University of Zimbabwe

An assessment of the effectiveness of the strategic formulation process at Safeguard (Pvt) LTD 2006-2011   By

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DEDICATION

I dedicate this research to my loving wife Clara and children Tashinga, Tanatswa and Takudzwa who are a great inspiration to me, and who kept encouraging me that I would do it, in spite of the many challenges that I faced along the way.

DECLARATION

I, Charles Benjamin declare that this document is my own work undertaken through research conducted by me, and that it has not been submitted to any college or university before.

Student's Signature:_____

              Date:_____

Supervisor's Signature:_____

              Date:_____

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I would like to offer my sincere gratitude to my project supervisor Dr Nyasha Kaseke for his unwavering support and guidance.

I thank my wife Clara for all the encouragement, support and understanding through the long hours and days spent away from home in pursuit of this programme.

ABSTRACT

The study sought to ases how Safeguard formulâtes its stratégies and to establish the effectiveness of strategy formulation at the organisation. The objectives of the study were to establish the effectiveness of strategy formulation process at Safeguard and to determine the factors influencing the effectiveness of the strategic formulation process. The sample population was 60 comprising of board members, management and staff. The study utilized the stratified random sampling method in the selection of the respondents to ensure representativeness of the sample. The research was positivist in that a survey was carried out using one systematic and structured questionnaire administered to board, staff and management of Safeguard. This research utilized the survey design method because according to Robinson (1995), it allows for a collection of standardized information from a specific population. The questionnaire was used as a data collection instrument because of its applicability to the survey research design.

The study concluded that there is top down approach in the way strategies are formulated at Safeguard. That is the management and board only impose strategies to the employees and also they do not consult or even get ideas from the employees. The strategy implementation at Safeguard is poor since employees are not consulted and hence they tend to sabotage the management effort. Strategy formulation at Safeguard is not tailored to the current organizational needs of the organisation.

The study recommended that strategy formulation process should involve everyone so that those implementing the strategies feel they are an integral part of the process and would become committed in carrying them out. For good strategy to be effective it should be formulated by people who clearly understand what needs to be done, and who know the problems of executing short and long range plans. This therefore means that line managers from several levels of the organization must work with corporate staff to formulate strategy.

The study presented an area of further study to assess the impact of employee involvement in the strategy formulation process.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

The study focuses on an assessment of the effectiveness of the strategic planning processes in Zimbabwe with a main focus on Safeguard. It also explains the purpose of the research, what it is expected to achieve and its significance to the nation. The research further outlines the research questions associated with the study. The chapter concludes by informing the reader the scope and structure of the research.

1.1 Background to the Study

According to Kotler (1986), strategic planning is an organizational process of defining its way of operation, or direction, and making decisions on allocating its resources to pursue this direction, this includes its capital and people. Most business analysis and techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), PEST analysis (Political, Economic, Social, and Technological), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors), and EPISTEL (Environment, Political, Informatic, Social, Technological, Economic and Legal).

It will be interesting however to understand how the strategy formulation process take place at Safeguard, how it is influenced by government policies and procedures, other stakeholders and how they conform to best practices in strategy formulation. This will be explored, analysed and discussed in this research, which will be based on the case study of Safeguard, a security company headquartered in Harare but with a national presence. In order to give a clear understanding of this research, a detailed background of the case study will be given below.

The private security sector in Zimbabwe

The private security industry in Zimbabwe is an industry providing guarding, monitoring, armed reaction, escorting, investigating and other security-related

services to private individuals and companies in the country. In Zimbabwe there is a widespread lack of compliance when it comes to registration requirements, it is therefore difficult to determine the number of actual private registered players in the sector, however, the Private Security Industry Regulatory Authority comments that of the approximate 200 companies actually registered, only 98 are 'active' that is to say the once serving in the industry. (Security Report May 2012).

Services offered

Security companies in Zimbabwe provide services in several disciplines, smaller companies specialising in just one or two. According to the Herald Newspaper (Friday 22 October 2010) there were 22 Security Companies with 1 991 Security Guards employed in Zimbabwe.

Manned guarding

The most popular way and service of security companies is Manned guarding which is a service whereby the presence of security guard protects the safety of assets, premises or people. According to the Private Security Industry Regulatory Act, the grading that security guards receive determines the type of guarding he or she can perform. (As well as the scale of pay). Many companies offer fixed (i.e. static) guarding services but the majority of workers employed in this respect are employed for unarmed duties, i.e. recording ingress/ egress movement, calling armed response if necessary.

Assets in transit (AIT)

This refers to the transportation of all valuable assets under heavily armed guards, and generally in well articulated and highly sensitive armoured vehicles. Mostly, currency is transported between business premises and banks, but other high value assets are also occasionally transported such as bullion and precious stones. In the past, relatively few, (usually large) companies provided AIT services but recently smaller, more localised and specialised companies have begun to emerge in the sector. AIT operations are frequently the target of violent robberies, called cash-in-transit heists. Many security personnel are killed each year in these attacks, substantially increasing the cost of AIT services.

Physical security

Physical security companies have the mandate to install security devices at premises and homes, and in cars or any other important gadgets. Devices include security fencing, motorised gates and garages, burglar proofing, security doors and gates, locks and safes, car alarms and vehicle tracking systems.

Alarm monitoring and armed response

These are those companies which specialises in alarm monitoring and armed response companies are employed to monitor burglar alarm systems. If an alarm is triggered, the company dispatches mobile armed security teams to ensure the safety of property and people. Safeguard Security and Chubb Security are the largest providers of armed response services in Zimbabwe.

Technology

Technology services include the installation of electronic security devices such as CCTV, electronic access control systems and related equipment.

Security consulting

Companies providing security consulting advise their clients on the security measures they need to take to protect their property, businesses or homes -following a procedure referred to as 'Threat Assessment'.

1.1.1 Background of Safeguard
Safeguard was started as a manned guarding company by Ted Mallon and Peter Stiff in 1972, both ex national police, with a vision to provide a full range of security services throughout the country. Over the years, and through a process of organic growth and acquisition, the group has expanded to become the leading provider of security in the country. It consists of four main companies in the form of Safeguard Security, Alarms, Engineering, and Investigations, as well as two subsidiary guarding companies in Bulawayo and, Mutare. These companies have branches throughout the country.

The General Structure of the Safeguard areas

The city is divided into 3 main areas- Residential, Industrial, and Retail/Commercial as shown below:
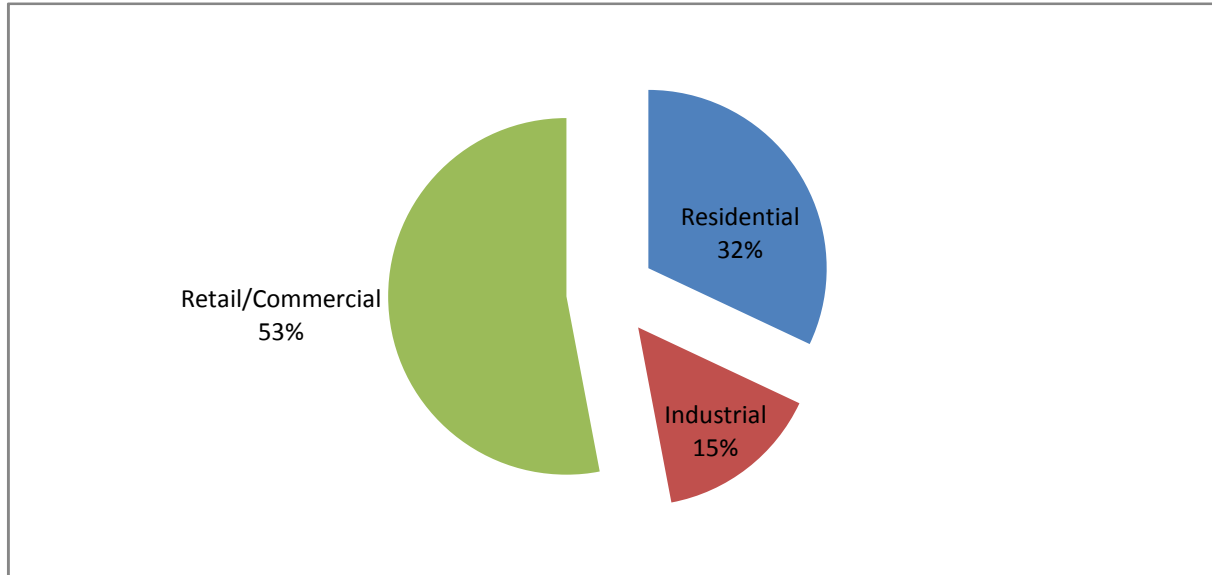
Figure 1.1: Safeguard security main business areas

Source: Safeguard Strategic document 2011-2012

Safeguard's bulk of business comes from the retail/commercial sector and residential premises while the other income comes from the industrial businesses. Safeguard has 11 senior managers and each area is run by a manager reporting to the Managing Director. The manager is responsible to the client for the service on site and work with him to ensure the best possible security on site. Managers visit their customers on a regular basis; frequency is based on the number of posts and /or complexity of the contract but at least once per month, and usually more.

The organization has 33 supervisors of which each manager has under him a team of supervisors who are ranking men with years of experience in the industry. These men are motorised and work on a 24 hour shift routine. They carry out daily visits to site, and are responsible for guard deployment, and follow up minor incidents.

The supervisors control a team of 47 checkers. These men are rostered on a 24 hours basis. Our aim is to check each post by night at least 3 times, and by day at least 2 times in addition to Management and supervisory visits. The checkers are

themselves checked on by the supervisors during their shifts to make sure they are meeting the targets, and to check on incidents on site. The checkers are on a combination of motorbikes and bicycle, and foot depending on the area.

Central Control-All planning runs from a central Control Room headed up by a Manager. This holds all information related to rostering, guard selection for site, customer call out information and instructions, incident reports and follow up progress. It also the centre for customer calls. This centre also runs an hourly radio call routine and calls each site with a radio to ask for a status report. It manages all statistics related to supervision of the sites. The Control centre has a Manager on call 24 hours a day to attend to any incidents on site, or any client requests that need special attention.

Parade and inspection prior to duty- day shift guards report straight to site, usually through the control room, and are not always inspected prior to duty. They are usually taking over from a night guard, and as the customer is nearly always on site during the day guards that do not meet the standard are rare. They are however visited early on in the day by their supervisor.

Safeguard's competitive edge over the years has been based on a strong brand and a strong marketing model covering the whole country. Its focus on strategy formulation for competitive advantage has been very peripheral lower and middle staff. Safeguard's strategies continue to be dictated from the top management.

Middle managerial employees at Safeguard are considered as strategic and critical and possess specific skills , but are not empowered to make independent decisions on how work is supposed to be done since the organisational structure is not flexible enough to allow that. Safeguard uses a Top Down approach in strategy formulation, all strategies are dictated from the head office in Harare and there is very little room for change. The strategy formulation processes assumes that Zimbabwe is homogenous. This ultimately has led to the failure of the organization to obtain staff and middle managements' commitment because the management would not have been involved right from the start. The management also does not have incentives to give to employees to embrace the new strategies from the Harare head office. Boxal (1998) argues that not all employees of the firm constitute a source of rare value. He splits the employees into core employees who are critical to value creation and peripheral employees and further splits the core employees to inner and outer core. The inner core consists of managers, technical specialists and strategically located workers. Having looked at the history of Safeguard and contextualised the concept of strategy formulation and implementation, the author will now look closely at the environment both internally and externally in which Safeguard operates.

As a result of strategies being cascaded down from the top management without consultation of the other members of the organization, Safeguard have suffered a reduction in terms of employee numbers. Throughout the years Safeguard's staff compliment has gradually declined as illustrated in below:
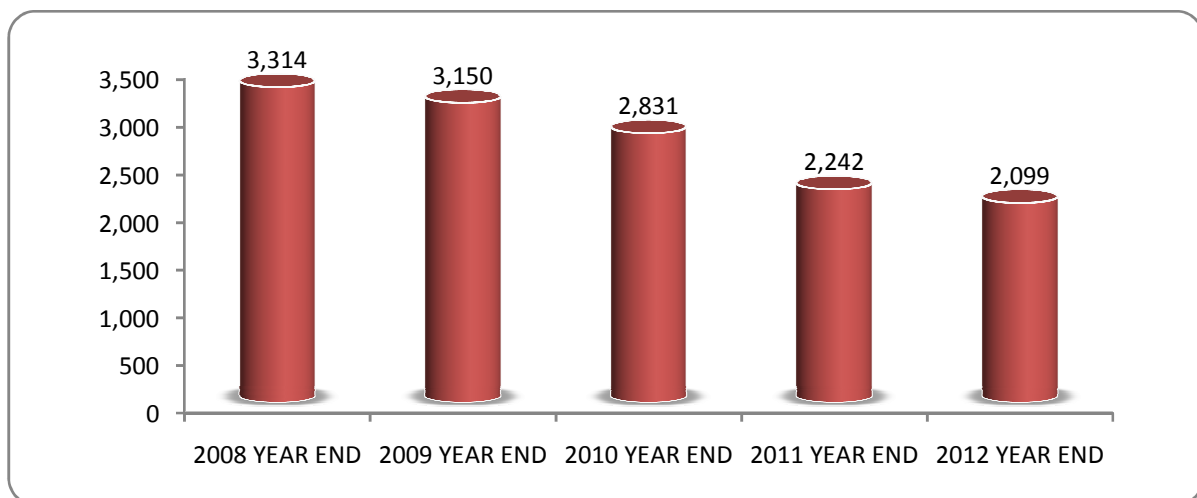
Figure 1.2: Staff head count reduction at Safeguard

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This staff reduction have led to skilled manpower shortages at Safeguard and at times the organization has had to abandon some contracts as a result of insufficient manpower. The costs of training new personnel to cover up for the departed have also increased at Safeguard. This has also resulted in a decline in moral of the available manpower since they are being over used and getting insignificant rewards.

1.1.2. Internal Environment

The SWOT analysis was used to analyse Safeguard's internal environment. According to Bateman and Snell (1996) an internal analysis provides strategic decision makers with an inventory of the organisation's skills and resources as well as overall and functional performance. Illustrated below table 1.1 is Safeguard's SWOT analysis.

Table 1.1 SWOT analysis for Safeguard

STRENGTHS	WEAKNESSES
 o Strong brand o Widespread distribution network o Sound financial resources o International bodies member o Large market share	 o Old machinery o Poor organisational culture o Poor skills retention o Centralised strategy formulation
OPPORTUNITIES	**THREATS**
 o Revival of the economy o Dollarisation o Government of national unity	 o Competition o Deteriorating political and business environment o HIV/AIDS o Legal environment

According to Table 1.1 above Safeguard has clearly defined strengths, weaknesses, opportunities and threats. Threats and weaknesses negatively affect achievement of objectives. Strengths are the forces that enable an organization to achieve its objectives.

1.1.3 The external environment

The unstable macro-economic fundamentals and the adverse socio-political conditions which affected the country since 2000 have not spared Safeguard. According to Thompson and Strickland (2003), studying and interpreting the impacts of social, political and economic events help in an effort to spot budding trends and conditions that could become driving forces for the business. For Safeguard the major external environmental factors affecting the business are explained below.

1.1.3.1 Economic factors

The hyper-inflationary environment that prevailed in Zimbabwe since 2000 coupled with high interest rates and persistent shortages of foreign currency made the business operating environment extremely difficult until 2009 when the economy was dollarised. The profitability levels in real terms have been coming down limiting the company's flexibility to grow the business. One of the areas affected has been the curtailment of Safeguard's ability to retain critical staff at management level. The introduction of the multi-currency system in February 2009 brought business stability although Safeguard still faces liquidity problems which have resulted in employees getting low disposable incomes. Lack of investment in Safeguard has also contributed to its poor performance. Investment opportunities are slow and the Zimbabwean Indigenization law passed in 2010 that requires a 51% Zimbabwean majority shareholding and 49% foreign shareholding has served to frighten off investors (The Herald, 06 May 2010). Strategic planning workshops at Safeguard have not been taken seriously as a result of these economic factors and thus have been foregone in other years.

1.1.3.2 Social factors

Brain drain and the HIV/AIDS pandemic are the most critical social factors affecting the business environment at Safeguard. During the hyperinflationary period that characterized the country for nearly a decade most of the skilled workforce at Safeguard left the country due to the economic hardships that were being faced. This left Safeguard operating with skeletal skills which greatly impacted on the performance of the organization. The HIV/AIDS pandemic also worsened the skills crisis as some of the workforce was affected by this pandemic and became too ill to come to work and in worst cases some died.

Safeguard was not spared from these social hardships as it lost many of its employees who moved to other neigbouring countries or abroad in search of greener pastures. Many companies had to rebuild the skills lost after the introduction of the multi-currency era by offering salaries that were regionally competitive to attract employees who had migrated to other countries. In some instances attractive packages are being offered to the core skills as a means of retaining the little skills left. The issue of the type of employment contracts being offered is also of paramount importance as most workforces would prefer a job that provides them with security and social stability through continuation of work.

1.1.3.3 Technology

In today's world technology is increasingly becoming an important element for companies to compete and prosper. Generally, Zimbabwe has a low rate of technological advancement. Zimbabwe's technological readiness is ranked at number 135 out of the 139 countries that participated in the Global Competitiveness survey (Global Competitiveness Report, 2010). According to the Global Competiveness Report (2010:7) report, technological readiness measures "the ability of which an economy adopts to existing technologies and enhances the productivity of industries with specific emphasis on its capacity to fully leverage information and communication technology (ICT) in daily activities and production process for increased efficiency and competitiveness". The scarce availability of money has impacted negatively on the ability of Safeguard to acquire new state of the art machinery to compete with emerging companies in the security industry. The company continues to use some machinery well beyond replacement period thereby compromising on quality of service and employee safety.

1.1.3.4 The legal environment

The legal environment has become complex and very difficult to manage for most businesses as laws are continuously changed to suit political wishes of those in power. The legal environment is not also helping in leveling the play field as players in the security industry continuously flout the law.

1.2 Problem statement

Managerial employees at Safeguard are not involved in strategic planning since the strategy formulation process is done at the company's head office in Harare and they are simply cascaded for implementation by the organisation's staff and management. This ultimately has led to the failure of the organisation to obtain and retain senior managements' commitment because the management is not involved right from the start and does not have incentives to offer to workers to embrace the new strategies. As a result of that the management at times fail to explain the new strategies to the employees with the result that the strategies are poorly implemented. The people who craft the strategy at Safeguard are the Chairman, CEO, Group Finance Director, Finance Director and Managing Directors of the four Safeguard companies. This has resulted in loss of staff, low profitability, dwindled market share and loss of critical business to competition. It is against this that this research wants to evaluate the effectiveness of the strategic management process in order to recommend ways of improvement to gain the lost business.

1.3 Research objectives

1. To assess Safeguard's strategy formulation process.

2. To establish the effectiveness of strategy formulation process at Safeguard

3. To analyse the current problems found in strategy formulation at Safeguard.

4. To determine the factors influencing the effectiveness of the strategic formulation process at Safeguard.

5. To provide recommendations for strategy formulation to Safeguard.

1.4 Research questions

1. How does Safeguard go about its strategy formulation process?

2. How effective is the strategy formulation process at Safeguard?

3. What are the problems found in strategy formulation at Safeguard?

4. What are the factors that influence the effectiveness of the strategic formulation process at Safeguard?

5. What are the recommendations for strategy formulation at Safeguard?

1.5 Research proposition

The research proposes that if the top Safeguard management includes middle and lower level management in the strategy formulation process it will lead to employee commitment to the strategies resulting in the fulfillment of organizational objectives.

1.6 Justification of the study

Strategy can provide an organisation with a reference point for decision making, so this study will provide the best practices for strategy formulation and implementation which will result in employee commitment to them. There has been little or no literature on strategy formulation and implementation in Zimbabwe's security industry thus this study will fill the literature gap. The study findings can also be used by Safeguard management in formulating and implementing strategies. This will also work as resource material for academics, consultants and researchers in strategy formulation and implementation.

1.7 Scope of the study

The study shall be carried out at Safeguard head office in Harare to minimize the logistical costs and time and this is also, where the decision makers of Safeguard are housed. The respondents to the study will be a sample from the staff and management of the organisation. This study shall adopt probability sampling specifically simple random sampling since it ensures that each item in the entire population has an equal opportunity of being included in the sample.

1.8 Assumptions of the study

It is assumed that:

- The strategy formulation and implementation procedure at Safeguard is to remain constant until the end of the study to ensure validity of the research findings.
- The data gathering techniques to be used are going to be objective and will show the real situation on the ground regarding to strategy formulation and implementation at Safeguard.

- Safeguard staff and management are going to be co-operative and sincere in responding to the needs and requirements of the study.

1. 9 Layout of the study

This study consists of five chapters, namely; Chapter 1, Chapter 2, Chapter 3, Chapter 4 and Chapter 5. Chapter 1 introduces the whole study and contains the background, problem statement, research objectives, research proposition, assumptions and scope of the study. Chapter 2 (Literature Review) reviews literature on organizational change. Chapter 3, the methodology, discusses how the research was carried out, that is; research approach, sampling methods, research instruments, data processing, analysis and presentation. Chapter 4 (Research findings and discussion) presents a discussion of the study findings. Chapter 5 (Conclusions and Recommendations) presents the conclusions and recommendations of the study, as well as the area of further research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The present chapter discusses the literature that will lay the foundation for the research. The primary focus of this chapter is to review literature relating to the strategy formulation process. This literature will help in answering the main research question of how Safeguard carries out its strategy formulation process. The chapter will form the crux on which the research findings will be discussed.

2.2 Overview

According to Thompson *et al* (2008) the strategy formulation process refers to that process of developing a strategic vision, setting objectives and crafting strategies to achieve the objectives and vision of an organization. However, the strategy formulation process would make more sense when looked at from the preceding strategic management process step of environmental analysis which provides vital information to the process (Certo and Peter, 1999).

2.3 What is Strategy?

There are a number of definitions of strategy in strategy literature but the classic definition is one by Chandler (1962) who defined strategy as "the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals". This means that strategy is about the future of an organization and how it will go about getting there.

Strategy, according to Jensen (1989) is perspective, position, plan, and pattern. He added that it is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means. John and Heracleous (1992) argues that strategy is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the

trip we actually make. Even when we are embarking on a voyage of discovery, with no particular destination in mind, the voyage has a purpose, an outcome and end to be kept in view.

Strategy, then, according to Morck *et al* (1989) has no existence apart from the ends sought. They added that it is a general framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary precondition for formulating strategy is a clear and widespread understanding of the ends to be obtained. Without these ends in view, action is purely tactical and can quickly degenerate into nothing more than a leaking boat.

Ofek (1993) suggests that strategy is about means. He argued that it is about the attainment of ends, not their specification. The specification of ends is a matter of stating those future conditions and circumstances toward which effort is to be devoted until such time as those ends are obtained. He adds that it is concerned with how you will achieve your aims, not with what those aims are or ought to be, or how they are established. If strategy has any meaning at all, it is only in relation to some aim or end in view.

An alternative definition of strategy is proposed by Mintzberg and Quinn (1996): "strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive unit". A well-formulated strategy helps to marshal internal competences and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

However, Henry Mintzberg, one of the fiercest critics of the process of strategic planning and strategic management thinks otherwise. To him there is more to strategy than just merely being a "plan" and he proposes the "Five **Ps** of Strategy." According to him, strategy can be defined as: "plan, ploy, pattern, position and perspective" (Mintzberg, 2001) in order to help practitioners and researchers alike to maneuver through this difficult area. He asserts that the field of strategic management cannot afford to rely on a single definition of strategy.

2.3.1 Strategy as Plan
A strategy is a plan, that is, some sort of consciously intended course of action, a guideline or set of guidelines to deal with a situation. This means that strategies have

two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully. As plans, strategies can be general or specific. There is one use of the word in the specific sense that should be identified here.

2.3.2 Strategy as Ploy
Added to the concepts of strategy as a plan, strategy may also be used as a ploy. Here strategy is developed to act as a deterrent or a threat and not as a deliberate action. For example, an organization may threaten to expand its current production capacity by expanding its own plant in an effort to outmaneuver an opponent or competitor.

2.3.3 Strategy as Pattern
If strategy is developed as a plan or ploy, it leads to a resulting behavior which behavior will in turn lead to the creation of a pattern of actions. This pattern will lead to a certain behavior. In other words, strategy is developed and used as an answer to any problems that might confront an organization and this leads to a consistent stream of actions. If this consistent stream of actions is followed over a period of time, then a distinctive pattern will emerge. This pattern might be intended, and if so it will lead to intended strategies, or if it was unintended, then it will lead to emergent strategies.

2.3.4 Strategy as Position
If strategy is a position, then it acts as a means of locating an organization within an "environment". This environment is the place in which the organization is conducting its business. By this definition, strategy becomes the mediating force or match, between organization and environment, that is, between the internal and external context (Hofer and Schendel 1978). Michael Porter and his Five Forces Model was one of the earliest exponents of this thinking. He proposed that strategy should be developed in such a manner that it differentiates itself completely from the competitive environment and places the organization within a very specific niche market where it is able to avoid competition.

2.3.5 Strategy as Perspective
This view looks inside the organization and specifically inside the heads of creators of strategy. In this case, strategy is a perspective, its content consisting not just of a chosen position, but of an ingrained way of perceiving the world. Some

organizations, for example, are aggressive pacesetters, creating new technologies and exploiting new markets; others perceive the world as set and stable, and so sit back in long established markets and build protective shells around themselves, relying more on political influence than on economic efficiency. Strategy in this respect is to the organization what personality is to an individual. Thus, strategies exist only in the minds of those who are interested in them and are seen as the figment of someone's imagination.

These perspectives are in competition with one another at some level, but at a more important level, they complement each other: (i) as plan, strategy deals with how practitioners try to establish direction within their organizations, to set them on predetermined courses of action; (ii)as ploy, strategy enters the realm of competition where threats, feints and various other maneuvers are used to unsettle opposition; (iii) as pattern, strategy focuses on action and the underlying concept of behavior which behavior can lead to certain actions which lead to certain patterns in behavior which can be deliberate or emergent in nature; (iv) as position, strategy encourages organizations to look at themselves in terms of their external environment and finally (v) as perspective, strategy enables an organization to look at itself in terms of its collective mindset and how it perceives itself. Strategies exist only in the minds of the strategists and their ideas are reflected in the process of strategy formulation (Mintzberg, 2001).

The strategy definitions that seem to be consistent with Safeguard are the ones by Jensen (1989) and John and Heracleous (1992) and these appear to be inadequate and incomparable especially to the all encompassing Five Ps of strategy developed by Henry Mintzberg.

2.4 Characteristics of a Winning Strategy

A winning strategy must build sustainable competitive advantage, fit the enterprise's situation, and improve company performance. Tests can be used to evaluate the merits of one strategy over another and to gauge how good a strategy is. According to Piercy (2002), the soundness of a competitive strategy depends on how well it can satisfy the following tests:

2.4.1 The goodness of fit test

A good strategy is tailored to fit the company's internal and external situation. Without a tight situational fit, there is a real question whether a strategy appropriately matches the requirement for market success. The strategy should not be vulnerable to unacceptable environmental and internal uncertainties, clearly making sure that identified risks can be avoided and that the strategy plays an aggressive offense to build competitive advantage and aggressive defence to protect it. This can only be done by taking advantage of the SWOT analysis which analyses an organization's strengths, weaknesses, opportunities and threats. Both for-profit and not-for-profit organizations use this analytical tool to measure the goodness of fit test.

2.4.2 The competitive advantage test

A good strategy leads to sustainable competitive advantage. Competitive advantage, whatever its source, ultimately can be attributed to the ownership of a valuable resource that enables the company to perform activities better or more cheaply than competitors (Collins and Montgomery, 1995). Thus, the bigger the competitive edge that the strategy helps to build, the more powerful and effective the strategy is.

2.4.3 The performance test

A good strategy boosts company performance, enhances gains in profitability and in the company's competitive strengths and long term market position. Questions about gains in profitability; gains in a company's competitive strength and long-term market position and the prospects for successful implementation, feasibility, supportability and consistency need to be answered in this regard.

2.4.4 Suitability

Suitability deals with the overall rationale of the strategy. The key point to consider is whether the strategy would address the key strategic issues underlined by the organization's strategic position. The suitability test should provide a solution to the economic sense of the strategy; whether the organization would obtain economies of scale, economies of scope or suitability in terms of environment.

2.4.5 Feasibility

Feasibility is concerned with the resources required to implement the strategy and whether these are available, can be developed or obtained. It looks at the firm's ability to fund, the materials, services, technology, management, markets and other resources. Feasibility also measures the successful implementation of the strategy.

2.4.6 Acceptability

The strategy should be acceptable to senior management, shareholders, employees, government, customers and suppliers. Acceptability is concerned with the return, risk and stakeholder reactions. Return deals with the benefits expected by stakeholders, with risk looking at the probability and consequences of failure of a strategy (financial and non-financial) whereas stakeholder reactions deal with anticipating the likely reaction of stakeholders.

2.5 The Importance of the Strategy Formulation Process

The purpose of the strategy formulation process according to Alexander (1991) is to cause strategic thinking that conceives the future of the enterprise and how that future may be secured. Pettigrew (1987) propounded that the strategy formulation process should provide a mechanism to ease the communication of the ideas and to co-ordinate efforts. He also notes that it should inject structure but not the rigidity into the thinking. Alexander argues that every enterprise has a strategy at any time. It may be that nobody has ever used the word strategy and that no deliberate or disciplined process has ever taken place. The strategy may be to continue to do tomorrow what was done today.

Mintzberg (1994) proposes that this is a somewhat neutral strategy but it may sometimes be appropriate and effective. It certainly has the advantage that it is easy to implement and it may be more likely to secure the future than ill-conceived radical departures into new activities. More often the practice, however, it is apparent that the future of the enterprise is less secure than it might be so there is a need to consider and formulate suitable new strategies which will increase the chances of success. Such new strategies do not just happen; they result from a formulation process. The strategy formulation process is important because a 'better' process should produce better strategies. It is, of course, arguable what 'better' means (Hamel and Prahalad, 1994.)
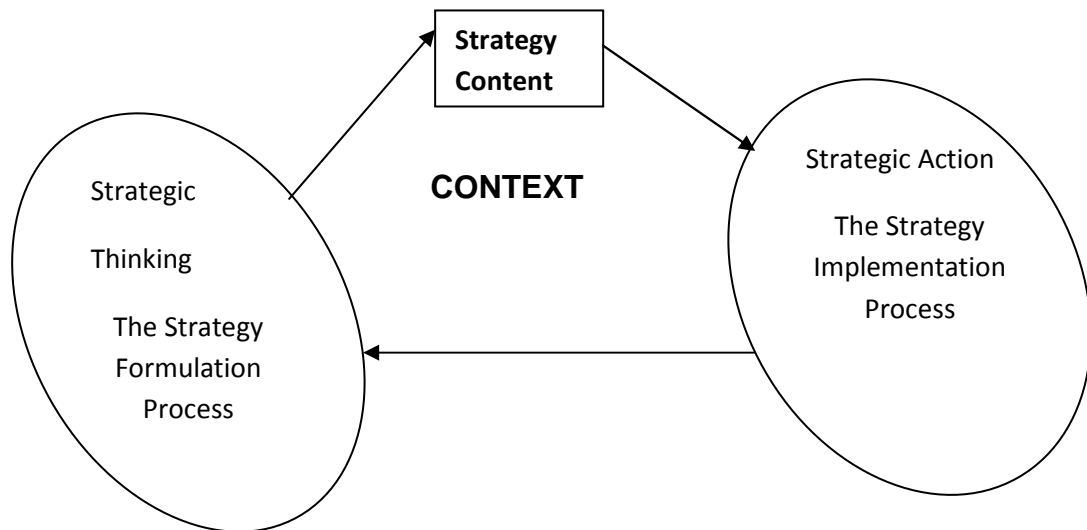
Figure 2.1 Strategic thinking: the second element of strategic management

Source: Hamel (1997)

According to Grant (1995), good strategies are judged by the results achieved not by the quality of the process that generated them. It is apparent that there is considerable a divergence of views among academic thinkers on what the 'best' strategy process should look like. Beer and Eisenstat (2000) assert that successful enterprises adopt a formulation process that matches their business, their culture and the specific issues of the context. They argue that certainly they do not all go about formulating strategy in the same way. Management consultants specializing in strategy formulation may offer their clients a proprietary method for formulating strategy and may claim that this approach offers advantages over alternative approaches. Such claims are hard to substantiate and the same process is likely to work better in some contexts than others. Porter (1985) notes that there is no standard approach to strategy formulation that can ever guarantee success.

Hamel (1997) has referred to this as the 'dirty little secret of the strategy industry'. He meant that, when management consultants guide their clients through a process it is originality, creativity and effective implementation that lead to future business success and not to the process itself. It is impossible to be prescriptive about what process will generate the best strategies. Campbell (1999) argues that in spite of the awkward fact, most enterprises do find it useful to think about the process by which they formulate their future strategies and try to improve the process so as to increase the changes of creative thinking happening.

In practice, the strategy process may be formal or informal, complex or simple (Beer and Eisenstat, 2000). They may be exactly analytical or based on a broad understanding of important trends. The process may involve many people or just a few. In one very successful life insurance company the process is almost entirely informal. The senior six or seven executive directors meet regularly and discuss strategy among other more immediate matters. Strategic ideas maybe discussed at committees chaired by the same directors so that any difficulties become apparent. After a period of gradual agreement, the strategies will be reported to a meeting of the full board. The expectation is that the board will nod them through. There are no strategic plans written down and very little documentation of any kind. All the executive directors maintain, however, that the strategy is very clear. The company has been highly successful over a long period of time (Beer and Eisenstat, 2000).

At the other end of the scale, Giles (1991) notes that many large multi-divisional companies still operate a formal process in which individual companies or divisions present their strategies to the board for review. Such formality may have the important advantage that it causes busy managers to think about the future. On the other hand, Brews and Hunt (1999) note that formality may also have the disadvantage that thinking is undertaken only to meet the requirements of a bureaucratic process which may be stiff and unimaginative.

The case examples give some indication of formality, style and time-scale that occurs within planning process. In ICL, under the pressure of a crisis, one or two people conceived a radically new strategy in a period of a few weeks. Marks and Spencer, also experiencing a crisis, found it appropriate to have an off-site meeting for the entire board and to study a strategy document several hundred pages long.

Noble (1999) put forward that the strategy formulation process has to be tailored to the current needs of the organization. He adds that the task for the manager is to understand the process of the generated strategies in the past in that enterprise and to consider how to develop that process in future. This may require minor adjustments, such as changes of emphasis, involvement of new groups, or new analysis of data. There is some evidence (Brews and Hunt 1999) that planning processes need several years to bed down and start to produce results. This argues

for gradual development of the existing process. Sometimes, however, it may be appropriate to introduce an entirely new process for formulating strategies so as to generate new insights about the future of the business and to break out of accepted patterns of thought.

The value of the process is that it triggers new ideas, capture ideas for discussion, and clarify ideas for implementation. The process must lead to ideas about how the future can be secured and must lay the ground for effective action. The strategy formulation process should, in short, lead to good strategic thinking.

Effective strategic thinking according to Grant (1995) usually has certain characteristics. It considers the enterprise as a whole and is more about the longer term than the immediate. Strategic thinking must address both the relationship of the enterprise with its external environment and its own capabilities and resources. Good strategic thinking according to Giles (1991) is based on the fact and reality and is supported by rigorous analysis. On the other hand, analysis is not enough; good strategic thinking also requires imagination. An effective strategic thinker has a good understanding of the present, is able to imagine the future, and is also able to think beyond the current constraints in an original way.

The design of the strategy process must cause strategic thinking to happen. It is important that all parts of the strategy process must be coherent. Good strategic thinking requires the right combination of analysis and imagination. Kenichi Ohmae (1982) puts this point well:

"Sometimes a strategy formulation process may fail to achieve this balance. This may be because it is too analytical. The highly formalized approach to strategic planning which became very common in the 1960s and 1970s often involved large planning departments. These did extensive analysis but often failed to generate or communicate strategic thinking. This may have failed because of lack of imagination or because they failed to relate well to the line managers with the detailed knowledge of the business."

Mintzberg (1994) suggest that highly formalized strategic planning of this kind may actually prevent strategic thinking.

Processes that are totally informal or not supported by sound analysis can also fail. They may result in unrealistic lists of desired future outcomes for which the resources are not available and for which there is no drive to find the resources or to build the capabilities.

2.6 The Three Logical Elements of the Strategy Formulation Process
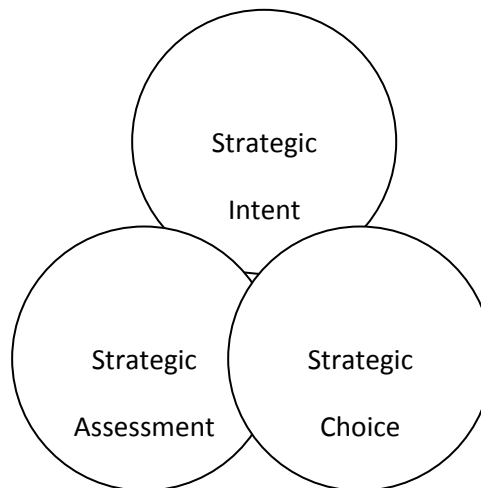
Figure 2.2 The Strategy Formulation Process: Three inter-locking aspects

Source: Hamel (1997)

Hamel and Prahalad (1989) define strategic intent as the envisioning of a desired leadership position which establishes the criterion an organization will use to chart its progress. Strategic intent, according to Mintzberg (1994), is the driver of the strategy formulation process. Without an underlying intent, strategy formulation lacks an overall sense of direction and there is no reason to choose one direction rather than another. Strategic intent provides the answer to the question 'Where do we want to go?' He asserts that the fundamental role of strategic assessment is to provide relevant knowledge about the strategic context. It has to assess both the outside world and the relative capabilities of our own enterprise. The role of strategic assessment is to anchor future strategies in reality. Strategic assessment must address the question 'Where are we now?' Potential future strategies also have to be assessed.

Activities in Process
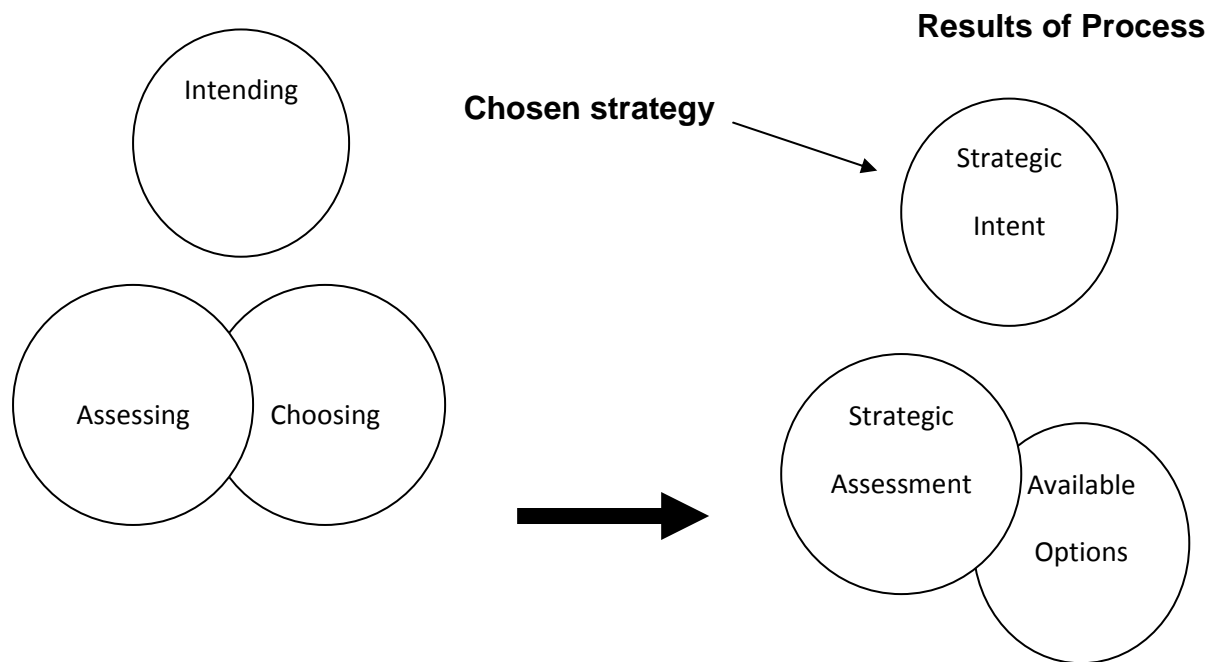
Figure 2.3 Activities in process and results of process

Source: Hamel (1997)

According to Hamel (1997), strategic choice is fundamental to the strategy formulation process because it is the link to action. He adds that it must address the question 'Which option will we choose for getting where we want to be from where we are?' If strategy is anything more than an intellectual relaxation then action must result from the resulting process (Mintzberg, 1994).

According to Mintzberg (1994) the strategy formulation process has three interlocking activities: intending, assessing and choosing. He notes that each of these activities relates to the other two. In a good strategy process the activities fit together into a coherent whole and are in balance. These interlocking activities produce related results: strategic intent, strategic assessment and available options. The eventual strategy which is chosen depends on all three elements as shown in figure 2.3.

2.7 Effective Strategy Formulation Processes in Practice

According to Detmar (1997), while it is impossible to define a universal strategy formulation process that will work for any enterprise in all circumstances, it is possible to observe the characteristics that seem to lead to success in practice. The eleven points below, derived as much from experience as from theory are among the most important.

2.7.1 Customer awareness

The process must take account of customers' needs, how existing needs are changing and what new needs are emerging. This may be called being market driven but it is more than mere reaction to customer needs, it is necessary to anticipate future needs (Mintzberg, 1994).

2.7.2 Supplier Relationships

According to Muzellec (2006) the scope of the process is normally the boundaries of the organisation. External relationships with suppliers of all kinds extend the boundaries of the enterprise in an untidy way. The process has to be aware of changes that affect suppliers and ensure that their significance is understood.

2.7.3 Stakeholder's influence

The process must take into account the expectations and influences of all important groups of stakeholders, shareholders, regulators, and lobby groups may be particularly important in many contexts.

2.7.4 Understanding of competence

The process must equally take account of the competence of the enterprise. As well as taking an honest view of the relative competence against its competitors, it must also make a dynamic assessment of their likely response (Merilees, 2007).

2.7.5 Awareness of technological change and innovation

According to Salinas and Peres (2009) the process must be oriented towards change. Understanding the nature of change is likely to require a sound understanding of how technology is adding value to the business. This is not the same thing as understanding the leading edge applications of technology in the industry.

2.7.6 Mix of people involved in the process

Businesses are usually complex so different people have different perspectives and different fields of knowledge. Marketing people see the world differently and know different things from development engineers; long serving employees differently from newcomers, board members differently from middles managers, central staff differently from field staff (Pretorius and Marius, 2008). No one group has a monopoly on useful perspectives so an effective mix of views is important. An effective moderator may be essential to ensure that views are heard.

2.7.7 Encouragement and understanding of top management

Ultimately the power to take action resides with senior managers and particularly the chief executive. If the process does not have top management actively behind it then it will usually fail.

2.7.8 Communication of results and reaction to feedback.

Good strategies do not appear suddenly. A good raw idea needs to find support from those who have made it work (Merillees, 2007). The raw edges of the idea need to be rubbed off. This is achieved by good two way communication. Ideas are improved by valid criticism. Secret strategies are rarely implemented if they affect a large number of people.

2.7.9 A sound logic and balance to the process

Figure 2.3 illustrated the nature of the balance that is necessary. If the process has been unbalanced in the past, one of the three elements may need more emphasis than the other two at a particular time to redress the imbalance. Conversely, one element may already be in place and so can be given less attention.

2.7.10 Process design but not over design

The design of the process requires some thought. It is useful to consider the strengths and weaknesses of the existing strategy process (Campbell, 1999). The process should be tailored to address current strategic issues and hence ensure relevance. Some outline of timescale and method is necessary. However the methods must be flexible enough to allow time to react to findings and to delve into critical detail. The balance between analysis and synthesis is important. The process needs to develop from year to year to avoid the process becoming a boring and bureaucratic routine.

2.7.11 Considered role of external support

Management consultants can make valuable contribution provided that their role has been thought through. Consultants can help with process design, provide analytical support, offer comparative perspective and contribute to strategic thinking. They can also catch attention, contribute objectively in political discussions and cut across organizational boundaries. Consultants cannot, however, take responsibility for implementation nor are they likely to understand their client's business in much depth as insiders do.

According to Javidan (1985) it is essential that the strategy formulation process is designed to meet the needs of the enterprise and its business needs. There are dangers in imitating processes that seem to have worked well in prominent and successful companies. This point is made very clearly by Campbell (1999) who remarks that there is still widespread dissatisfaction among managers with the strategic planning process as they are practiced in their companies even after many years of refinement. He attributes much of the problem to imitating the process of leading companies rather than designing a process appropriate to the specific needs. It is critical that the process should be clear about how the enterprise is trying to create value.

Campbell (1999) illustrates his article with examples of three different processes in use. The value creation focus is different for each of the three cases. In one the focus is to make dramatic increases in profit; in the second it is on cost reduction; for the third it is to find incremental performance gains. In each case the process is successful because it is focused on a particular kind of value and because it fits the style of the chief executive. The planning techniques, the form of the process, role of different functions in the process, length and tone of meetings and follow up are all tailored to be coherent with the required focus and style in each case (Mintzberg, 1994).

2.8 Results of Strategy Formulation Process

The strategy formulation process results in strategic choice and supporting strategies. Grant (1995) suggests four critical elements to the results that have to be achieved from the strategy formulation process:

1. Goals that are simple, consistent and long term
2. Profound understanding of the competitive environment
3. Objective appraisal of resources
4. Effective implementation

According to Alexander (1991), Grant's list echoes the framework of figure 2.3. Clear strategic intent may be expressed as goals. The results of strategic assessment are an objective appraisal of the competitive environment. A good strategic choice is one ingredient of effective implementation. Grant's list does not guarantee success. Scheinkopt (1999) notes that clear stated goals may sound good but may be

extremely wholly in their practical meaning. Profound understanding of the competitive environment is a worthy aim but how can one know what degree of profundity is adequate? Objective appraisal of resources may not be enough as it may be possible to find new resources.

According to Grant (1995) the objective appraisal of resources may not be enough as it may be possible to find new resources to stretch the organization to meet future challenges. He suggested that certainly the strategy formulation process must generate strategies which are capable of implementation but actions will have to be modified in the light of events so that what is implemented is not the same as what seemed capable of implementation.

According to Giles (1991) the strategy formulation process results include the increased awareness of opportunities, increased commitment of staff, a clearer understanding of the future direction of the industry and an appreciation of the extent of change required.

2.9 Strategy Formulation: Constraints and Success Factors

Strategy formulation has been the 'in' trend for corporations since the early 1970s. According to Mintzberg (1994) although much effort has been expended using several analytical techniques results have been mixed. Some organizations are positive about their strategy formulation experience, citing successful acquisitions, divestitures, and resource allocation decisions resulting from their strategy formulation process. Other companies have been disappointed, feeling that no substantial changes have occurred, and many wonder where they went wrong. Strategy formulation processes can fail for a variety of reasons, but according to Stonich (1982) there are four primary causes which are described below:

2.9.1 Ignoring Implementation Requirements

Traditionally according to Giles (1991), strategy formulation precedes implementation. He noted that many strategies fail because not enough thought about implementation issues occur during the strategy formulation process. For example, a government owned corporation in Canada devoted much effort to developing a new strategy. The complex environment facing the company was carefully analyzed and strategic contingencies were developed for each possible scenario. Outside experts were polled to identify the most likely future scenario. The

contingency associated with that scenario, calling for major changes in the company's organization and methods of operation became the new strategy.

However eighteen months later, virtually none of the major changes had been enacted. The new strategy was practical from an economic and marketing point of view, but failed miserably because the career civil servants who worked for the organization rejected and sabotaged it. Resistance to change of any kind, they wanted to continue business as usual, and they succeeded in building so many layers of analysis, approval and committee review that the changes sought eagerly at the top stalled within middle management.

According to Mintzberg (1994) in this instance management should have recognized that strategies calling for dramatic change would have very little chance of succeeding in an organization steeped in provincialism. Grant (1995) notes that since management usually have several alternatives to choose from, a strategy calling for gradual change might have been selected and implemented with a much higher probability of success.

Culture, the set of generally shared values and norms of an organization, is one among many factors that should be taken into account when designing strategy (Giles, 1991). The other factors include:

2.9.2 Management processes
Planning, programming, budgeting, control and reward systems are intended to support strategy. When strategies change these systems must adapt to new priorities and information and control.

2.9.3 Organization
The formal and informal set of relationships between people *vis-à-vis* authority, responsibility and communication serves as a constraint to effective strategy formulation. Strategic planners should consider organizational reallocation, as they do capital or other resource allocations within the strategy formulation process.

2.9.4 Human resources
People are important in implementing strategy and often prevent new strategy from succeeding. If managers are not committed to, nor capable of carrying out the selected strategy, it will fail. Each implementation aspect on figure 2.4 must be

carefully considered as strategy is formulated. According to Grant (1995) strategies that look good on paper are sometimes impossible to implement because of the above-mentioned constraints. Therefore, it is vital to strategic change that any necessary modifications in all or some of these areas be made.
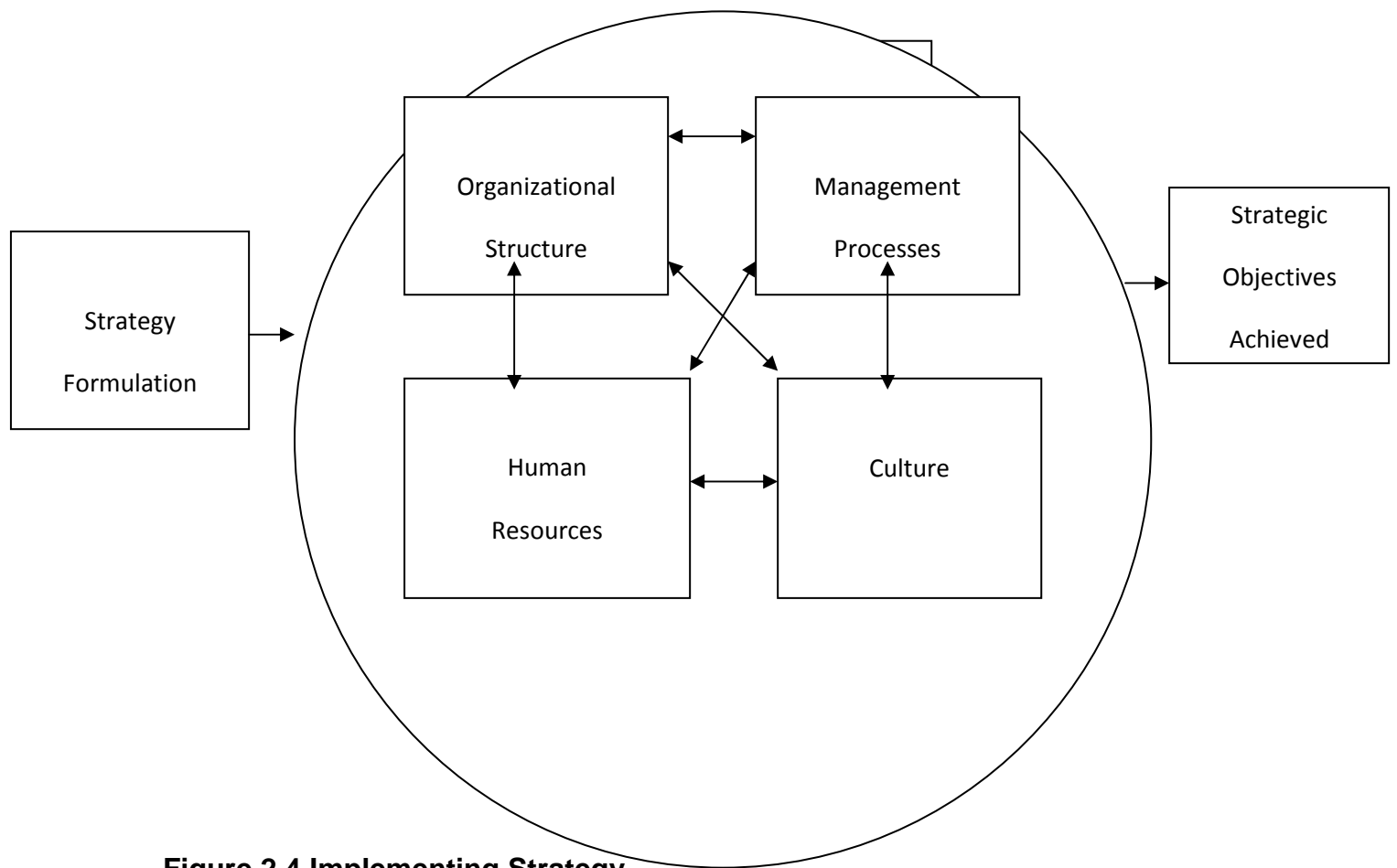
Figure 2.4 Implementing Strategy

Source: Galpin (1998)

2.9.5 Involving the Wrong Players From Within the Organisation

Stonich (1982) noted that in many companies, the strategy formulation process involves very few people at the top of the organization, a conventional approach which always fails. For good strategy to be effective, it must be formulated by people who clearly understand what needs to be done and who know the problems of executing short and long range plans. Therefore line managers from several levels of

the organization must work with corporate staff to formulate strategy. In this way, those responsible for implementing strategy feel they are an integral part of the process and become committed to carrying it out. In addition, problems often found in strategies formulated from an ivory tower are avoided and this does not mean that suggestions from corporate staff are dispensable. According to Giles (1991) corporate staff play an important role in ensuring that strategic business unit (SBU) strategies are compatible with overall corporate objectives and that strategies use comparable historical data and assumptions. SBUs are the key operational areas around which the organization is focused each requiring an explicit strategic plan. They are organized along the lines of product groups and services.

According to Mitzberg (1994) divisional or SBU managers, both general managers as well as functional heads at the SBU level should be the focus of any strategic effort. They should play the major role in setting divisional objectives, identifying concrete options, criticizing implementation aspects of those options and selecting the most appropriate ones. Staff from outside the SBU should play their key roles which are communicating corporate objectives and expectations of activities and performance, guiding divisional management through the strategy formulation process and coordinating separate divisional efforts and collating them into one coherent and consistent strategy (Giles, 1991).

2.9.6 Not Involving Objective Personnel

For years top management for major department store retailer viewed only other department stores as their competitors. They watched as the performance of the neighboring department store declined, secure in the perception that their retail institution was immune to problems of a slowing regional economy, creeping urban decay, and strong challenge from specialty retailers (Mitzberg, 1994).

However, according to Hamel (1997) the limited definition of its competition kept the company from sensing the serious competitive inroads made by non-departmental store sales had been steadily increasing overtime, the company's share of total retail sales and sales in specific categories had declined sharply. It was only when stockholder dissatisfaction forced top management to bring new and unbiased managers into the organisation that the company's actual competitive position in its market came to light.

2.9.7 Failing to Perform Appropriate Data-Based Analysis

Giles (1991) notes that not all analytical tools are appropriate to every situation; therefore it is important to choose the most appropriate ones for analyzing each different SBU. For instance, service businesses do not lend themselves well to the experience curve or growth-share analysis so widely used elsewhere. Similarly, the same measurements or planning horizons are not appropriate for all SBUs in a company. A capital budgeting horizon of twelve months might be appropriate for a specialty store chain that leases space and fixtures, but totally inappropriate for measuring return on investment (ROI) in land and buildings for a new department store (Giles, 1991).

Hamel (1997) points out that a different problem occurs when companies develop guidelines that tail but, because of lack of time or commitment, SBU mangers do not apply them beyond filling out forms. This form-over-substance approach does not usually result in well-formulated strategies. Finally, in order to apply appropriately an analytical tool, data must be gathered. Fact about the external environment, competitors, markets, manufacturing, and capacity are critical ingredients for successful strategy formulation.

For example, an office equipment firm developed manual that outlined how line mangers were to apply various tools in analyzing their markets. Most managers did not have the analytical skills to apply the tools. In addition, these managers were pressured to carry out their day-to-day operations, leaving little time for analysis.

According to Mitzberg (1994) corporate staff also over extended and under severe pressure to meet planning deadlines imposed by top management, was unable to help. Divisional managers simply filled out the forms based on limited information they had on hand, giving little thought to the implications behind numbers they put on paper. Resulting strategies were shallow and worthless intuiting change.

When outsiders were brought in to critique the strategy formulation process used by this organization, they suggested in-depth analysis on selected SBUs each year, rather than a shallow job on all SBUs. Corporate staff was trained to use various analytical tools and were shown how to work with line managers to select the right tools for each situation. Finally, line managers were given enough extra resources to

allow one of their subordinates to work full-time on developing strategies during the analysis period. All these actions allowed mangers to develop more meaningful strategies (Giles, 1991).

2.10 Approaches to the Strategy Formulation Process

Figure 2.5 illustrates four commonly used approaches to strategy formulation. According to Giles (1991) the lower right-hand quadrant includes organizations whose approach is all form and no substance. Strategy is typically formulated as follows: SBU managers know that a strategy must be prepared for top management, but do not consider it important enough to participate personally. They delegate it to staff assistants who develop the strategy by following instructions and by completing forms given to them by corporate staff. There is little objectivity, little senior management involvement, and no recognition of implementation issues. This method guarantees shallow strategies with little commitment to making them work.

WINNIG COMBINATION	IVORY TOWER
BUSINESS AS USUAL	ALL FORM AND NO SUBSTANCE

Figure 2.5 Approaches to Strategy Formulation

Source: Giles (1991)

The lower left-hand box is the business-as-usual option, involving more managers than the all-form-no substance approach. This approach can be characterized as "seat of the pants" where a committee of SBU managers discusses the issues,

without stretching outside facts and without stretching the scope of analysis beyond the usual business activities. Typically, objectivity and depth of analysis are lacking.

One company providing computerized information services typified the business-as-usual approach. Key managers and board members held annual retreats; in three days of brainstorming they had formulated the firm's strategy without analyzing data. Needless to say, line managers found the resulting strategic goals and objectives unrealistic and difficult to interpret. Strategy had to be reformulated by a committee of functional heads and key staff members over a period of three months, and then sold to the board. The upper right-hand corner represents the ivory tower approach (Hamel, 1997).

According to Giles (1991) strategy formulation is often left entirely to outside consultants who use sophisticated analytical techniques, are objective, and gather facts to back up their conclusions. While strategies that are formulated this way can be theoretically correct, they do not take into account implementation issues, the culture of the organization, or the organization's ability to carry them out. A diversified chemical company did all its strategic planning by the book, hiring outside consultants to draft strategies, to formulate action plans, and to draw up operating and capital budgets. The logically conceived strategies have never achieved specified goals, mainly because key line managers do not understand unrealistic, ivory tower plans.

The top, left-hand corner is the winning combination which several companies have established. According to Hamel (1997) managers and corporate staff new to the firm and industry, or outside consultants, can provide an objective perspective. In the case of the retailer above, a taskforce composed of line managers both old and new, corporate staff and outside consultants were set up to develop and analyze strategic alternatives. By mediating the differing perspectives, the task force selected appropriate definitions of the markets in which the retailer competed and accurate measurements of actual performance. Strategic alternatives, including concrete targets for improved positioning, directly resulted from this fresh approach to strategy formulation.

Alternatively, Barbuto (2002) and Hart (1992) identified five approaches to understanding the strategy formulation process better and these are autocratic, transformational, rational, learning and political and these are discussed in turn.

2.10.1 Autocratic Approach

In the autocratic approach, a leader defines organizational goals and strategies by maintaining full control of most decisions in the organization. Top managers' views and aspirations often become the goals and missions of an organization. Strategy-making under this approach is highly centralized in the decision-making process and is operationalized at the top of the organizational hierarchy (Mintzberg, 1973). Strategies developed from this process will be purely deliberate (Mitzberg and Waters, 1985). This approach is comparable to Thompson *et al* (2008)'s Chief Architect approach where the Chief Executive Officer is the chief strategist and visionary, especially in cases where the CEO is the founder of that organization.

2.10.2 Transformational Approach

The transformational approach involves the creation and inspirational articulation of a compelling vision and a clear set of organizational goals or missions, which give meaning to all sets of activities throughout an organization. The role of management in this approach is to motivate and inspire organizational members toward attaining organizational goals (Nonaka, 1988). Leaders serve as change agents, whereas employees play the role of team members. This approach is similar to Thompson *et al* (2008)'s collaborative or team approach, where management and their subordinates are involved in crafting strategy by consensus. This ensures there is buy-in from employees and plays a positive role for strategy implementation.

2.10.3 Rational Approach

The rational approach focuses on thoroughness of analysis and evaluation of all possible courses of action. Formal, structured analyses such as environmental scanning, portfolio analysis and industry analysis (Porter, 1990), are used in this approach to define opportunities and threats. The result of this approach is a highly detailed plan of action with multiple alternative courses of action, detailed with financial and resource related information (Chaffee, 1985). The approach often features the classic SWOT analysis to develop strategy.

2.10.4 Learning Approach

The learning approach involves continual learning and interaction (Fiol and Lyles, 1985) with heavy reliance on flexibility and adaptation, rather than on a predetermined and specifically outlined course of action. Strategy formulation and implementation require on-going dialogue between the organization and its key stakeholders (Shrivastava and Grant, 1985). In this case, top managers are concerned with on-going communication; they continually seek to understand the needs and demands of key stakeholders, often with incremental improvements to established processes. This learning approach to strategy making is evident in efforts by many companies to foster employee involvement, customer focus, organizational learning and continuous improvement (Fiol and Lyles, 1985).

2.10.5 Political Approach

The political approach relies on the independent behavior of organizational members (Ansoff, 1987). Members of an organization who gain support for their ideas from colleagues or top management will typically get their proposals accepted, whereas unsupported ideas will fall by the wayside. Employees' role in strategy making for an organization using a political approach is the most active and involved of the five modes. This is comparable to Thompson *et al* (2008)'s delegation approach where key strategy formulation aspects are delegated to line managers, a task force or consultants. The approach has advantages that include broader participation, expertise from those closer to the activity and timely responses to changes in the environment. Organizational members could derive immense benefits by incorporating various aspects from the different approaches.

2.11 Conceptual Framework

According to Andrews (1995) strategy formulation is a rational decision making process by which the organization's resources are matched with opportunities arising from the competitive environment. The purpose of the strategy formulation process according to Alexander (1991) is to cause strategic thinking that conceives the future of the enterprise and how that future may be secured. Pettigrew (1987) propounded that the strategy formulation process should provide a mechanism to ease the communication of the ideas and to co-ordinate efforts. Strategy formulation has been the 'in' trends for corporations since the early 1970s. According to Mintzberg (1994)

although much effort has been expended using several analytical techniques results have been mixed.

Traditionally according to Giles (1991), strategy formulation precedes implementation. He noted that many strategies fail because not enough thought about implementation issues occur during the strategy formulation process. Stonich (1982) notes that in many companies, the strategy formulation process involves very few people at the top of the organization; a conventional approach which always fails. For good strategy to be effective, it must be formulated by people who clearly understand what needs to be done and who know the problems of executing short and long range plans.

Various debates have evolved in the strategy formulation process literature over the last several decades with researchers arguing for and against descriptive and prescriptive models, rational and political models, and strategy making versus strategy implementation dilemmas for organizations. Many of these arguments and models that have emerged from these discussions have focused on specific characteristics of an organization, but few have considered the roles of managers and employees as well as environmental factors surrounding the organization when articulating strategy formulation approaches (Barbuto, 2002). In summary, different perspectives have dominated the field of the strategy formulation process to such an extent that one cannot rely on one. Therefore, in this study, no single framework was chosen but a mixture from number of authors. This is in line with the views of (Mintzberg, 2001) that it will be futile to rely on one.

2.12 Chapter Summary

This chapter has highlighted the aims of the strategy formulation process in management bid to secure the future of the enterprise. The literature has also revealed that the process has to be designed within the unique context of a particular organization at a particular time. The strategy formulation process has three logical elements which are the strategic intent, strategic assessment and strategic choice. The chapter has shown that these three are related and need to be balanced in a good process and that all stakeholders need to be involved in the strategy formulation process. The next chapter presents the research methodology and its justification.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines and discusses the methodology used in this research. It describes the collection models applied in the obtaining of data needed for the research study and is central to any research. The chapter provides the research philosophy and the research design as well as defining the population under study. The research will use Safeguard as the case study thus discussion of sampling and sampling techniques will be included. Sampling, data collection, data presentation and analysis methods are specified, explained and justified. The chapter will end by looking at the limitations of the research.

3.1 Research design

Yin (1989) asserts that having well designed methodology "is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately to its conclusions" (p.28). Research design `deals with a logical problem and not a logistical problem' (Yin, 1989,p 29). The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible. Obtaining relevant evidence entails specifying the type of evidence needed to answer the research question, to test a theory, to evaluate a programme or to accurately describe some phenomenon. In other words, when designing research we need to ask: given this research question (or theory), what type of evidence is needed to answer the question (or test the theory) in a convincing way?

3.1.1 Research Philosophy
This relates to assumptions based on general features of the world, encompassing such aspects as the mind, matter, reality, reason, truth, nature of knowledge and proofs of knowledge (Hughes, 1994).The use of either logical positivism or the phenomenological approach in research depends on the study at hand and no approach is better than the other hence in business and management research,

researchers rely on the combination of the approaches. These research philosophy approaches lead to the adoption quantitative and qualitative methods to research.

3.1.1.1 Positivism- The Quantitative approach

Saunders (1997), highlighted that the positivist approach assumes an external world determining behaviour, strives for explanation, prediction, and control by diving into parts, and isolating the, mechanistic approaches for explaining social behaviour, the researcher is objective. Fisher (2002) further asserts that positivism is based on the belief that the business world exists independent of the researcher or observer. It emphasizes the principle of maintaining an objective distance between researcher and the study. Positivism also assumes that things can be studied as hard facts and that the relationship between these facts can be established as hard facts and such laws have the status of truth and social objects can be studied in much the same way as natural objects (Smith, 1998). This approach is deductive and normally uses quantitative data.

Positivism has the advantage that it is conclusive; results obtained using quantitative methods are statistically reliable. It also enables the researcher to reliably establish whether one idea, concept or product is better than alternatives. Results from quantitative research can be projected or generalised to a population and it also allows researchers to measure and control variables (Edwards, 1998).

However, positivism does not provide the means to examine human beings and their behaviours in an in-depth way because quantitative methods only measure issues that are known prior to the beginning of the research, one cannot put into questionnaires that which is not known. Since humans are not objects but are subject to influences on behaviour, feelings, perceptions and attitudes that positivism reject as irrelevant and belonging to the world of metaphysics, positivism yields useful but limited data that only provide a superficial view of the phenomenon it investigates (Payle, 1995).

3.1.1.2 Phenomenology – The Qualitative approach

It focuses on the social process and how individuals shape and give meaning to the social world. Understanding and interpreting these meanings underpins

phenomenological methodology. It can generally be defined as a study which is conducted in a natural setting, where the researcher, an instrument of data collection, gathers words, pictures, analyses them, focuses on the meaning of participants and describes which is both expensive and persuasive in language. Phenomenology emphasizes processes and meaning and prefers the use of inductive hypothesis generating or qualitative methodologies. Researchers who advocate for its use argue that the business and management world is too complex and unique to be generalised through statistical analyses (Robson, 1993). Qualitative research is most often "grounded theory" built from the ground up.

Its advantages include being exploratory in nature, providing qualitative and descriptive information and providing better understanding of social processes due to the fact that it can be applied to small samples. It also allows for group interaction. Phenomenological research provides means of evaluating existing programmes and products and gives insights for developing marketing strategies (Fong, 1992).

However, phenomenological approaches relate to the interactive and participatory nature of qualitative methods due to the proximity of the researcher to the investigation (Paraboo, 1997). Qualitative data cannot be put into a context that can be graphed or displayed as a mathematical term, the results cannot be generalised and are not representative of the whole population being studied. This research adopted both approaches inorder to take advantage of the strengths inherent in the two approaches.

3.1.2 Research Strategy

For the purposes of this research a combined approach is used as it takes advantage of strength of the two, obviates weakness of single approach and balance strengths of the other and increases reliability and validity of findings. This is mainly due to the fact that the researcher is immersed in the research as she is an employee in the company being studied whilst the research seeks to explain and predict what happens in the business world by searching for patterns and casual relationships between constituent elements. At the same time the use of some quantitative elements is unavoidable as there is need to analyze data, present data

and summarize findings through use of tables and graphs. This would greatly increase the reliability and validity of the findings.

3.1.2.1 Case study

Empirical data is collected from only one or a small number of cases. It is generally aimed at providing insight into a particular situation and often stresses the experiences and interpretations of those involved. Usually it provides rich detail about those cases, of a predominantly qualitative nature and may generate new understandings, explanations or hypotheses. It however does not claim representativeness and should therefore be careful not to over –generalise. There are a number of different approaches to case study work which includes ethnographic, hermerneutic and ethogenic which would need the principles and methods followed to be made clear (Luck and Rubin, 1987). This study adopted the case study approach in order to establish the effectiveness of the strategic formulation process at Safeguard. According to Bhattacharyya(2003), a case study method is basically a qualitative research analysis pertaining to an organisation. The research adopted this approach in line with the argument by Bhattacharyya (2003) ibid that normally case study method of research focuses on organisations or at best two or three homogeneous or competing organisations (for bench marking).

3.1.2.2 Survey

According Canhao, 2000, a survey is where a sample of subjects is drawn from a population and studied to make inferences about the population. If a sample is representative, it is possible to use statistical techniques to demonstrate the likelihood that the characteristics of the sample will also be found in the population. Canhao (2000), added that there are two major types of surveys; namely, a descriptive survey which is concerned with identifying and counting the frequency of a specific population, either at one in time or at various other times for comparison. Such surveys are associated mainly with political elections, but are frequently used in business research in the form of attitude surveys. Secondly, is the analytical survey where the intention is to determine whether there is any relationship between different variables. Identification of the independent, dependent and extraneous variables is important in this method.

3.2 Population and Sampling Techniques

3.2.1 Population

A population can generally be defined as a set of entities concerning which statistical inferences are to be drawn, often based on a random sample taken from the population or a set of all objects that possess some common set of characteristics with respect to the research problem. The free online dictionary defines population as "the entire collection of items that is the focus of concern". For the purposes of this research, the population was the Safeguard staff and management at the company's head office in Harare who are a total of 113.

3.3 Sampling and Sampling Techniques

It is not always feasible to measure every single item in a population, thus sampling is done which is the search of typicality and is a selection from the population. A sample is defined as a small part of anything designed to show the style, quality, and nature of the whole. The purpose of a sample is to approximate measurement of the whole population well enough and within acceptable limits.

3.3.1 Sample size

From the population of the study the study used a sample of 60 employees of Safeguard (that is management and staff).

3.3.2 Sampling Techniques

Sampling techniques refer to the methods by which the researcher obtains a sample from a population. Sampling is the procedure by which a few subjects are chosen from the universe to be studied in such a way that the sample can be used to estimate the same characteristics in the total (Macionis, 1991). Sampling technique fall into two broad categories namely probability or representative and non-probability or judgemental (Saunders, 1997). The advantages of using samples rather than surveying the population are that it is much less costly, quicker and, if selected properly, gives results with known accuracy that can be calculated mathematically (Sullivan, 1998). Even for relatively small samples, accuracy does not suffer even though precision or the amount of detailed information obtained might. These are important considerations, since most research projects have both budget and time constraints. The advantages of sampling includes cost effective, less time involvement and easy to manage and manipulate.

3.3.2.1　Non-probability sampling techniques

In non-probability sampling, the sample is selected in such a way that the chance of being selected of each unit within the population or universe is unknown (Wegner, 1991). The selection of the subjects is arbitrary or subjective, since the researcher relies on his or her experience and judgment. This is useful in exploratory research to obtain initial impressions of the characteristics of the random variable under study. Its major disadvantage however being the unrepresentative nature of the sample with respect to the population from which it is drawn and also the sampling error cannot be quantified. There are three main types of non-probability sampling which are judgment sampling, quota sampling and convenience sampling (Wegner, 1991). Obvious advantages of non-probability sampling are the speed with which information can be collected, the lower cost of doing so and the convenience it represents (Wegner, 1991). Its disadvantage is there are no statistical techniques that allow for the measurement of sampling error, and therefore it is not appropriate to project the sample characteristics to the population (Wegner, 1991).

3.3.2.2 Judgment sampling

In this type of sampling, the researcher uses his or her judgment in selecting the units from the population for study based on the population's parameters (Wegner, 1991). This type of sampling technique might be the most appropriate if the population to be studied is difficult to locate or if some members are thought to be better [more knowledgeable or more willing] than others to interview (Sullivan, 1998).

3.3.2.3 Quota sampling

In this sampling, the population is first segmented into mutually exclusive sub-groups, just as in stratified sampling (Wegner, 1991). Then judgment is used to select the subjects or units from each segment based on a specified proportion. It is this second step, which makes the technique one of non-probability sampling (Sullivan, 1998). The number of interviews could therefore be determined based on the proportion a given characteristic represents in the population.

3.3.2.4 Convenience sampling

This represents a sample chosen to suit the convenience of the researcher. In convenience sampling, the selection of units from the population is based on easy

availability and or accessibility (Wegner, 1991). Therefore, the major disadvantage of this technique is that we have no idea how representative the information collected about the sample is to the population as a whole (Sullivan, 1998).

3.3.4.2 Probability sampling

According to Wegner (1991) probability sampling, is when the sample is selected in such a way that each unit within the population or universe has a known chance of being selected. It is this concept of known chance that allows for the statistical projection of characteristics based on the sample to the population. There are three main types of probability or random sampling [simple] random, stratified and cluster sampling. Probability sampling if properly applied can give an accurate picture of the entire population under study (Yin, 1984). Henslin (1997) argues that sampling is conceptually simple and saves labour and time when compared to census. According to Dooley (1990) probability sampling enables the precision of the estimates based on samples can be gauged from the sample results themselves. On the other hand Thio (1986) argues that one of the disadvantages of probability sampling is that it is difficult to select sufficient sample to guarantee the accuracy of the results and that there is always bias in the selection procedures. Other researchers argue that samples are always subject to errors making it such risky to always generalize in issues such as beliefs, feeling s and attitude (Dooley, 1990).

3.3.1.2 Simple random sampling

A sampling procedure that assures that each element in the population has an equal chance of being selected is referred to as simple random sampling (Wegner, 1991). If a systematic pattern is introduced into random sampling, it is referred to as systematic (random) sampling (Sullivan, 1998).

3.3.2.1 Stratified sampling

In this random sampling technique, the whole population is first put into mutually exclusive sub-groups or strata and then units are selected randomly from each stratum (Sullivan, 1998). The segments are based on some predetermined criteria such as geographic location, size or demographic characteristic (Wegner, 1991). It is important that the segments be as heterogeneous as possible.

3.3.2.2 Cluster sampling

Contrary to simple random sampling and stratified sampling, where single subjects are selected from the population, in cluster sampling the subjects are selected in groups or clusters (Wegner, 1991). This approach allows one to overcome the constraints of costs and time associated with a much dispersed population. When all units of the selected cluster are interviewed, this is referred to as one-stage cluster sampling (Sullivan, 1998). If the subjects to be interviewed are selected randomly within the selected clusters, it is called two-stage cluster sampling (Sullivan, 1998). This technique might be more appropriate if the number of subjects within a unit is very large.

3.3.2.3   Sampling procedures used in this research

Stratified random sampling technique was used in this study to select the respondents. Within management and staff stratum the researcher gained access to the human resources database and collected names and employee numbers of the management and staff of Safeguard from the database at the headquarters. The names were exported to the excel spreadsheet where the names were assigned unique codes in relation to the branches the management and staff work from. Names were picked at random by the computer and indicated 60 (sixty) to whom questionnaires were sent.

Sampling was used in this research because of the cost of investigating a whole population, time constraints, and the cumbersomeness of dealing with a whole population. Stratified random sampling was adopted in this study. This sampling method was used as it ensures that all levels of management and staff members are represented in the study and makes the research results representative of the population under study.

3.4 Sources of data

Wegner (1991) asserts that there are three approaches to gathering data for statistical analysis:

- Direct observation
- Interviews
- Experimentation

Saunders and Thornhill (2000) agree with this view. The study collected data from both primary and secondary sources.

3.4.1 Secondary data sources

Wegner (1999) defines secondary data as collected and processed by others for a purpose other than the problem at hand. Secondary data sources include text books, journals, the internet, newspapers and magazines. This study reviewed relevant literature from all these secondary sources. There were advantages and disadvantages of collecting data from secondary sources. Advantages of secondary data sources included the following:

a) The data was already in existence.
b) Access time was relatively short.
c) The data was generally less expensive to acquire because the researcher simply used the University of Zimbabwe web-site and other web sites, and the library to obtain most of the literature.

The disadvantages of using secondary data sources included the following:

a) There were instances where data was not problem specific.
b) Some of the data was outdated and hence inappropriate for the study.
c) It was also difficult to assess data accuracy.
d) The combination of various data sources sometimes led to errors of collation and introduced bias.

3.4.2 Primary data sources

Goldenberg (1992) defines primary data as data which is captured at the point where it is generated. Such data is captured for the first time and with a specific purpose in mind.

There were advantages and disadvantages of using primary data in this study. The main advantage of primary data was that it is directly relevant to the problem at hand and generally offered greater control over data accuracy in the study. The disadvantages include time consuming to collect and it is generally more expensive to collect.

3.5 Research instruments

3.5.1 Direct Observation

Observation involves the systematic observation, recording, description, analysis and interpretation of people's behavior. It is a primary method of collecting data by human, mechanical, electrical or electronic means (Kendall, 2003). The researcher may or may not have direct contact or communication with the people whose behavior is being recorded. Observation techniques can be part of qualitative research as well as quantitative research techniques. There are six different ways of classifying observation methods (Henslin, 1997).

i.   Participant and non-participant observation, depending on whether the researcher chooses to be part of the situation he or she is studying.

ii. Obtrusive and unobtrusive observation, depending on whether the subjects being studied can detect the observation.

iii. Observation in natural or contrived settings, whereby the behavior is observed (usually unobstrusively) when and where it is occurring, while in the contrived setting the situation is recreated to speed up the behavior.

iv. Disguised and non-disguised observation, depending on whether the subjects being observed are aware that they being studied or not.

v.   Structured and unstructured observation, which refers to guidelines or a checklist being used for the aspects of the behavior that are to be recorded.

vi. Direct and indirect observation, depending on whether the behavior is being observed as it occurs or after the fact.

One distinct advantage of the observation technique is that it records actual behavior, not what people say they said, did or believe they will say and sometimes their actual recorded behavior can be compared to their statements, to check for the validity of their responses (Thio, 1986). Especially when dealing with behavior that might be subject to certain social pressure or conditioned, the observation technique can provide greater insights than an actual survey technique (Macionis, 1991).

On the other hand, the observation technique does not provide us with any insights into what the person may be thinking or what might motivate a given behavior or comment (Thio, 1986). When people are being observed, whether they are aware of it or not, ethical issues arise that must be considered by the researcher (Macionis,

1991), particularly with advances in technology, cameras and microphones have made it possible together a significant amount of information about verbal and non-verbal behavior of customers as well as employees that might easily be considered to be an invasion of privacy or abusive, particularly if the subject is un aware of being observed, yet the information is used to make decisions that impact him or her. Kendall (2003) argues that an observation method of data collection requires time and expertise become identified with the group being observed which could result in loss of objectivity. Observation methods such as focus group discussions make use of small samples, which may not be representative of the population in general (Thio, 1986).

3.5.2 Interviews

According to Sunders 2000, an interview is said to be a sound purposeful discussion between two or more people seeking primary data responses through direct questioning. There are three approaches to gather interview data namely the personal (Face to face contact) interview, postal survey and the telephone interview. In-depth interviews are useful for collecting data if the issue under study deals with:

i. Confidential, emotionally charged or embarrassing topics.
ii. The behavior for which socially acceptable norms exist and the need to conform influences responses.
iii. A complex behavioral or decision making process that requires a detailed idiosyncratic, step by step description (Sullivan, 1998).

In-depth interviews are also useful when:

i. Focus groups are difficulty to schedule for the target population, for example, doctors and senior managers.
ii. Studying routine or ritualistic behavior.
iii. One needs to attempt to uncover content and intensity of respondents' feelings and motivations beyond the rationalized overt responses to structure questions (Macionis, 1991).

In-depth interviews enable the researcher to delve deeply into the topic and have a more candid discussion (Macionis, 1991). Furthermore, the researcher can use in-depth interviews to speak to people from competitive environments and negative

group influences are eliminated. However in-depth interviews are more time-consuming and therefore physically exhausting to the moderator than focus group discussions (Macionis, 1991). There is reduced client involvement when compared to focus group discussions and they can be quite expensive to conduct.

3.5.3 Questionnaires

A questionnaire is a form with a series of questions or items to which subjects are asked to respond (Macionis, 1991). Sullivan (1986) defines a questionnaire as a set of questions that people answer directly on a prepared form without aid of the interviewer in the course of a survey. Questionnaires can be classified on the interview, telephone or mail (Thio, 1986)

Their advantages are that they enable many different types of information to be collected, including attitudinal, motivational, behavioral and perceptive aspects (Kendall, 2003). They allow for standardization and uniformity both in the questions asked and in the method of approaching subjects, making it far easier to compare and contrast answers by respondent group (Macionis, 1991). Questionnaires also ensure higher reliability than some other techniques. Questionnaires are very cost effective when compared to other methods such as face-to-face interviews (Thio, 1986). Furthermore, written questionnaires become even more cost effective as the number of research questions increases (Sullivan, 1998). This is especially true for studies involving large sample sizes and large geographic areas.

One major disadvantage of written questionnaires is the possibility of low response rates (Wegner, 1991). Low response rate can dramatically lower our confidence in the results. Another disadvantage of questionnaires are structured instruments; they allow the flexibility to the respondent with respect to response format. According to some researchers, nearly ninety percent of all communication is visual, gestures and other visual cues are not available with written questionnaires (Sullivan, 1998). With questionnaires, the respondent is sometimes not the same person you sent the questionnaire to, it is not uncommon for business questionnaires to get handed to other employees for completion (Wegner, 1991). Finally, questionnaires are simply not suited for some people, for example, a written survey to a group of poorly educated people might not work because of reading skill problems (Sullivan, 1998).

3.5.4 Experimentation

Wegner (1991), asserts that primary data can also be generated through the manipulation of variables under controlled conditions. These can be monitored and recorded while conscious efforts are made by the researcher to control the effects of a number of influencing factors. Its advantages are studies are generally more objective and valid due to the fact that quality, "noise free" data is collected on the research problem if the experiment is correctly designed and executed. However the disadvantages are the method is costly and time consuming while at the same time it may also be impossible to control for certain extraneous factors that can disturb the results.

3.6 Data collection methods used

The questionnaire was the main research instrument used in this research. The design of a questionnaire can have an important effect on the nature of the responses (Zigmund, 2003). The purpose of the questionnaire in this study was to solicit the opinions of both management and non-managerial employees at Safeguard. In order to obtain an accurate opinion, a wide variety of questions were asked in a way that best enables the respondents to express themselves as freely as possible. The questionnaire consists of both open-ended and closed questions. This enables the researcher to get more in-depth responses, as is planned to analyse the responses quantitatively and qualitatively, interpreting what people wrote with the help of the theory.

To achieve its objective, the questionnaire consists of summative (Likert) scales which allowed tallying of numerical values associated with rating items in order to produce a total score which allowed for the quantitative analysis of the data collected (Colton and Covert, 2004). The questionnaire was administered by hand to all employees including management and staff. Before sending out the questionnaire it was pre-tested in order to ensure its validity and reliability. According to Colton and Covert (2004), validity describes the extent to which an instrument measures what the researcher intends to measure.

A research instrument must pass two important tests of validity, namely construct validity and content validity. *Construct validity* refers to the requirement that the respondent and the researcher have a shared definition of important constructs such

as 'organizational conflict, confidence and trust'. *Content validity* is the extent to which the instrument covers all the areas of the study. In this regard, the questionnaire used in this study achieved this objective by exploring all areas to do with employer-employee relationships at the workplace in order to investigate all the aspects that give rise to difference perceptions and increase conflict levels.

The questionnaire in this study was pretested to five respondents from each group in order to test both its content and construct validity before it was administered to the rest of the intended respondents. In addition to basic literacy levels it was important to ensure that the respondents have the ability to interpret the meaning of each item as intended by the study (Colton and Covert, 2004:131).

3.7   Data analysis

The frequencies were run using the Statistical Package for Social Sciences [SPSS] and the results of the study were analyzed using Excel. This was a faster method of analysis in which all responses were coded and entered into via a template. The package afforded the opportunity to cross tabulate data in order to obtain casual relationships between variables. The only disadvantage of the package was that qualitative responses could not be coded and therefore had to be analyzed individually. This mainly affected questions where opinions were being sought.

3.8 Data presentation and analysis

Tables and graphs are going to be used to display the data. Tables summarize information and enable easy referencing, the reader is able to quickly decipher were interpretations are being drawn from. Graphs summarize information and promote rapid assimilation of the information to be conveyed than written reports and tables. Graphs also enable the researcher to quickly establish patterns on research information and make comparisons and projections or extrapolations of the situation. Graphs, because of the visual effects they arouse interest of the reader.

Since data collected will mainly fall into nominal and ordinal categories, one-way tables showing frequencies are used to analyze the data. Simple tabulation will also be used to check whether there are errors that occurred during the process of data entry such as omission of variables.

The researcher used percentages and ratios to analyze information that could lead to conclusions, recommendations and decision-making.

3.9 Research Limitations

For reasons of costs and convenience, the research was limited to Safeguard headoffice staff and management in Harare. Although questionnaires were sent on time, the speed of the response was slow necessitating follow up of respondents. Another limitation was also encountered from the researchers who viewed the study with suspicion. Gathering and processing data is very expensive. The researcher faced a similar constraint and therefore could not afford to conduct extensive surveys to gather primary data, whatever the potential benefits, and also lack the funds to pay specialist research agencies to gather such data for him. This forced me to rely on data that is less than 'perfect' but that can be accessed more cheaply, like that from secondary sources.

3.9.1 Ethical considerations

This study was guided by the ethical imperative that participation was voluntary and confidential. The employees are free to participate or not to. The responses are kept as confidential as possible and no names are asked for the respondents to avoid intimidation of employees. No name or identification is required from the employees.

3.10 Chapter conclusion

The chapter reviewed the available approaches to research namely qualitative and quantitative and then elaborated on the pros and cons of the chosen research design. It also defined the population, various sampling techniques and their advantages and disadvantages. Data collection methods and how the data would be presented and analyzed and concluded were highlighted as well as the limitations.

CHAPTER 4

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter provides the findings and the discussions on the findings. Literature review was incorporated for the discussions of the findings. The findings are clearly presented in the form of graphs, pie charts and tables. The findings were obtained from Safeguard management and its stakeholders.

4.1 Response rate

A total of 60 questionnaires were administered to the study respondents (board, management and staff of Safeguard), 42 questioners were successfully completed and collected which represents a study response rate of almost 70% and according Saunders et al (2001) this is a fair return and warrants validity of the study findings.

4.2 Demographics

4.2.1 Position at Safeguard

Figure 4.1 shows the position of respondents in the organisation.
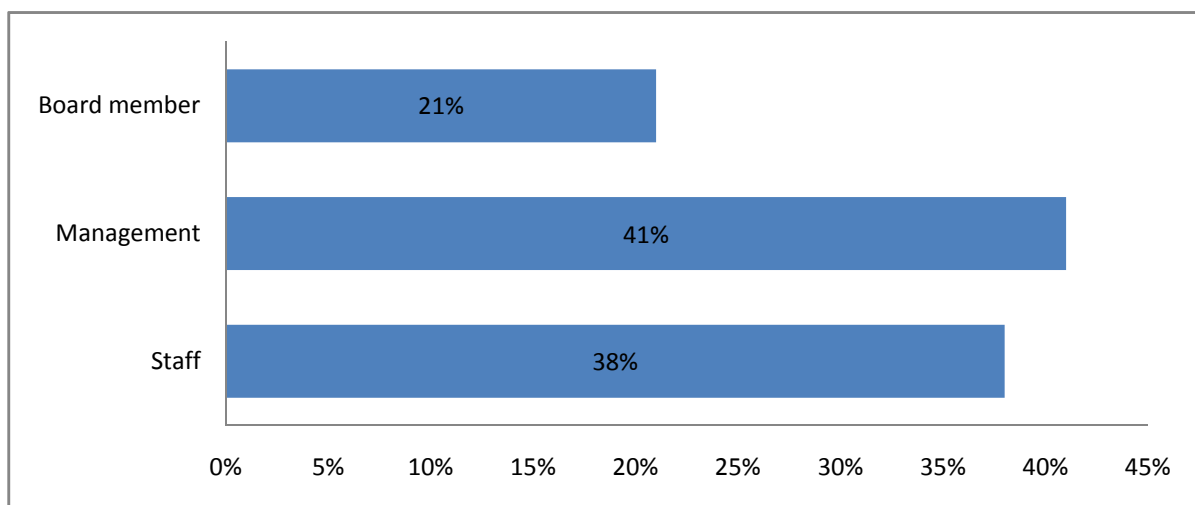
Figure 4.1: Positions of respondents at Safeguard

From the study findings 41% were management, 38% were staff members and 21% were board members. This entails that there is a fair representation of respondents and hence their contributions would add value to the study findings.

4.2.2 Length in the Organisation
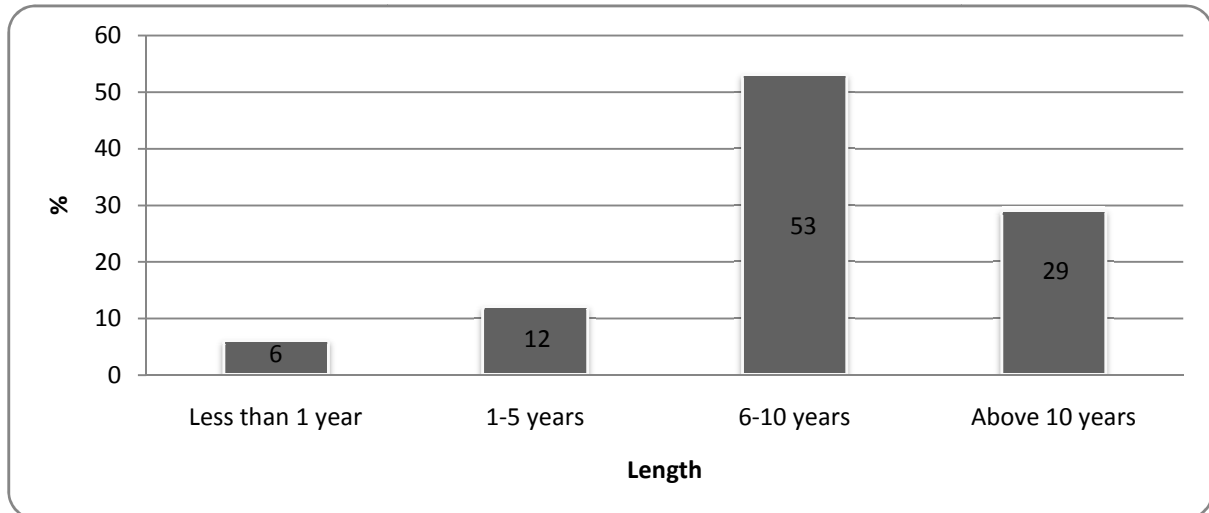
Figure 4.2 Length in Organisation

Figure 4.2 shows that 53% of the respondents have been with Safeguard for 6-10 years, 29% have above 10 years, 12% 1-5 years whilst 6% have less than 1 year with the organisation. From the results it would appear that the respondents have been with the organisation for a long time and would be in a position to understand the strategy formulation process at Safeguard. From this perspective it would appear as if their responses were relevant to the study.

4.3.3 Level of Education
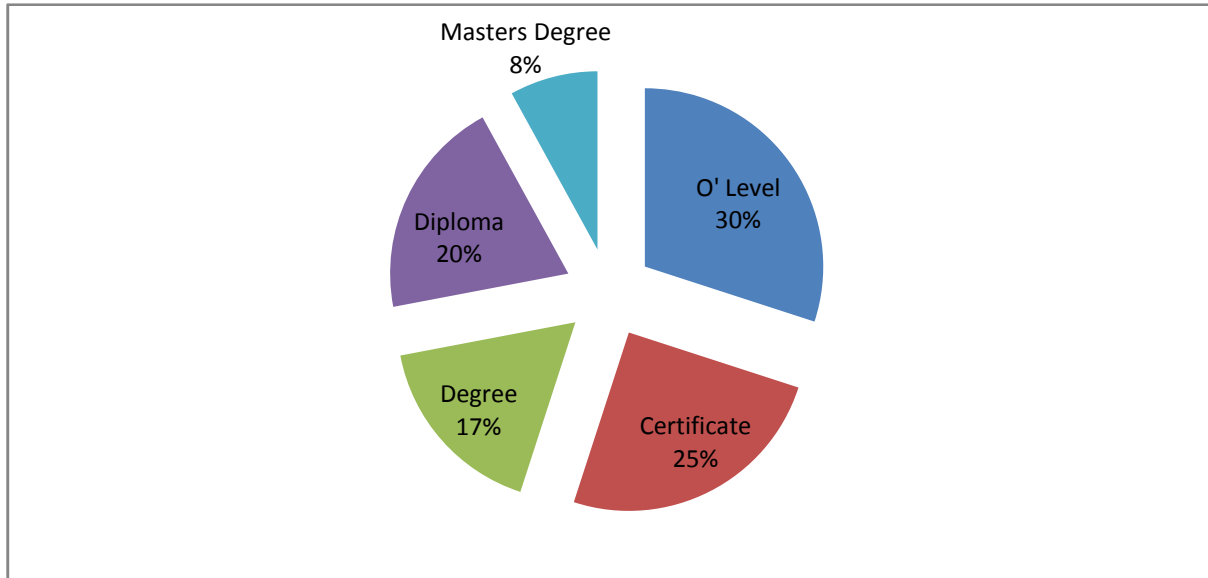
Figure 4.3 Level of Education

The study findings show that 30% of the respondents had O' Level qualifications, 25% were certificate holders, 20% held diplomas, 17% had first degrees whilst 8% had masters degrees. The results show that most of the respondents had attained a modest level of education thus were educated enough to understand the concept under study.

4.5 Importance of the strategy formulation process
The importance of strategy formulation process is shown in table 4.1

Table 4.1 Importance of strategy formulation process

Importance	% of respondents
Cause strategic thinking that pictures the future of the organization	58
Provide mechanism to ease communication of ideas and coordinated effort	52
New strategies are identified in the process	46

Table 4.1 shows that 58% held that the importance of strategy formulation process is that it causes strategic thinking that pictures the future of the organisation, 52% said it provides mechanism to ease communication of ideas and coordinated effort whereas 46% held that new strategies are identified in the process. This is in line with Alexander (1991) who put forward that the importance of the strategy formulation process is to cause strategic thinking that conceives the future of the enterprise and how that future may be secured. Pettigrew (1987) propounded that the strategy formulation process should provide a mechanism to ease the communication of the ideas and to co-ordinate efforts. He also notes that it should inject structure but not the rigidity into the thinking. Mintzberg (1994) proposes that this is a somewhat neutral strategy but it may sometimes be appropriate and effective. It certainly has the advantage that it is easy to implement and it may be more likely to secure the future than ill-conceived radical departures into new activities. More often the practice, however, it is apparent that the future of the enterprise is less secure than it might be so there is a need to consider and formulate suitable new strategies which will increase the chance of success. Such new strategies do not just happen; they result from a formulation process. According to Hamel and Prahalad, (1994). The strategy formulation process is important because a 'better' process should produce better strategies. It is, of course, arguable what 'better' means.

4.5.1 Policies, vision and goals of Safeguard
Figure 4.4 shows if the policies, vision and goals of Safeguard are clear enough for every employee to understand to follow and understand.
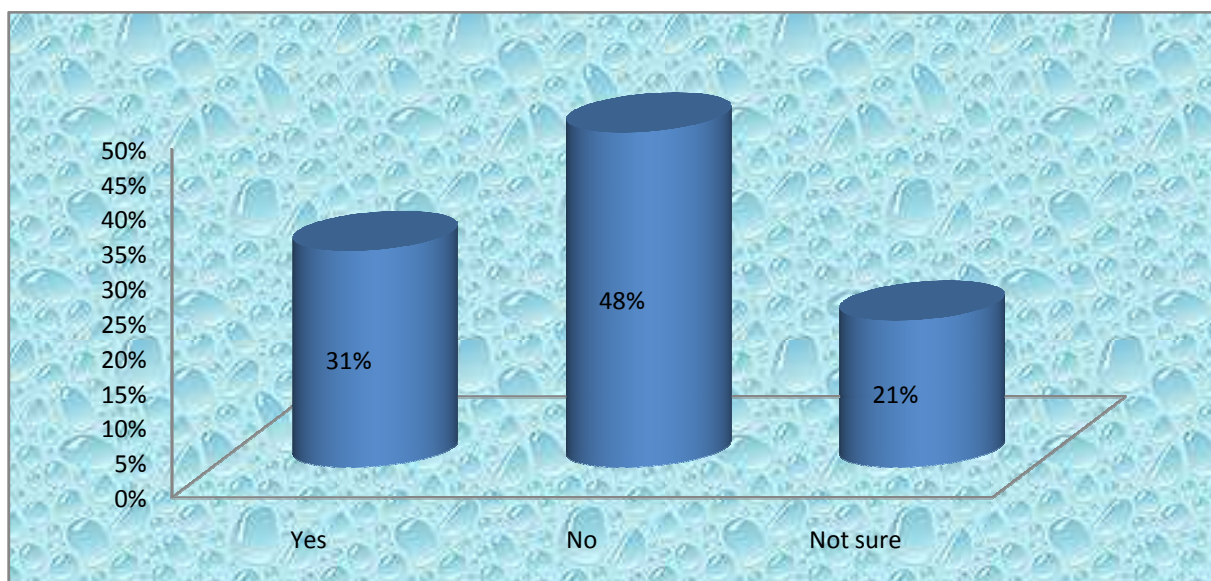
Figure 4.4: If the policies, vision and goals of Safeguard are clear enough for every employee to understand

The study findings reveal that 48% held that the policies, vision and goals at Safeguard are not clear enough that every employee understands, 31% felt that they were clear enough for every employee to understand whilst 21% were not sure. This entails that strategy implementation at Safeguard is poor since employees are not sure what they are to achieve. This is in line with Morke et al (1989) who are for the view that strategy has no existence apart from the ends sought. They added that it is a general framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary precondition for formulating strategy is a clear and widespread understanding of the ends to be obtained. Without these ends in view, action is purely tactical and can quickly degenerate into nothing more than a leaking boat. Furthermore, Ofek (1993) suggests that strategy is about means. He argued that it is about the attainment of ends, not their specification. The specification of ends is a matter of stating those future conditions and circumstances toward which effort is to be devoted until such time as those ends are obtained. He adds that it is concerned with how you will achieve your aims, not with what those aims are or ought to be, or how they are established. If strategy has any meaning at all, it is only in relation to some aim or end in view.

4.5.2 Communication

Figure 4.6 shows the information flow regarding strategy formulation at Safeguard.
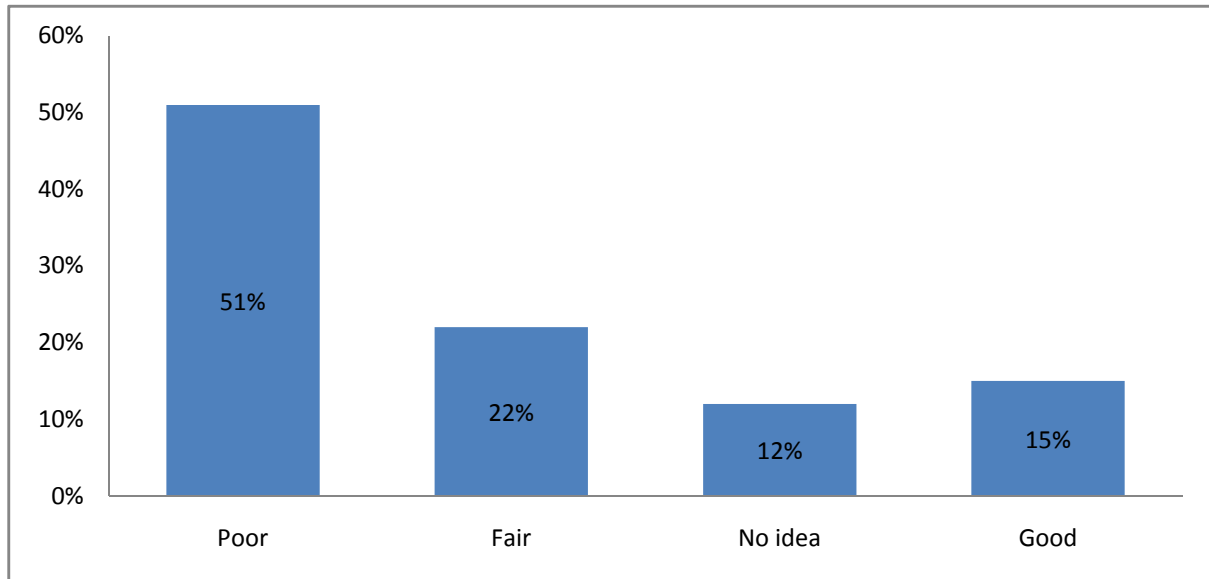
Figure 4.5: Communication regarding strategy formulation at Safeguard

Figure 4.5 shows that information flow at Safeguard regarding strategy formulation is poor as suggested by majority (51%) of the respondents, 22% held that it is fair, 15% felt it was good and 12% said they had no idea. The findings show that there is poor communication at Safeguard as regarding strategy formulation where strategies are just imposed on the employees. This is contra with Detmmar (1997) who put forward that good strategies do not appear suddenly. He adds that a good raw idea needs to find support from those who have made it work. The edges of the idea to be rubbed off, this is achieved by good two way communication. Ideas are improved by valid criticism. Secret strategies are rarely implemented if they affect a large number of people.

4.6 Strategy formulation process

Figure 4.6 show if the strategy formulation process at Safeguard is tailored to the current organisational needs.
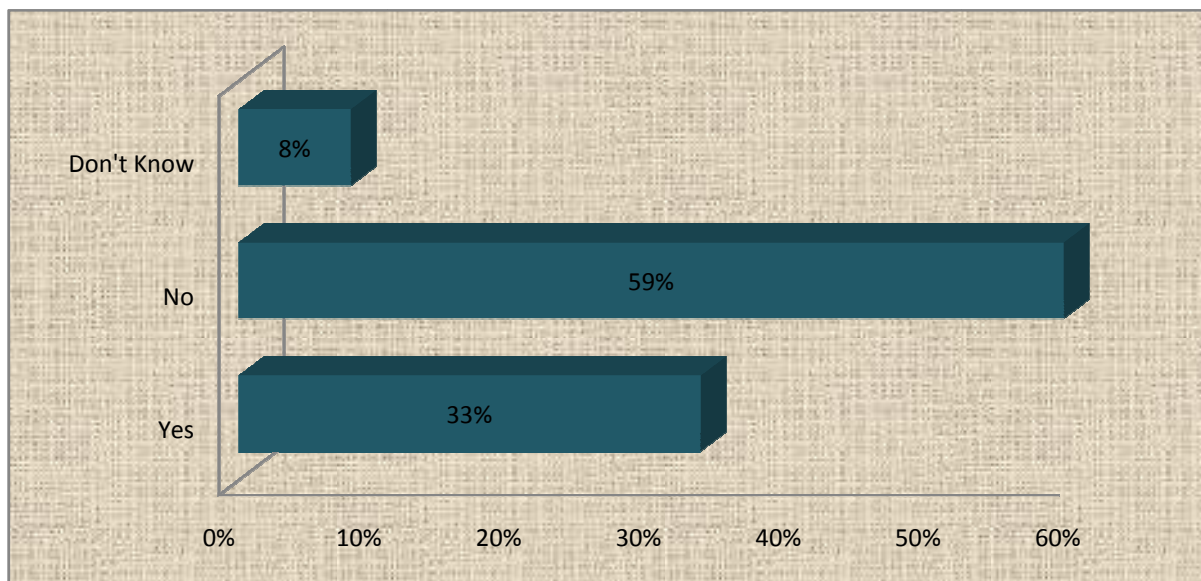
Figure 4.6: If the strategy formulation process is tailored to the current Safeguard needs

From the study findings, 59% held that strategy formulation at Safeguard is not tailored to the current organizational needs of the organization, 33% said it is tailored to the current organizational needs of Safeguard whilst 8% did not know. This implies that those who formulate strategies at Safeguard do not involve all the stakeholders. This is in contra with Javidan (1985) who put forward that it is essential that the strategy formulation process is designed to meet the needs of the enterprise and its business needs. He adds that there are dangers in imitating process that seem to have worked well in prominent and successful companies. Noble (1999) put forward that the strategy formulation process has to be tailored to the current needs of the organization. He adds that the task for the manager is to understand the process of the generated strategies in the past in that enterprise and to consider how to develop that process in future. This may require minor adjustments, such as changes of emphasis, involvement of new groups, or new analysis of data. There is some evidence (Brews and Hunt, 1999) that planning processes need several years to bed down and start to produce results. This argues for gradual development of the existing process. Sometimes, however, it may be appropriate to introduce an entirely new process for formulating strategies so as to generate new insights about the future of the business and to break out of accepted patterns of thought.

4.7 Critical elements of results of strategy formulation

Table 4.2 show if the critical elements of the results strategy formulation are evident at Safeguard.

Table 4.2 Critical elements of results of strategy formulation

Elements	% of Respondents
Goals that are simple, consistent and long term	27
Profound understanding of the competitive environment	33
Objective appraisal resources	18
Effective implementation	21

From the study findings 33% of the respondents held that profound and understanding of the competitive environment is evident at Safeguard, 27% suggest that goals that are simple, consistent and long term whereas 18% said objective appraisal resources are evident at Safeguard. This entails that the results of strategy formulation at Safeguard are poor and hence is not good strategy formulation process. This is in contra with Grant (1995) who suggests four critical elements to the results that have to be achieved from strategy formulation process:

1. Goals that are simple, consistent and long term
2. Profound understanding of the competitive environment
3. Objective appraisal of resources
4. Effective implementation

According to Alexander (1991) clear strategic intent may be expressed as goals. The results of strategic assessment are objective appraisal of the competitive environment. A good strategic choice is one ingredient of effective implementation. Alexander (1991) put forward that Grant's list does not guarantee success. Scheinkopt (1999) notes that clear stated goals may sound good but may be extremely wholly in their practical meaning. Profound understanding of the competitive environment is a worthy aim but how can one know what degree of profundity is adequate? Objective appraisal of resources may not be enough as it

may be possible to find new resources. According to Grant (1995) the objective appraisal of resources may not be enough as it may be possible to find new resources to stretch the organisation to meet future challenges. He suggested that certainly the strategy formulation process must generate strategies which are capable of implantation but actions will have to be modified in the light of events so that what is implemented is not the same as what seemed capable of implementation.

4.8 Factors that lead to effective strategy formulation

Table 4.3 shows the factors that may lead to effective strategy formulation at Safeguard.

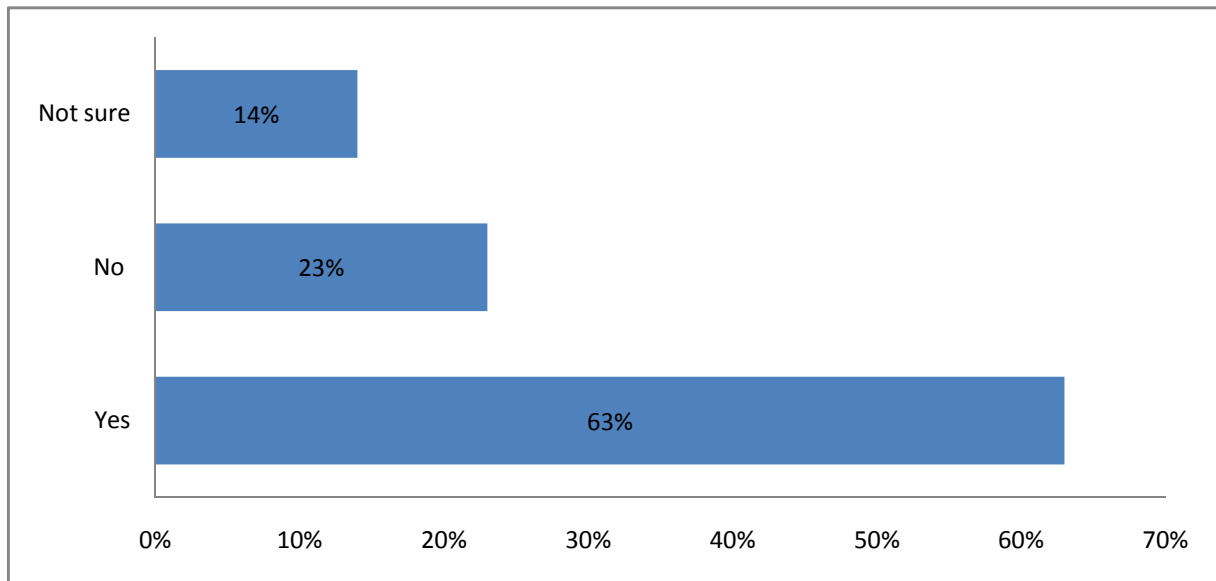| Factors	% of respondents
Customer awareness	55
Improving supplier relationship	46
Taking into account the expectation and influences of all groups of stakeholders, shareholders, regulators and lobby groups	67
Taking into account competence of the corporation	58
Awareness of technological change and innovation	39
Encouragement and understanding of top management	53
Communication of results and reaction to feedback	63
Considering the role of external support	52

From the study findings majority (67%) of the respondents held that the main factor that may lead to effective strategy formulation at Safeguard is taking into account the expectation and influences of stakeholders, shareholders, regulators and lobby groups, 63% said communication of results and reaction to feedback and 39% held

that awareness of technological change and innovation. This implies that taking into account the expectation and influences of stakeholders, shareholders, regulators and lobby groups and communication of results and reaction to feedback are the main factors that may lead to effective strategy formulation at Safeguard. This is in line with Detmmar (1997), while it is impossible to define a universal strategy formulation process that will work for any enterprise in all enterprise in all circumstances, it is possible to observe the characteristics that seem to lead to success in practice. He put forward the following characteristics.

Customer awareness-The process must take account of customers' needs, how existing needs are changing and what new needs are emerging. This may be called being market driven but it is more than mere reaction to customer needs, it is necessary to anticipate future needs. **Supplier Relationships-**The scope of the process is normally the boundaries of the organisation. External relationships with suppliers of all kinds extend the boundaries of the enterprise in an untidy way. The process has to be aware of changes that affect suppliers and ensure that their significance is understood. **Stakeholder's influence-**The process must take into account the expectations and influences of all important groups of stakeholders, shareholders, regulators, and lobby groups may be particularly important in many contexts. **Understanding of competence-**The process must equally take account of the competence of the enterprise. As well as taking an honest view of the relative competence against its competitors, it must also make a dynamic assessment of their likely response. **Awareness of technological change and innovation -** The process must be oriented towards change. Understanding the nature of change is likely to require a sound understanding of how technology is adding value to the business. This is no the same thing as understanding the leading edge applications of technology in the industry. **Mix of people involved in the process-**Businesses are usually complex so different people have different perspectives and different fields of knowledge. Marketing people see the world differently and know different things from development engineers; long serving employees differently from newcomers, board members differently from middles managers, central staff differently from field staff. No one group has a monopoly on useful perspectives so an effective mix of views is important. An effective moderator may be essential to ensure that views are heard.

4.9 Causes of strategy failure at Safeguard

Figure 4.7 shows a horizontal bar chart titled with values: Not sure 14%, No 23%, Yes 63%, with the x-axis ranging from 0% to 70%.

Figure 4.7: Involving wrong players from within the organization

Figure 4.7 show that 63% of the respondents felt that involving wrong players from within the organisation caused failure of strategy formulation at Safeguard, 23% did not think so while 14% were not sure. The findings imply that Safeguard has been engaging wrong players in its strategy formulation process leaving out the key and important players required. This is in congruence with Stonich (1982) who noted that line managers from several levels of the organisation must work with corporate staff to formulate strategy. In this way, those responsible for implementing strategy feel they are an integral part of the process and become committed to carrying it out. In addition, problems often found in strategies formulated from at the top are avoided and this does not mean that suggestions from corporate staff dispensable.
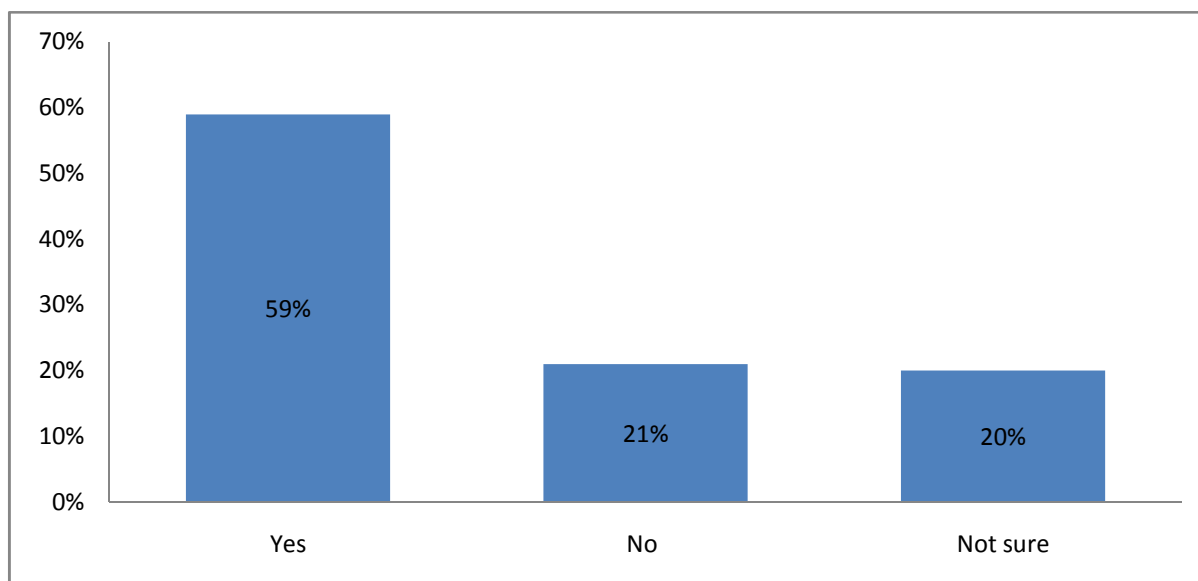
Figure 4.8: Not involving objective personnel

Figure 4.8 shows that 59% of the respondents believed that not involving objective personnel in strategy formulation caused failure of the strategy formulation process at Safeguard, 21% disagreed while 20% indicated that they were not sure. The findings imply that by not involving objective personnel, Safeguard's strategy formulation process failed. This is in line with Giles (1991) who notes that corporate staff plays an important role in ensuring that strategic business unit (SBU) strategies are compatible with overall corporate objectives and those strategies are use comparable historical data and assumptions.

4.10 Strategy formulation approach prevalent at Safeguard

Table 4.4 shows the strategy formulation approach prevalent at Safeguard.

Strategy Formulation Approach	% of responses
All form no substance	15
Business as usual option	23
Ivory tower	71
Winning combination	39

From the study findings the majority of the respondents (71%) held that there is the ivory tower approach, winning combination (39%), business as usual option (23%)

and all form no substance (15%) approaches in the way strategies are formulated at Safeguard. This implies that strategy formulation at Safeguard is done from the top thus the strategy implementation failure. This is in line with Giles (1991) who notes that strategy formulation is often left entirely to outside consultants who use sophisticated analytical techniques, are objective, and gather facts to back up their conclusions. Grant (1995) notes that while strategies that are formulated this way can be theoretically correct, they do not take into account implementation issues, the culture of the organization, or the organization's ability to carry them out.

4.11 Factors to be considered when designing strategy

Figure 4.10 show if the factors considered by Safeguard when diagnosing strategies.
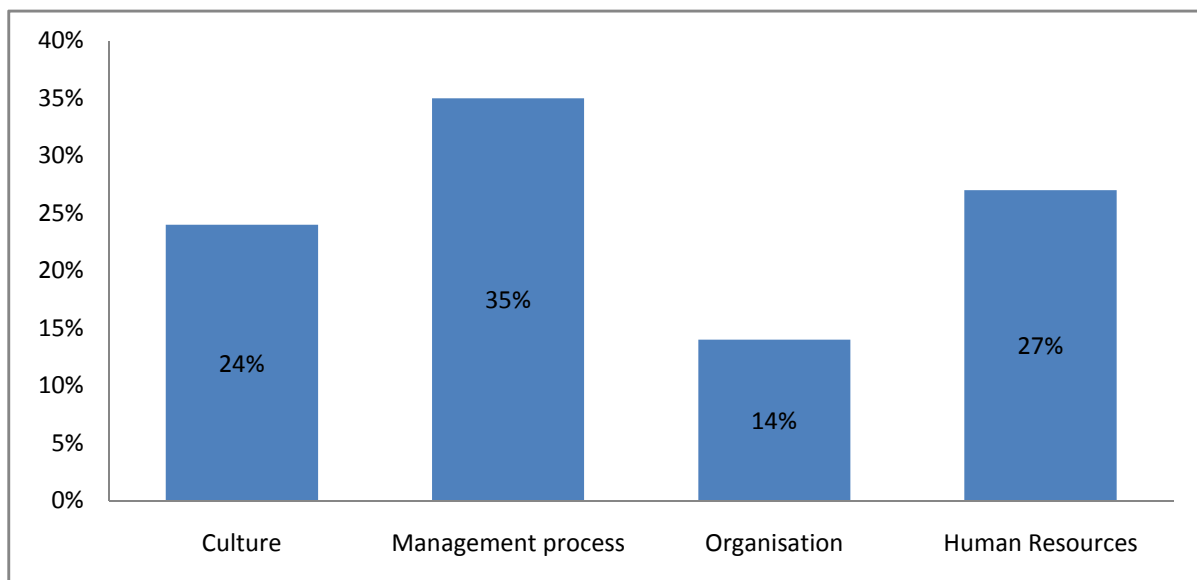
Figure 4.9 Factors to be considered when designing strategies

From the study findings most of the respondents (51%) held that management processes are taken into account when designing strategies, 41% said human resources are taken into account and 32% held that culture is taken into account when designing strategy at Safeguard. This implies that management process is the only factor that is taken into account when designing strategy. Giles (1991) put forward that factors that must be taken into account when designing strategy include:

• Management processes: Planning, programming, budgeting, control and reward systems are intended to support strategy. When strategies change these systems must adapt to new priorities and information and control. .

- Organisation: The formal and informal set of relationships between people vis-à-vis authority, responsibility, and communication serve as a constraint to effective strategy. Strategic planners should consider organisational reallocation, as they do capital or other resource allocations within the strategy formulation process.

- Human resources: People are important in implementing strategy and often prevent new strategy from succeeding. If managers are not committed to, nor capable of carrying out, the selected strategy, it will fail.

4.12 Chapter conclusion

The chapter has presented and discussed the research findings. The research findings presented and discussed covered the following areas strategy formulation, constraints and success factors of strategy formulation. The next chapter will present study conclusions and recommendations.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter will present the conclusions and recommendations of the study drawn from the study findings.

5.1 Conclusions
The conclusions of the study are as follows:

5.2.1 From the study findings the importance of strategy formulation process is that it causes strategic thinking that pictures the future of the organisation, it provides mechanism to ease communication of ideas and coordinated effort and new strategies are identified in the process.

5.2.2 There is top down approach in the way strategies are formulated at Safeguard. That is the board and management only impose strategies to the employees and also they do not consult or even get ideas from the employees.

5.3.3 Strategy formulation at Safeguard is not tailored to the current organizational needs. This is because the formulation process involves personnel who are not aware of the real operations on the ground and thus would not know the needs of the organization.

5.3.4 Causes of strategy formulation failure at Safeguard are involving wrong players from within the organization, not involving objective personnel and ignoring implementation requirements.

5.3.5 The strategy formulation approach that is prevalent at Safeguard is the ivory tower.

5.3.6 Safeguard takes into account the management process when designing strategy. To a lesser extent they take into account the organization and the human resources.

5.3 Proposition

The study accepts the research proposition that if the top Safeguard management includes middle and lower level management in the strategy formulation process it will lead to employee commitment to the strategies resulting in the fulfillment of organizational objectives.

5.4 Recommendations

The study recommends that

5.4.1 Strategy formulation process should involve everyone so that those implementing the strategies feel they are an integral part of the process and would become committed in carrying them out.

5.4.2 For good strategy to be effective it should be formulated by people who clearly understand what needs to be done, and who know the problems of executing short and long range plans. This therefore means that line managers from several levels of the organization must work with corporate staff to formulate strategy.

5.4.3 The factors that may lead to effective strategy formulation at Safeguard are taking into account the expectation and influences of all groups of stakeholders, shareholders, regulators, and lobby groups, communication of results and reaction to feedback. The factors also involve taking into account competence of the corporation, customer awareness, encouragement and understanding of management and also considering the role of external support.

5.4.4 Professional strategic planners from outside the SBU can play a major role in counteracting business as usual tendencies. Professional planners can help line managers take fresh look at business and guide analysis and selection of appropriate strategies.

5.4.5 Enough time and training should be allowed to gather the relevant data and analyse it properly. Line/staff deficiencies in these activities can be countered by using outside expertise. Proper analysis is vital to choosing the most effective strategies.

5.5 Area of further study

The study presents an area of further study to assess the impact of employee involvement in the strategy formulation process.

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Appendices

01 July 2012

Dear Respondent

I am a final year student at the Graduate School of Management and as part of my Masters in Business Administration programme, I am conducting a research study on the assessment of the effectiveness of the strategic planning process at Safeguard. I am therefore kindly appealing for your assistance by providing information through this questionnaire. It is hoped that the results of this research will be of great importance to Safeguard board, employees as well as management. The results of the study will also be made available to the University of Zimbabwe Graduate School of Management Library as this study is mainly for academic purposes. However, the findings from the study can also be used to improve strategy formulation process in this company.

Your responses will be treated with strict confidentiality and will not be used for purposes other than those intended for this research and as such you are requested not to put your name on any of the pages to this questionnaire.

For any clarifications regarding this study do not hesitate to contact the researcher on :

Cell Number: 0772 293 242

Email address: cbbatash@gmail.com

Yours faithfully

Charles Benjamin
(Masters of Business Administration Student)

Questionnaire for staff and management at Safeguard

1. What is your position at Safeguard? Please tick the applicable.

    a. Staff   [   ]
    b. Management   [   ]
    c. Board Member   [   ]

2. How long have you been with Safeguard? Please tick the appropriate.

    a. Below 1 year   [   ]
    b. 1-5 years   [   ]
    c. 6-10 years   [   ]
    d. Over 10 years   [   ]

3. What is your highest level of education? Please choose the appropriate.

    a. Secondary education   [   ]
    b. Certificate   [   ]
    c. Diploma   [   ]
    d. Degree   [   ]
    e. Masters Degree   [   ]
    f. Doctorate   [   ]
    g. Other

        (Specify)_____

4. Have you been involved in strategy formulation? Please tick the appropriate.

    a. Yes   [ ]
    b. No   [ ]
    c. Not sure   [ ]

5. Please rate how strongly you agree or disagree with the following importance of strategy formulation process. Use Likert's 5-point scale as indicated below.

Item	Scale				
	DISAGREE STRONGLY	DISAGREE	AGREE STRONGLY	AGREE	DON'T KNOW
Causes strategic thinking that pictures the future of the organization					
Provide mechanism to ease communication of ideas and coordinate efforts					
New strategies are identified in the process					

6. Who formulates strategies at Safeguard? Please tick all the applicable.
   a. Board of Directors   [ ]
   b. Managers   [ ]
   c. Supervisors   [ ]
   d. Other (specify) …………………………………………………

7. "Strategy, according to Morke *et al* (1989) has no existence apart from the ends
   sought". Are the policies, vision and goals of Safeguard clear enough for every employee at Safeguard to understand and follow them?

   a. Yes   [ ]
   b. No   [ ]

8. How do you view information flow regarding strategy formulation at Safeguard?

    a. Poor   [ ]

    b. Fair   [ ]

    c. No idea   [ ]

    d. Good   [ ]

    e. Excellent   [ ]

9. Are the decisions made in the strategy formulation process in your organization shared with middle management?

    a. Yes   [ ]

    b. No   [ ]

    c. Don't know   [ ]

10. Do you agree that there is a top – down approach in the way strategies are formulated at Safeguard?

    a. Yes   [ ]

    b. No   [ ]

    c. Not sure   [ ]

11. Is the strategy formulation process at Safeguard tailored to the current organizational

    a. Yes   [ ]

    b. No   [ ]

12. Are you satisfied with the entire process for formulating strategies at Safeguard?

    a. Yes   [ ]

    b. No   [ ]

Explain your answer

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………………………

13. The following critical elements to the results of strategy formulation according to Grant (1995) are evident at Safeguard?

Item	Scale		
	Yes	No	Not sure
Goals that are simple, consistent and long-term			
Profound understanding of the competitive environment			
Objective appraisal of resources			
Effective implementation			

14. In your own opinion, which of the following characteristics do you think may lead to effective strategy formulation at Safeguard?

Item	Scale		
	Yes	No	Not sure
Goals that are simple, consistent and long-term			
Customer awareness			
Improving supplier relationships			
Taking into account the expectation and influences of all groups of stakeholders, regulators and lobby groups			
Taking account of the competences of the organization			
Awareness of technological change and innovation			
Encouragement and understanding of top management			
Communication of results and reaction to feedback			
Considering the role of external support			

Understanding the process design				

15. Please rate how strongly you agree or disagree with the following characteristics that may lead to effective strategy formulation at Safeguard. Use Likert's 5-point scale as indicated below

Item	Scale				
	DISAGREE STRONGLY	DISAGREE	AGREE STRONGLY	AGREE	DON'T KNOW
Customer awareness					
Improving supplier relationships					
Taking into account the expectation and influences of all groups of stakeholders, regulators and lobby groups					
Taking account of the competences of the organization					
Awareness of technological change and innovation					
Encouragement and understanding of top management					
Communication of					

results and reaction to feedback					
Considering the role of external support					
Understanding the process design					

16. The strategy formulation process has three interlocking activities: intending, assessing and choosing in a good strategy process, the activities together form into a coherent whole and are in balance. Are these three activities being applied at Safeguard?

    a. Yes   [ ]
    b. No   [ ]

17. Please rate how strongly you agree or disagree with the following causes of strategy formulation failure at Safeguard. Use Likert's 5-point scale as indicated below

Item	Scale				
	DISAGREE STRONGLY	DISAGREE	AGREE STRONGLY	AGREE	DON'T KNOW
Ignoring strategy formulation requirements					
Involving wrong players from within the organization					
Not involving objective personnel					
Failing to perform the					

appropriate data based analysis					

18. Which strategy formulation approach is prevalent at the Safeguard?

    a. All form and no substance   [   ]

    b. Business as usual   [   ]

    c. Ivory Tower   [   ]

    d. Winning combination   [   ]

19. What factors are considered when designing strategy at Safeguard?

    a. Culture   [

    ]

    b. Management Process   [

    ]

    c. Organization   [   ]

    d. Human Resources   [   ]

22) What recommendations for strategy formulation at Safeguard would you give?

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END OF QUESTIONNAIRE

THANK YOU FOR YOUR TIME