIES ARE FORMALLY APPROVED AT MY COMPANY	1	2	3	4	5	6	7	8	9	10	v25	
TOP MANAGEMENT IS DEMONSTRATIVELY COMMITTED TO MY COMPANY'S STRATEGY	1	2	3	4	5	6	7	8	9	10	v26	
TOP MANAGEMENT CLEARLY COMMUNICATES THE STRATEGY IT INTENDS TO PURSUE TO ALL LEVELS IN THE ORGANISATION	1	2	3	4	5	6	7	8	9	10	v27	
THE ACTIONS REQUIRED TO EXECUTE MY COMPANY'S STRATEGY ARE CLEARLY UNDERSTOOD	1	2	3	4	5	6	7	8	9	10	v28	
ACCOUNTABILITIES FOR EXECUTING ALL ELEMENTS OF MY COMPANY'S STRATEGY ARE CLEAR	1	2	3	4	5	6	7	8	9	10	v29	
WHEN THERE ARE COMPETING DEMANDS FOR RESOURCES (E.G. TIME, TALENT, OR MONEY) AT MY COMPANY, IT IS CLEAR WHICH STRATEGIC INITIATIVES TAKE PRECEDENCE OVER OTHERS	1	2	3	4	5	6	7	8	9	10	v30	
THERE ARE SIGNIFICANT CONSEQUENCES (E.G. IN TERMS OF CAREER ADVANCEMENT, PAY, REPUTATION, ETC.) FOR INDIVIDUALS THAT FAIL TO EXECUTE KEY ELEMENTS OF OUR STRATEGY	1	2	3	4	5	6	7	8	9	10	v31	
THERE ARE SUBSTANTIAL REWARDS FOR INDIVIDUALS THAT SUCCESSFULLY EXECUTE KEY ELEMENTS OF MY COMPANY'S STRATEGY	1	2	3	4	5	6	7	8	9	10	v32	
MY COMPANY HAS THE SKILLS AND CAPABILITIES IT NEEDS TO SUCCESSFULLY EXECUTE ITS STRATEGY	1	2	3	4	5	6	7	8	9	10	v33	
MY COMPANY HAS HIGH-QUALITY PROCESSES AND PROCEDURES FOR MONITORING PERFORMANCE TO ENSURE THAT THE ORGANISATION EFFECTIVELY EXECUTES OUR STRATEGY, OVER TIME	1	2	3	4	5	6	7	8	9	10	v34	
THERE ARE FEW ORGANISATIONAL IMPEDIMENTS (E.G. FUNCTION SILOS, BU BOUNDARIES, CULTURE) TO EFFECTIVE STRATEGY EXECUTION AT MY COMPANY	1	2	3	4	5	6	7	8	9	10	v35	
WHEN STRATEGY EXECUTION BREAKS DOWN, WE HAVE CLEAR PROCESSES TO ENSURE THAT WE TAKE CORRECTIVE ACTION QUICKLY	1	2	3	4	5	6	7	8	9	10	v36	

8. WHEN STRATEGY EXECUTION BREAKS DOWN IN YOUR COMPANY, WHICH OF THE FOLLOWING FACTORS ARE TO BLAME? PLEASE RANK THE FOLLOWING IN ORDER OF IMPORTANCE (WHERE 1 IS THE MOST IMPORTANT FACTOR, 2 THE SECOND MOST IMPORTANT FACTOR, AND SO ON) AS THEY RELATE TO STRATEGY EXECUTION IN YOUR COMPANY. <i>PLEASE RANK THE TOP 10</i>	FOR OFFICE USE		
NO APPROVED STRATEGY		v37	
INSUFFICIENT SENIOR LEADERSHIP COMMITMENT - NO REAL BUY-IN TO THE STRATEGY BY TOP MANAGEMENT (E.G. LIP SERVICE, FALSE CONSENSUS)		v38	
INEFFECTIVE COMMUNICATION - THE STRATEGY IS POORLY COMMUNICATED TO LOWER LEVELS IN THE ORGANIZATION (E.G. NO CLARITY, NO PASSION, NO CONVICTION)		v39	
INSUFFICIENT DETAIL - THE ACTIONS REQUIRED TO EXECUTE THE STRATEGY WERE NOT CLEARLY DELINEATED		v40	
POOR ACCOUNTABILITIES - THE INDIVIDUALS RESPONSIBLE FOR TAKING THE ACTIONS REQUIRED TO EXECUTE THE STRATEGY WERE NOT CLEAR		v41	
INSUFFICIENT FOCUS / CONFLICTING PRIORITIES - TOO MANY COMPETING DEMANDS ON THE RESOURCES REQUIRED TO EXECUTE THE STRATEGY (E.G. TIME, TALENT AND/OR MONEY)		v42	
LIMITED CONSEQUENCES / REWARDS - FEW CONSEQUENCES FOR FAILING TO EXECUTE THE STRATEGY AND/OR LIMITED REWARD FOR SUCCESSFULLY EXECUTING THE STRATEGY		v43	
INADEQUATE SKILLS/CAPABILITIES/RESOURCES - THE ORGANIZATION LACKED THE SKILLS, CAPABILITIES AND/OR RESOURCES NECESSARY TO EXECUTE THE STRATEGY EFFECTIVELY		v44	
INADEQUATE MONITORING - NO MECHANISM FOR TRACKING PERFORMANCE TO ENSURE THAT THE STRATEGY WAS BEING SUCCESSFULLY EXECUTED		v45	
ORGANISATIONAL IMPEDIMENTS - FUNCTION SILOS AND/OR BUSINESS BOUNDARIES PREVENTED EXECUTION OF THE STRATEGY		v46	
LEADERSHIP-STYLE BARRIERS - SENIOR EXECUTIVES WERE UNWILLING TO HEAR BAD NEWS OR HEAR ABOUT FAILURES		v47	
OTHER, PLEASE SPECIFY _____		v48	

<p>9. IN YOUR OPINION, WHICH OF THE FOLLOWING WOULD HAVE THE GREATEST IMPACT ON THE QUALITY AND/OR PACE OF STRATEGY EXECUTION AT YOUR COMPANY? PLEASE RANK THE FOLLOWING IN TERMS OF ITS IMPACT ON EXECUTION (WHERE 1 WOULD HAVE THE MOST POSITIVE IMPACT, 2 WOULD HAVE THE SECOND MOST POSITIVE IMPACT, AND SO ON), THROUGH TO 10:</p>	FOR OFFICE USE	
<p>MANAGEMENT BUY-IN - GET THE RIGHT PEOPLE ENGAGED IN THE STRATEGY FROM THE BEGINNING</p>	v49	
<p>STRATEGY DEVELOPMENT - MAKE BETTER STRATEGIC DECISIONS IN THE FIRST PLACE</p>	v50	
<p>COMMUNICATIONS - DO A BETTER JOB OF COMMUNICATING THE STRATEGIC DECISIONS WE MAKE</p>	v51	
<p>ACTION PLAN DEVELOPMENT - DO A BETTER JOB OF PRESCRIBING THE SPECIFIC ACTIONS REQUIRED TO EXECUTE OUR STRATEGIES</p>	v52	
<p>ACCOUNTABILITY ASSIGNMENT - DO A BETTER JOB OF HOLDING INDIVIDUALS ACCOUNTABLE FOR TAKING ACTION AND DELIVERING RESULTS</p>	v53	
<p>EMPOWERMENT - GIVE PEOPLE MORE FREEDOM AND AUTHORITY TO EXECUTE</p>	v54	
<p>PERFORMANCE MONITORING - DO A BETTER JOB OF MONITORING WHETHER WE ARE ON TRACK TO DELIVER ANTICIPATED PERFORMANCE</p>	v55	
<p>REWARDS - MAKE INDIVIDUAL SUCCESS AND FAILURE OF EXECUTION MORE CONSEQUENTIAL</p>	v56	
<p>MANAGEMENT DEVELOPMENT - DO A BETTER JOB OF BUILDING THE SKILLS AND CAPABILITIES REQUIRED TO EXECUTE OUR STRATEGIES</p>	v57	
<p>OTHER, PLEASE SPECIFY</p>	v58	
<p>10. IN YOUR OPINION, WERE YOUR COMPANY TO TAKE THE STEPS NECESSARY TO BE CHARACTERISED AS "VERY EFFECTIVE" AT EXECUTION (E.G. THE COMPANY WERE ABLE TO ACHIEVE THE LEVEL OF PERFORMANCE IT AIMS FOR >80% OF THE TIME), WHAT IMPROVEMENT IN AFTER-TAX PROFITS WOULD YOU EXPECT AFTER TWO YEARS?</p>	v59	
<p>SIGNIFICANT IMPROVEMENT - >50% INCREASE IN ANNUAL AFTER-TAX PROFIT</p>	1	
<p>MODERATE IMPROVEMENT - 25% TO 50% INCREASE IN ANNUAL AFTER-TAX PROFITS</p>	2	
<p>NOTICEABLE IMPROVEMENT - 10% TO 25% INCREASE IN ANNUAL AFTER-TAX PROFITS</p>	3	
<p>SLIGHT IMPROVEMENT - 0% TO 10% INCREASE IN ANNUAL AFTER-TAX PROFITS</p>	4	
<p>NO IMPROVEMENT</p>	5	
<p>11. PLEASE NAME TWO COMPANIES (OTHER THAN YOUR OWN) THAT YOU BELIEVE ARE PARTICULARLY GOOD AT EXECUTION.</p>	FOR OFFICE USE	
<p>I.</p>	v60	
<p>II.</p>	v61	
<p>THANK YOU FOR TAKING THE TIME AND EFFORT TO COMPLETE THIS QUESTIONNAIRE! ACKNOWLEDGEMENT: QUESTIONNAIRE ADAPTED FROM RESEARCH DONE BY MARAKON ASSOCIATES, USA, WITH THE PERMISSION OF THE AUTHORS (QUESTIONS 3 TO 11 ONLY)</p>		

APPENDIX E

QUESTIONNAIRE "THE EXECUTION OF CORPORATE AND BUSINESS STRATEGY" AS USED BY MARAKON ASSOCIATES IN ITS RESEARCH"

The execution of corporate and business strategy

Everyone knows that great strategies can't produce great performance without superior execution. Yet many companies struggle to translate their strategy into action and, consequently, fall short of their performance potential. This survey seeks to identify the factors that most contribute to the successful (and unsuccessful) execution of strategy.

This questionnaire is conducted by the Economist Intelligence Unit on behalf of Marakon Associates. To show our appreciation, all respondents will receive a gift copy of XXXXXXXX, as well as a free analysis of the survey results, when they are published.

Your privacy is protected by the Economist Intelligence Unit and your personal details will not be shared with any third party, including the survey sponsor.

1. Which of the following do you believe is most important in driving superior financial performance at most companies?

- A) Superior Strategy - having a better strategy than competitors and peers
- B) Superior Execution - executing a strategy better than competitors and peers

2. Which of the following most accurately describes your company's financial performance over the past five years?

- A) Excellent - in the top quartile compared to competitors and peers
- B) Average - in the 2nd or 3rd quartile compared to competitors and peers
- C) Below average - in the bottom quartile compared to competitors and peers

3. How effective is your company at strategy execution?

- A) Very effective - we achieve the performance we aim for >80% of the time
- B) Effective - we achieve the performance we aim for 60%-80% of the time
- C) Neither effective nor ineffective - we achieve the performance we aim for 40%-60% of the time
- D) Ineffective - we achieve the performance we aim for 20%-40% of the time
- E) Very ineffective - we achieve the performance we aim for <20% of the time

4. Which of the following most accurately describes your company's ability to develop and execute strategies relative to other companies of similar size?

- A) We are *above average* at strategy development and *above average* at strategy execution
- B) We are *above average* at strategy development but *average* at strategy execution
- C) We are *average* at strategy development but *above average* at strategy execution
- D) We are *average* at strategy development and *average* at strategy execution
- E) We are *below average* at strategy development but *average* or *above average* at strategy execution
- F) We are *average* or *above average* at strategy development but *below average* at strategy execution

5. Please rate each statement below on a 1-10 scale in terms of your agreement (where 10 indicates "strongly agree" and 1 indicates "strongly disagree")?

Strategies are formally approved at my company

Top management is demonstratively committed to my company's strategy

Top management clearly communicates the strategy it intends to pursue to all levels in the organization

The actions required to execute my company's strategy are clearly understood

Accountabilities for executing all elements of my company's strategy are clear

When there are competing demands for resources (e.g., time, talent, or money) at my company, it is clear which strategic initiatives take precedence over others

There are significant consequences (e.g., in terms of career advancement, pay, and reputation, etc.) for individuals that fail to execute key elements of our strategy

There are substantial rewards for individuals that successfully execute key elements of my company's strategy

My company has the skills and capabilities it needs to successfully execute its strategy

My company has high-quality processes and procedures for monitoring performance to ensure that the organization effectively executes our strategy, over time

There are few organizational impediments (e.g., function silos, BU boundaries, culture) to effective strategy execution at my company

When strategy execution breaks down, we have clear processes to ensure that we take corrective action quickly

5. When strategy execution breaks down at your company which of the following factors are to blame? Please rank the following in order of importance (where 1 is the most important factor, 2 is the second most important factor, and so on) as they relate to strategy execution at your company:

No approved strategy

Insufficient senior leadership commitment - no real buy-in to the strategy by top management (e.g., lip service, false consensus)

Ineffective communication - the strategy is poorly communicated to lower levels in the organization (e.g., no clarity, no passion, and no conviction)

Insufficient detail - the actions required to execute the strategy were not clearly delineated

Poor accountabilities - the individuals responsible for taking the actions required to execute the strategy were not clear

Insufficient focus / conflicting priorities - too many competing demands on the resources required to execute the strategy (e.g., time, talent and/or money)

Limited consequences / rewards - few consequences for failing to execute the strategy and/or limited reward for successfully executing the strategy

Inadequate skills/capabilities/resources - the organization lacked the skills, capabilities and/or resources necessary to execute the strategy effectively

Inadequate monitoring - no mechanism for tracking performance to ensure that the strategy was being successfully executed

Organizational impediments - function silos and/or business boundaries prevented execution of the strategy

Leadership-style barriers - senior executives were unwilling to hear bad news or hear about failures

Other _____

- 6. In your opinion, which of the following would have the greatest impact on the quality and/or pace of strategy execution at your company? Please rank the following in terms of its impact on execution (where 1 would have the most positive impact, 2 would have the second most positive impact, and so on):**

Management Buy-in-get the right people engaged in the strategy from the beginning

Strategy development - make better strategic decisions in the first place

Communications - do a better job of communicating the strategic decisions we make

Action Plan Development - do a better job of prescribing the specific actions required to execute our strategies

Accountability Assignment - do a better job of holding individuals accountable for taking action and delivering results

Empowerment - give people more freedom and authority to execute

Performance Monitoring - do a better job of monitoring whether we are on track to deliver anticipated performance

Rewards - make individual success and failure of execution more consequential

Management Development - do a better job of building the skills and capabilities required to execute our strategies

Other

7. In your opinion, were your company to take the steps necessary to be characterized as "very effective" at execution (e.g., the company were able to achieve the level of performance it aims for >80% of the time), what improvement in after-tax profits would you expect after two years?

- A) Significant improvement - >50% increase in annual after-tax profit
- B) Moderate improvement - 25% to 50% increase in annual after-tax profits
- C) Noticeable improvement - 10% to 25% increase in annual after-tax profits
- D) Slight improvement - 0% to 10% increase in annual after-tax profits
- E) No improvement

8. Please name two companies (other than your own) that you believe are particularly good at execution