Factors Influencing Strategy Implementation in Major Oil Companies in South Africa

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ABSTRACT

The major oil companies in South Africa constitute an important part of the South African economy. They enable the economy to keep moving by means of the fuel they produce and the thousands of people they employ directly or indirectly.

The purpose of this study was to identify the factors influencing strategy implementation in major oil companies in South Africa, be it positively or negatively. Such information, when known and acted upon, could facilitate the obtaining of strategic goals by the companies.

A survey was conducted including both qualitative and quantitative data. The survey also contained a ranking section and an open-ended question section to determine any factors other than those in the literature review.

The literature review suggested that there were 23 possible variables that could influence strategy implementation. The results of this study concluded that 14 of the 23 variables identified from the literature review were important.

These variables were then grouped into six proposed factor groups from the literature review. The results of the factor analysis grouped these into three factor categories rather than the proposed six categories from the literature review. These three were managerial influence, organisational structure and interactions, and formulation and structured planning of strategy.

Vague strategy was recorded as the highest ranking variable. From the open questions, six new variables were also identified that could influence strategy implementation in major oil companies in South Africa.

As a result of this study, management of the major oil companies in South Africa can be made aware of these factors that influence the strategy implementation in their companies; it is hoped that this will assist the major oil companies to arrive at their strategic goals.

DECLARATION

I, Nushil Amrithlal Sookram, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Nushil Amrithlal Sookram

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 2009

DEDICATION

To My Wife, Surika

and

My Mum and Dad, Nyanthra and Amrithlal Sookram.

Thank you for all your love and support.

You mean the world to me.

ACKNOWLEDGEMENTS

I would like to thank the following people:

Dr Terri Carmichael, my supervisor, for her guidance throughout the research process. Without her unfailing support and belief in me, this report would never have been completed.

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The respondents from all the major oil companies in South Africa who made time available to complete the questionnaire.

Finally, I would like to acknowledge my employer, Sasol, for their support.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research was to investigate the factors influencing strategy implementation in major oil companies in South Africa. This will assist in bridging the gap between strategy formulation and strategy implementation, with the result of assisting management in the achievement of their performance targets, goals and vision.

1.2 Context of the study

The importance of strategy in today's highly competitive market place is critical to a company's survival and success (Lorange 1998). Once a strategy has been formulated, companies struggle with the implementation phase (Alexander 1985). Every company seeks to have a strategy that makes it adaptive and agile so that it can take advantage of any opportunities that may arise. With the recent melt down of financial markets globally, having the right strategy is imperative, but just as important is the ability to implement this strategy. The ability to implement its strategy could allow the company to be in a better position to survive the current recession and additionally, to take advantage of the upturn in the economy when it does arrive.

The strategy management process starts with formulation and ends with implementation. Strategy formulation has been extensively studied; however this has not been carried through to strategy implementation. The result is that the strategy process in a large number of instances does not reach its end goals. A formulated strategy must be implemented before it can be of any value to an organisation (Heide, Grønhaug and Johannessen 2002). Strategy implementation is a cornerstone in building a capable organisation (Crittenden and Crittenden 2008).

Execution or implementation of strategy throughout the entire organisation is difficult (Hrebiniak 2006). This study has the purpose of bridging that gap between formulation and implementation as formulation is of no value if it is not implemented correctly and swiftly.

The oil industry is a relatively old industry and competition can be quite tough (MBendi.com 2009). Liquid fuels are an important component of the South African energy sector. South Africa has six major oil companies, namely, Chevron, BP, Engen, Shell, Total and Sasol, with PetroSA being state-owned (SAPIA.com 2009). The refining sector includes the refining of crude, coal-to-liquid and gas-to-liquid technologies. South Africa is the only country in the world to have such a diversity in technology when it comes to refining (MBendi.com 2009). The refining capacity of these companies in South Africa is 692 000 bbl/day (SAPIA.com 2009).

The major oil companies in South Africa provide employment for over 100 000 people directly or indirectly. These oil companies contribute about 2% of South Africa's gross domestic product (SAPIA.com 2009). They manufacture more than 90% of South Africa's petroleum products (SAPIA.com 2009). The increasing demand for petroleum products is a major challenge for companies.

With the new competition laws, there are a number of smaller emerging oil companies that are starting to join the retail side of the industry, but the refining side is still dominated by the majors, due to the large capital cost barriers to entry.

The emerging oil companies are reducing the profits of the major oil companies. These major oil companies are now not only having to compete among themselves, but also have these new competitors taking away their market share (MBendi.com 2009). Hence, being able to implement the strategy that they formulate is important to their survival and success in the future.

Knowledge of the factors that influence strategy implementation will allow the majors to implement their strategy with greater speed and success. This is important to the majors' survival and success in the future.

1.3 Problem statement

1.3.1 *Main problem*

To identify the factors influencing strategy implementation in major oil companies in South Africa.

1.4 Significance of the study

Problems with implementing strategy results in companies not growing, profits lagging projections and employee morale falling (Beer and Eisenstat 2000). This vicious circle feeds itself unless the root causes are identified and addressed. Ultimately, strategy implementation helps create the future of the company (Crittenden and Crittenden 2008).

The study assists in trying to fill the knowledge gap that is present in the current implementation of strategy in major oil companies in South Africa. Strategy implementation plans have been ignored in the past as they were not seen to be of much importance (Alexander 1985; Littler, Aisthorpe, Hudson and Keasey 2000). Senior management saw strategy formulation as their part of the strategy management process and considered it to be the responsibility of middle and lower level managers and employees to implement the strategy (Brenes, Mena and Molina 2008). This study intended to highlight the factors influencing strategy implementation to the benefit of all the major oil companies in South Africa.

Educational programs such as an MBA and senior executive programs, are geared to teach students and managers about strategy formulation and functional planning (Alexander 1985). Core courses focus on competitive strategy, marketing strategy and financial strategy, etc but with little focus on execution or implementation of these strategies. The obstacles that managers realistically face, concern the implementation of these strategies (Hrebiniak 2006). This study highlights the need for strategy implementation to be given more attention in training and educational programs at companies and higher educational institutionals.

One of the concerns of the major oil companies is that strategy takes a long time to implement. They are not as agile as the smaller emerging companies are to take advantage of any opportunities that may exist in the market place (Homburg, Krohmer and Workman 2004). The problem however, is how to get business aligned with strategy. All the business units must be able to react simultaneously as one body when the organisation requires a change of direction (Segev 1987).

The study provides guidance as to what factors need to be on the radar screen to assist with strategy implementation (Hrebiniak 2006). This assists to improve the success rate as well as increase the speed of implementation of strategy.

The value of such a study is that its findings provide useful information to the major oil companies in South Africa about strategy implementation. This information assists major oil companies' management to improve their decision-making processes when it comes to strategy implementation (Heide et al. 2002). When major oil companies understand what factors have the greatest impact on their strategy implementation process, they are able to respond more quickly to any change that may occur in the oil industry (Sterling 2003).

1.5 Delimitations of the study

The delimitations of the study are as follows:

- It includes the strategy implementation and executions phases.
- The study focuses on the major oil companies in South Africa.
- The study focuses on the oil sector with the major oil companies being BP, Shell, Sasol, Total, Engen and Chevron.
- The study was only conducted at management level.

1.6 Definition of terms

The definitions of the terms used are explained in Table 1:

Table 1: Definitions and explanation of the terms used

Term	Definition	Reference
BSC	Balanced scorecard	(Littler et al. 2000)
KPI	Key Performance indicator	(Littler et al. 2000)

1.7 Assumptions

The following assumptions were made:

- The respondents were honest in their replies.
- The respondents in the organisation had enough knowledge of the industry to have understood the questionnaire.
- The respondents have been through at least one strategy implementation experience and hence are able to provide answers to the questions based on their previous experience of strategy implementation.
- Interviews with the strategy personnel on the factors influencing strategy implementation, combined with the literature review, were sufficient input to construct the survey questionnaire.

CHAPTER 2: LITERATURE REVIEW

This paper is structured with a brief introduction, definition of the topic, factors identified, the models developed from literature and finally a conclusion to the literature review with the research proposition. Literature on strategy implementation was reviewed in order to identify potential strategy implementation factors.

2.1 Introduction

Strategies are formulated to provide an optimal risk-benefit profile which is congruent with longer term goals of a company (Reed and Buckley 1988). A number of strategy planning models and techniques such as Porter's (1980) model, Steiner's (1969) model of strategic planning, and the strengths, weaknesses, opportunities and threats (SWOT) model, have been taught to managers over the years with great success.

Porter (1980, 1985) viewed strategy as the positioning of the firm within its competitive environment, and he prioritises building sustainable competitive advantage as a way of shielding the enterprise against competitive forces. He developed several tools for analysing and positioning in competitive markets such as industry attractiveness, generic strategies and value chain analysis. The final selection of a strategy was based on an optimisation of firm-fit and results in perceived strategic benefits being balanced against inherent risks (Reed and Buckley 1988).

Strategy and organisational variables are inter-related as suggested by Mintzberg (1998). Mintzberg's schools of strategy formation cover the formation of strategy but not the implementation. Strategy implementation is complex, dynamic and evolving based on the environment and people that it interacts with (Rapert, Velliquette and Garretson 2002). A balance is sought between thought and action, control and learning and stability and change (Bhimani and Langfield-Smith 2007). Strategy formulation and implementation are an intertwined processes with success in both being necessary for superior firm performance (Noble 1999b).

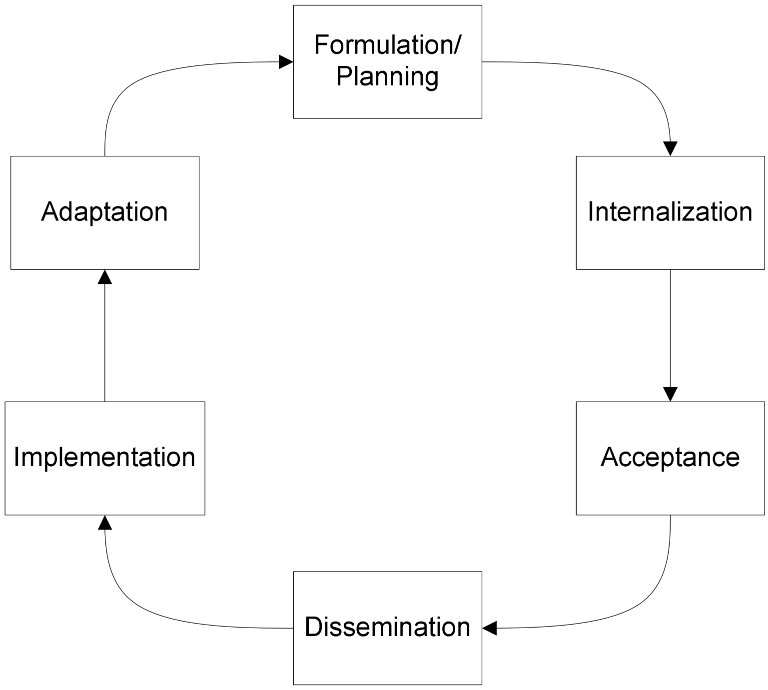

Figure 1: Model of the strategic management process (Rapert et al. 2002; Brenes et al. 2008)

Figure 1 shows the strategy flow process i.e. formulation/planning, internalisation, acceptance, dissemination, implementation, adaptation and finally the process starts all over again with formulation (Rapert et al. 2002; Brenes et al. 2008).

The unstable and ever-changing nature of today's marketplace, coupled with the increasing complexity of organisations, is making the implementation of strategy difficult (Porter and Harper 2003). The poor performance of these strategies does not lie with the formulation and planning stages, but with the execution.

There has been an increased focus on the role of intangible factors such as skills, capabilities, leadership style and culture in strategy implementation (Homburg et al. 2004). The difficulty with these factors of implementation are that when there was a problem, very few people were brave enough to mention it and hence they become silent killers (Beer and Eisenstat 2000).

This literature review outlines the factors that influence strategy implementation.

2.2 Definition of topic or background discussion

Strategy formulation defines the arena (for example: customers, markets, technologies, products, logistics) in which the execution takes place. It is seen as a formalised statement of intent or plan which identifies objectives and intended actions (Bhimani and Langfield-Smith 2007). Strategy formulation and implementation are separate, distinguishable parts of the strategic management process (Rapert et al. 2002).

Strategy implementation as defined by Noble (1999b) is the communication, interpretation, adoption and enactment of strategic plans. The dynamic nature of implementation is reflected in the constant changes in the implementation environment (Ginzberg and Schultz 1987). Strategy implementation takes longer and involves more people than strategy formulation. Well-conceived strategies have little value unless they are effectively implemented (Noble 1999b).

2.3 Factors Influencing Strategy Implementation

2.3.1 Management training

Many old and new managers are trained to plan and formulate strategy (Hrebiniak 2006) with little to no focus on strategy implementation. Many MBA programs and other higher educational institutional programs teach students the formulation and planning of strategy in detail, but have little emphasis on the implementation of strategy. Hrebiniak (2006) also highlights the fact that training across departments or disciplines is done in “silos” which further complicates implementation.

2.3.2 Level of ownership

Some top-level managers believe that strategy implementation is below them and should be left for lower level employees (Hrebiniak 2006). They believe that top-management's role is to plan and think strategically and the role of lower level employees is simply to carry out the top management's requirements. In most cases, if the strategies are not successful then the problem lies with the doers not having implemented a perfectly sound and viable strategy (Brenes et al. 2008). However, execution is a key responsibility of all managers and employees, not something that "others" need to do or focus on. The line managers' role is to guide employees in their day-to-day jobs as well as to align employees so as to achieve company strategy.

2.3.3 Change management

Buller (1988) argues that strategy implementation ignores the many structural and behavioural forces that resist change. Restructuring and changing of people's roles and responsibilities leads to confusion and anxiety, which leads to people leaving the company or the likelihood of a decline in productivity (Alexander 1985; Hrebiniak 2006).

People do not like change but when they undergo effective change management and they accept it, and it forms part of their learning, creating growth in their own lives as well as that of the organisation (Argyris 1989; Brenes et al. 2008).

Management's inability to manage change and reduce resistance to new implementation decisions or actions has major consequences for strategy implementation (Buller 1988). People need emotional assistance at times of change. Managers must assess and develop the organisation's state of readiness for strategic change before implementation starts (Crittenden and Crittenden 2008). Strategic managers should become more sensitive to and skilled in dealing with the human elements of change.

2.3.4 Poor or vague strategy

Ninety percent of both the most and least successful companies, consider explicit strategy (i.e. clear and written) essential for successful implementation (Brenes et al. 2008). Hrebiniak (2006) mentions that a poor or vague strategy severely limits implementation efforts and this presents a major obstacle to implementation. Good execution cannot overcome the shortcoming of a bad strategy or poor strategic planning effort. Hence, it is important to have a good strategy before the process can start.

Beer and Eisenstat (2000) suggest that vague strategy could result in the creation of two competing strategies which could destroy a company. Unclear strategy results in conflicting priorities, poor coordination and misuse of resources (Sterling 2003). A clear strategy assists in bringing employees together towards achieving a single vision. It is thus important to have a good and clear strategy before strategy implementation can start.

2.3.5 Implementation model

Having a model to guide implementation efforts makes the jobs of managers and employees less difficult and ambiguous when executing strategy (Hrebiniak 2006). Without guidelines, individuals do the things they think are important, resulting in uncoordinated, divergent and even conflicting decisions and actions (Reed and Buckley 1988). Managers need to know what their priorities are in the execution process and why it is critical to focus on each of these steps. Having a model or road map positively affects execution success. Advance planning for implementation and the building of models, provides more guidance for managers to achieve their objective of strategy implementation (Alexander 1985; Crittenden and Crittenden 2008).

2.3.6 Poor Communication

Strategic plans need to be communicated to all the individuals whose performance is important to successful implementation (Reed and Buckley 1988; Rapert et al. 2002).There should be sufficient communication from the top down to enable strategy implementation i.e. transfer of knowledge on actions to be carried out (Reed and Buckley 1988). Top management sometimes fails in terms of their communication with the lower organisational levels. Communication can be time-consuming and may not be sufficiently executed by top management due to time constraints (Heide et al. 2002). Management do not inform their people of the objectives and direction the company is moving towards (Heide et al. 2002; Brenes et al. 2008). Hence ineffective communication limits employees in their day to day decision making about what activities are most helpful in making the business successful (Beer and Eisenstat 2000; Rapert et al. 2002).

Top-down and bottom-up communication is a major factor in the implementation process (Beer and Eisenstat 2000). An open culture allows employees to speak openly to top management about their concerns and possible problems that they notice when they start implementing the strategy. Top management should be open to potentially threatening and embarrassing issues and keep in mind that an open communication channel is key to strategy implementation success (Noble 1999b).

2.3.7 Horizontal information sharing

Communication across different functional departments can be a challenge. Poor sharing of information or poor knowledge transfer can impede strategy executions (Hrebiniak 2006). Attempts to coordinate or integrate across organisational units can suffer if there is a lack of information sharing during implementation (Beer and Eisenstat 2000). The higher the complexity of a strategy, the higher the demand for cooperation, effective coordination and information sharing is required between organisational units (Beer and Eisenstat 2000).

2.3.8 Unclear employee roles

A lack of clear responsibility or accountability causes confusion. Effective coordination cannot occur if managers do not know who is responsible for what and with whom they are interdependent in task-related implementation (Hrebiniak 2006). Attempts to coordinate or integrate across functions, businesses or borders result in poor implementation of strategy (Beer and Eisenstat 2000). Unclear lines of responsibility means that follow-up on strategy implementation activities are inadequate (Heide et al. 2002).

2.3.9 Power structures and company politics

Political factors affect almost all organisations (Brenes et al. 2008). These have the ability to block change, especially when certain employees or groups perceive a new strategy as likely to reduce their status or power. They act accordingly to block or prevent implementation of the new strategy (Heide et al. 2002). Managers who believe their self interest is being compromised can redirect a strategy, delay its implementation, reduce the quality of its implementation or even totally sabotage the effort (Lorange 1998; Noble 1999a).

Trying to execute a strategy that conflicts with the prevailing power structure is met with difficulty (Crittenden and Crittenden 2008). Confronting those with influence at different organisational levels who disagree with an execution plan has serious consequences. The degree of strategic consensus between managers may influence the success with which strategic directives are implemented (Noble 1999b). Shared understanding without commitment may result in counter effort and negatively affect performance.

2.3.10 Organisational structure

Chandler's (1962) statement that "structure follows strategy" is an important organisational dimension when considering strategy implementation. Organisational structure affects implementation indirectly through its influence on information, control and the decision processes (Hrebiniak 1992; Heide et al. 2002). Departments that work in silos create silo mentality. Functional silo operation blocks strategy implementation and results in empire building (Noble 1999b).

Hrebiniak (2006) mentions that imposing the same structure on all business or divisions simply because they are part of the same organisation is not a logical and appropriate way to determine structure. Business structure should reflect, and be driven primarily by the nature of business strategy in order to implement that strategy successfully. Optimal fit depends on total flexibility of the structure (Gupta and Govindarajan 1984; Reed and Buckley 1988; Chebat 1999).

Size and geographical dispersion also play a role in appropriate structure design (Olson, Slater and Hult 2005). Company performance is influenced by how well a business's strategy is matched to its organisational structure (Olson et al. 2005; Brenes et al. 2008).

2.3.11 Financial and non financial information monitoring

Greater emphasis is placed and needed on financial information in the strategy implementation phase than during the formulation phase (Bhimani and Langfield-Smith 2007). This assists in the monitoring of the effectiveness of the strategy once it has been implemented (Devlin 1989). The balanced scorecard (BSC) model is also a tool to help the bottom-up flow of information (Littler et al. 2000). BSC and performance measures such as key performance indicators (KPI) can be used to monitor each of the individual strategy implementation factors and therefore the effectiveness of the whole strategy (Devlin 1989).

2.3.12 Resource allocation

Beer and Eisenstat (2000) mention that inappropriately resourced (funding, manpower, time) allocation severely hinders implementation efforts. The appropriate number of people with the appropriate skills sets need to be assigned to the right teams, or this results in misalignment of resources. This results in the slowing or prevention of the strategy from being implemented.

There is normally competition between functional departments for resources, to the effect that certain areas or functions of the business start to suffer. There are too many projects that need resources which are scarcely available in any company (Crittenden and Crittenden 2008).

Speed to market is considered critical whether a company wants to be a first mover or a fast follower. This considerable focus on time can have serious repercussions such as wasting resources that could be used elsewhere. Time pressure can be a major factor of effective implementation (Porter and Harper 2003). Managers are sometimes optimistic in determining the time requirement for implementation of a new strategic direction (Alexander 1985). If this is overrun then it can lead to employees' morale decreasing and management making crisis decisions to try to correct this.

2.3.13 Senior management leadership style

Matching of management style with organisational units assists with making strategy implementation more successful (Reed and Buckley 1988). A top-down or "laid back" senior management style includes aspects such as discomfort with conflict, shying away from taking responsibility/decision making and use of the top teams for administrative matters rather than focusing on strategic discussions (Noble 1999b; Beer and Eisenstat 2000). This has a negative impact on strategy implementation.

Top management exercise of corporate politics creates mistrust amongst other senior managers (Crittenden and Crittenden 2008). This leads to a less effective top management team. Managers that do not discuss conflict-causing issues or do not hold subordinates accountable, undermine the entire team's potential and hold the whole team back. Managers need to solve conflict situations and see them as challenges in team dynamics in order to build teams capable of reaching their potential.

A top-down management style is one of the main barriers to honest upward communication and organisational learning (Beer and Eisenstat 2000). Top-down management style builds frustration with lower level employees who do not feel valued. This leads to management being seen as disconnected from what is going on at lower levels (Buller 1988).

Company performance is partially dependent upon management style and leadership abilities. Managers should be replaced as a necessary part of any strategy implementation if their style or skills are deemed inappropriate (Reed and Buckley 1988).

2.3.14 Ineffective senior management

Top management, and especially the general manager, play central roles in the implementation of strategy. They affect the quality and success of the implementation (Anderson and Narasimhan 1979; Herbert and Deresky 1987). Beer and Eisenstat (2000) indicate that if the top management team operates within silos and refuses to cooperate effectively for fear that managers lose some of their power, this influences strategy implementation.

When chief executive officer's and general managers bypass members of their senior team and give information and orders to those at lower levels, this creates confusion as to whose instruction the employees need to follow (Sterling 2003). Middle management is then unaware of senior management's instructions as well as being unaware of what their people are doing.

Middle managers from different function or business units cannot be expected to work effectively when their managers are leading them in competing directions. Middle managers are not going to risk rejection by their own bosses or peers (Judge and Stahl 1995).

Due to ineffective senior management, new crises occur. Time and attention is then taken away from implementing new strategic directives, to help address these new problems (Alexander 1985).

2.3.15 Company Culture

A company's culture has been described as the organisational glue that holds the company together (Heide et al. 2002). Culture needs to be reinforced and monitored during a change such as strategy implementation (Hrebiniak 2006).

Cultural changes do not occur in a simple and linear manner. Differences in values, knowledge and skills present difficult challenges that must be overcome before implementation is achieved (Buller 1988). A new strategy requires all parties to engage in discussions to enable cultural changes to evolve to one that the entire company is happy with. Having the appropriate culture gives a company a competitive edge when it comes to strategy implementation (Homburg et al. 2004).

2.3.16 Information and management systems

Companies need to ensure that information systems are in line with their strategy requirements (Hrebiniak 2006). Information systems must be up to date and have accurate information as management use this when formulating strategy. Noble (1999b) suggests that control systems may need to be flexible in order to evolve as an implementation effort unfolds. The monitoring of the progress of the strategy implementation and effectiveness occurs via information management systems (Brenes et al. 2008; Crittenden and Crittenden 2008). The quality of information technology present in the firm is important to strategy implementation.

Information and control systems are used as a tool by managers to continuously monitor the organisation's strategic outcomes and to correct deviations by adjusting the variables in their control (Gupta and Govindarajan 1984; Mankins and Steele 2005).

2.3.17 Motivational and incentive schemes

Incentive schemes structured on the basis of strategic objectives can be used to motivate staff and ensure appropriate behaviour in relation to the strategy (Heide et al. 2002). Alexander (1985) suggests that rewards and penalties can be used to bring about the desired results of strategy implementation.

Strategy implementation and return on strategy needs to be aligned to incentive schemes to ensure that people in the company have the right focus in achieving the overall strategy (Reed and Buckley 1988; Hrebiniak 1992; Porter and Harper 2003; Crittenden and Crittenden 2008).

2.3.18 Human Resource management

Careful consideration of the human element is one of the key factors that need to be focused on during strategy implementation (Buller 1988; Fryxell, Butler and Choi 2004). Human Resource management is important in strategy implementation because employees have aspirations, needs and feelings that affect the organisation's performance. Organisations and their staff tend to be interdependent (Heide et al. 2002). A change in one affects the other. Employees expect to be kept informed about any changes, especially when it affects their jobs or them directly (Buller 1988; Heide et al. 2002). A prolonged period of strategy implementation puts pressure on managers and employees. It causes stress and uncertainty in their lives, which affects their job performance.

Front line managers and employees are the ones facing many of these challenges while trying to make top management dreams and visions a reality (Chebat 1999). Staff in different areas and operational levels in the firm have a better sense than top management of the kind of co-ordination that is required to successfully implement the strategy (Brenes et al. 2008). Strategy implementation should be seen as a team effort.

Management must hire the right people to make the implementation model work. Just as importantly, they must also create an environment that encourages people to use innovative new ways to achieve the strategy (Crittenden and Crittenden 2008). Crittenden and Crittenden (2008) claim that ninety-five percent of company employees are not aware of or do not understand their company's strategy. Hence, they are prevented from implementing the strategy, resulting in poor company performance.

2.3.19 Strategy complexity

A strategy may look good on paper but may be difficult to implement (Herbert and Deresky 1987). Communication, coordination and scheduling requirements are all more intricate on complex strategies (Porter and Harper 2003). Oversights and misunderstandings become more difficult to avoid.

Complex strategy demands more participative management, more involvement of employees, customers and suppliers. This adds more stress to a company's ability to implement strategy (Chebat 1999). It is more difficult to identify solutions that satisfy all the participating functions. Mankins and Steele (2005) suggest keeping it simple. Strategy is an abstract concept and is not something that can be easily communicated or translated into action when complex.

2.3.20 Implementation plan

The value of a detailed plan is important in strategy implementation. The lack of planning produces inefficiencies, omissions, overlaps and anxiety for all involved (Porter and Harper 2003). Detailed planning enhances implementers', stakeholders' and managements' understanding of the problem because it requires methodically thinking through the situation (Lorange 1998). This reduces the likelihood that oversights may occur.

2.3.21 Project management approach

Hauc and Kovac (2000) suggest that in order to implement strategies quickly and efficiently, a project management approach should be used. Project management in other environments ensures a high level of efficiency in implementation (Pellegrinelli and Bowman 1994) and hence would be valuable when used to implement strategy. A number of tools available in project management are already developed and tested to deal with complex, multifunctional projects which are similar to those facing the implementation of strategy (Grundy 1998). A project management approach to strategic implementation and change management could offer a competitive advantage to an organisation (Pellegrinelli and Bowman 1994).

2.3.22 Collective participation in strategy formulation

There is evidence of top-down involvement with bottom-up input being less prominent in the strategy formulation process (Noble 1999b). Staff involvement in strategy formulation is a key factor in strategy implementation (Brenes et al. 2008). There is instant support from lower level employees as well as a sense of ownership and personal involvement. This results in a greater effort from employees to achieve the vision and goal of the strategy. When employees are not consulted they may feel that strategy is unrealistic and hence the strategic plans are simply not implemented (Mankins and Steele 2005).

2.3.23 Empowerment

Empowering those responsible for implementing various strategic actions can be seen as a key factor to achieving implementation (Brenes et al. 2008). However, this is a function of the company culture and structure. There needs to be alignment before empowerment, otherwise responsibility and accountability are not present (Judge and Stahl 1995). Empowerment of employees entails entrustment with sufficient power to make decisions, communicate effectively and to implement the strategy. A lack of ability by management to adequately delegate leads to delays in the implementation of strategy.

2.3.24 Summary of implementation factors

Effective strategy implementation comes down to the ability to anticipate and avoid potential problems that can occur during implementation (Porter and Harper 2003). The above components represent the factors influencing strategy implementation as identified from literature. Each factor, individually or combined, can cause a delay or can stop a strategy from being implemented. They can be broadly grouped as follows:

1. **Communication factors:**

   Horizontal information sharing
   Poor communication

2. **Management factors:**

   Management training
   Level of ownership
   Unclear employee roles
   Power structures and company politics
   Resource allocation
   Senior management leadership style
   Ineffective senior management
   Project management approach

3. **Strategy formulation factors:**

    Poor or vague strategy
    Implementation model
    Strategy complexity
    Implementation plan
    Collective participation in strategy formulation

4. **People factors:**

    Human resource management
    Empowerment
    Change management
    Motivational and incentive schemes

5. **Organisational factors:**

    Organisational structure
    Company Culture

6. **System factors:**

    Financial and non-financial information monitoring
    Information and management systems

These six groups of factors above were illustrated by the use of models that were available in literature.

2.4 Implementation models

In this section of the literature review, various models are discussed. These emphasise the factors identified thus far as influencing strategy implementation. It is not feasible to include every factor in a model hence the models below contains most of the important factors in strategy implementation.

2.4.1 Critical internal organisation linkages and pathways

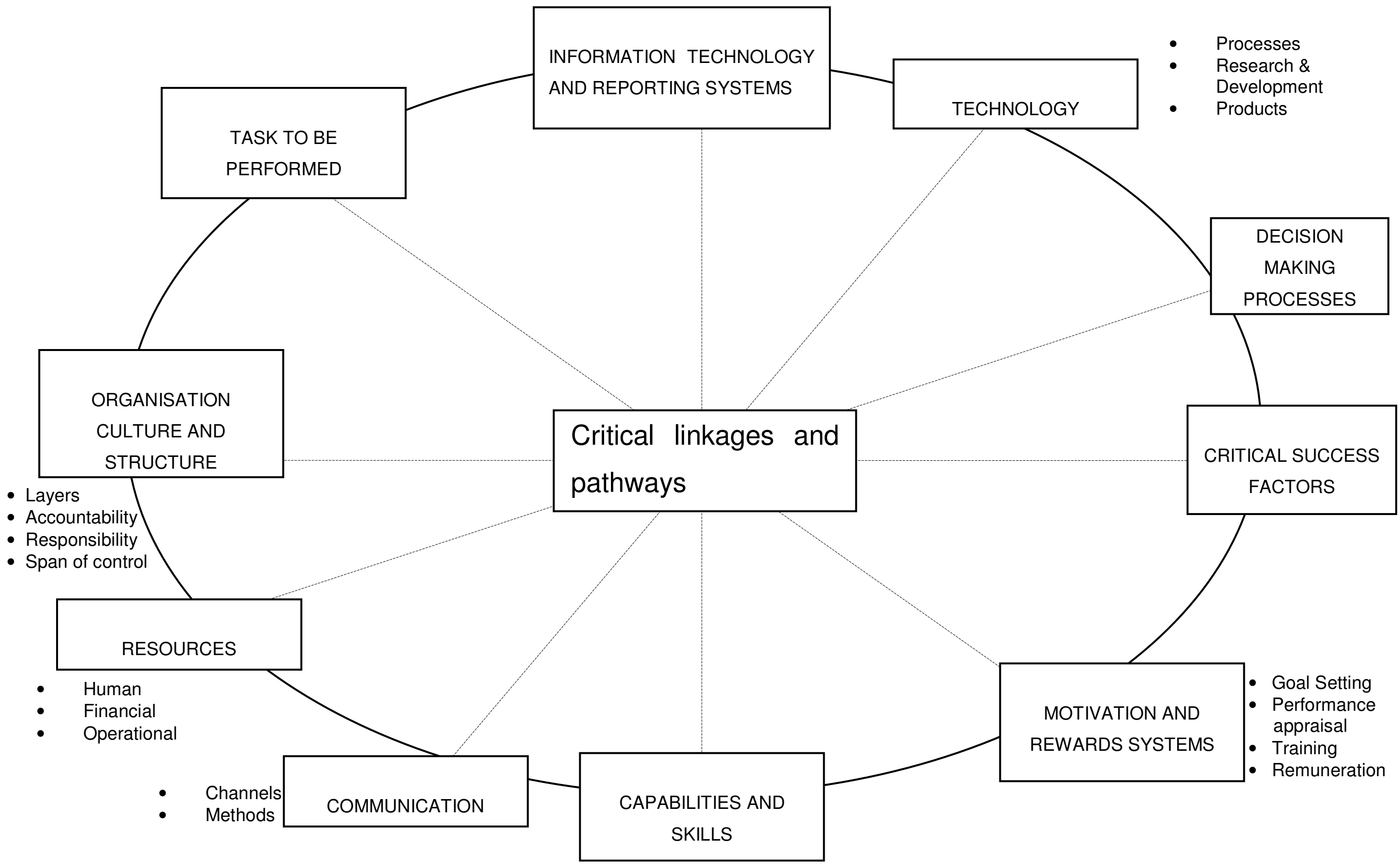

Figure 2: Devlin (1989): model of the critical internal organisation linkages and pathways

Devlin's (1989) model has identified a number of the factors that play a role in strategy implementation. What he does is establish the links or the pathways between these factors and indicate how they interact with each other. Devlin (1989) suggests that senior management should manage these critical linkages and pathways that connect the different parts of the organisation's functional systems and value activities as illustrated schematically in Figure 2.

2.4.2 The elements of effective strategy implementation

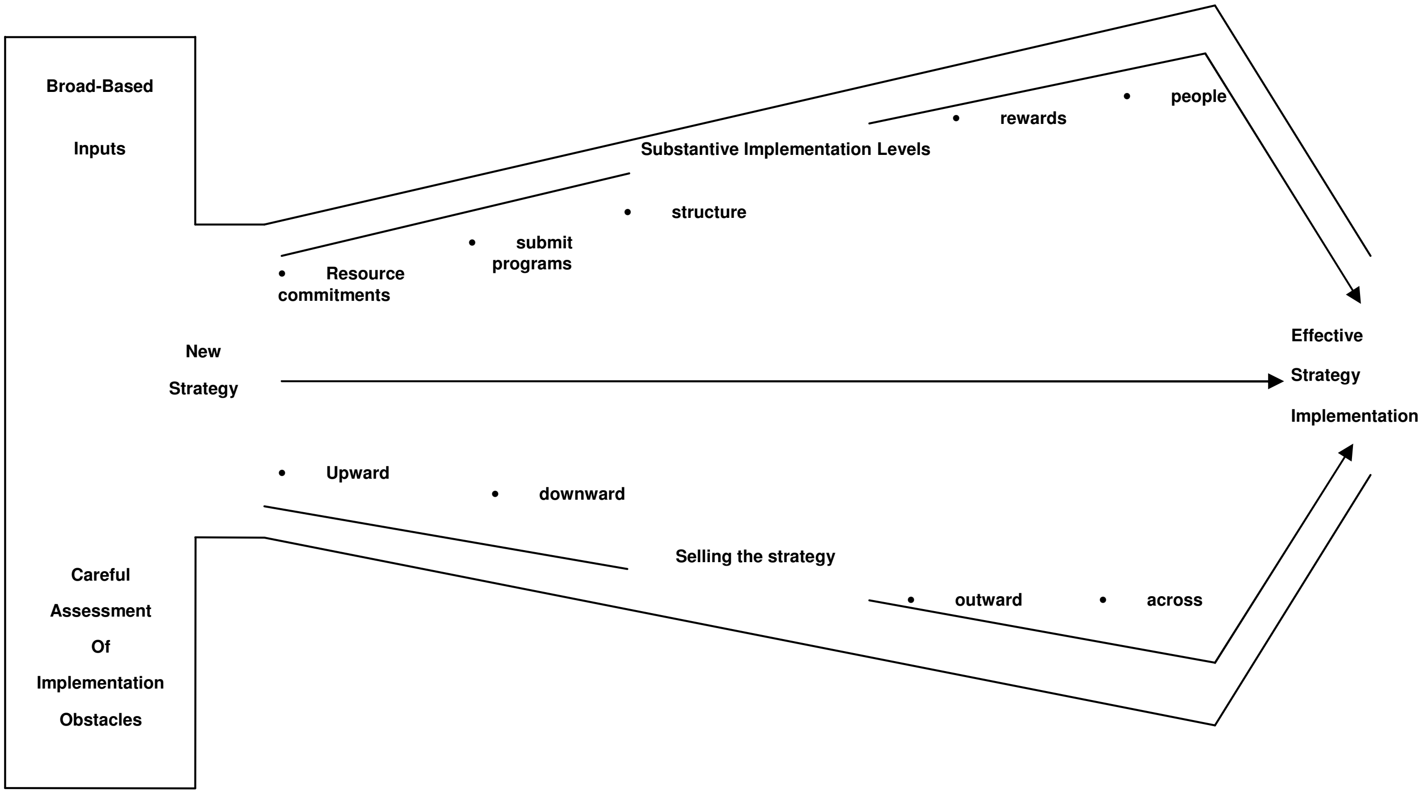

Figure 3: Hambrick and Cannella (1989): model of the elements of effective strategy implementation

In the model in Figure 3, the elements of effective strategy implementation are identified by Hambrick and Canella (1989). The process from formulation of strategy which includes broad-based inputs is followed by the required steps, taking into account the factors of implementation, with the result being an effective strategy implementation. The two main parts of this model are the selling of the strategy and the substantive implementation levels needing to be taken into account. The model indicates that the selling of the strategy needs to take place in all directions in order to be effective. There has to be buy-in from all parties for them to implement the strategy. After a new strategy has been formulated, the different levels as indicated in Hambrick and Canella's (1989) model need to be actioned in order to align them with the end goal which is strategy implementation.

2.4.3 How the "Six Strategy Killers" Interact

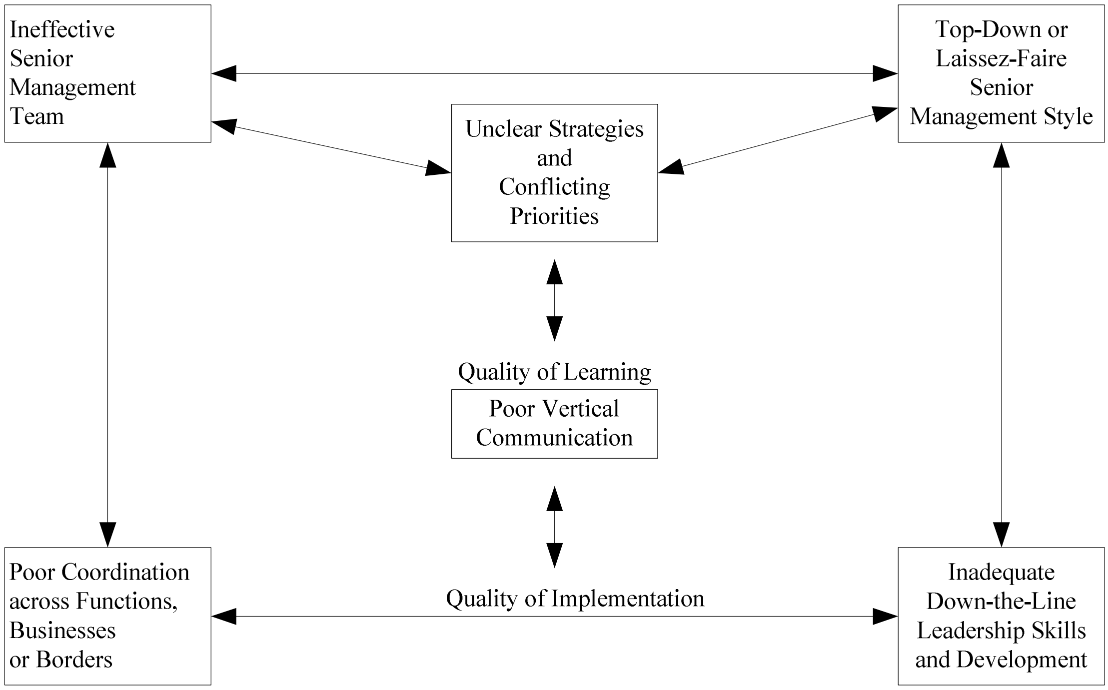

Figure 4: Beer and Eisenstat (2000): model of How the Six Strategy killers interact

The model in Figure 4 shows how the six strategy killers (factors) that are part of Beer and Eisenstat's (2000) model interact. The different categories that the six "killers" can be grouped into are: the quality of direction; the quality of learning; and quality of implementation. When these factors start to interact with each other, they can destroy any strategy that might be implemented. These six factors represent organisational stress points where new capabilities are required to make the transition to higher levels of performance, speed and responsiveness when implementing strategy.

2.4.4 Implementing Strategy: Key decision and actions

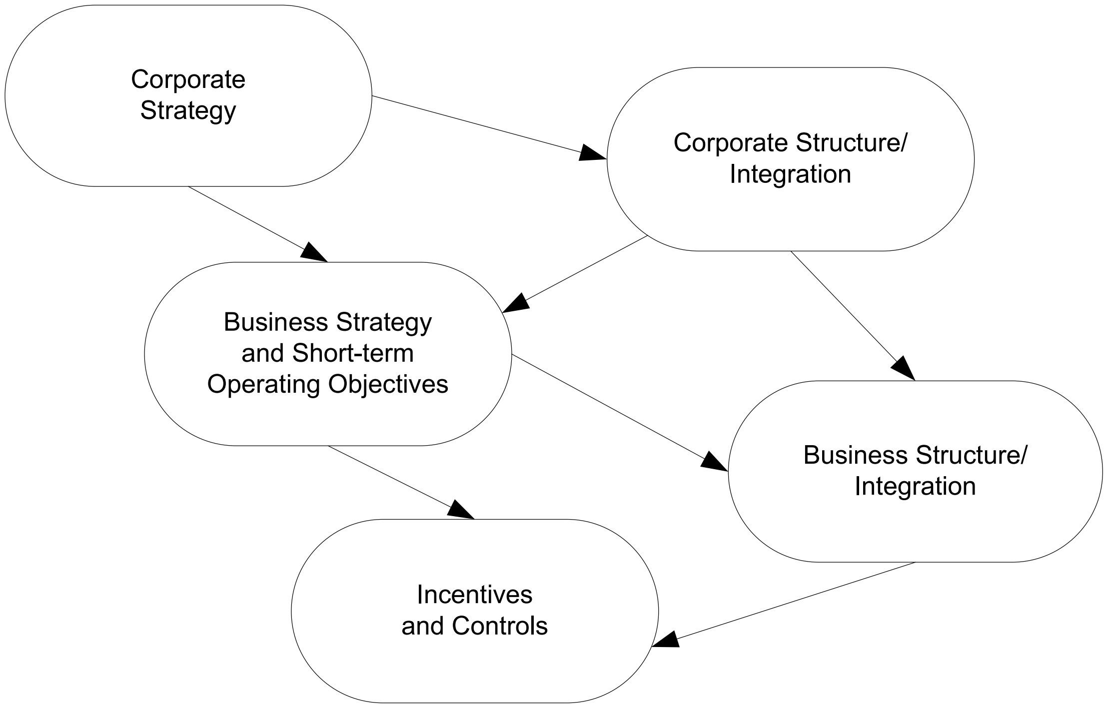

Figure 5: Hrebiniak (2006): model for implementing strategy: Key decisions and actions

The model as seen in Figure 5 was developed by Hrebiniak (2006). It indicates the logical flow of execution decisions or actions from strategy formulation to implementation. Strategy that is formulated at corporate level is rolled down to each business unit, changing the structure and operations accordingly. There are feedback and change loops in the controls portion of the model as implementation is a dynamic adaptive process. The model is dynamic in that it controls feedback to corporate strategy and thus leads to the whole process starting again.

2.4.5 Summary of implementation models

These models confirm the factors identified in the literature earlier. They indicate the links and possible interactions of these factors and the effect that these or a combination of these can have on strategy implementation. The above models represent the evolution of strategy implementation thinking from the fundamentals to the complex decision processes involved in implementation.

2.5 Conclusion of Literature Review

Managers should not just emphasize strategy formulation over implementation, as strategy formulation does not guarantee successful strategy implementation. This renders the strategy formulation process/plan worthless (Homburg et al. 2004). All companies exist in an uncertain and dynamic environment and it is essential that strategies that are formulated, deliver their planned return on investments. If not, then the company is doomed to fail but also it affects the country as a whole i.e. gross domestic product, unemployment, and so on. Managers from major oil companies in South Africa must assess each of these factors identified and adapt these to ensure that their strategies are implemented with the resultant effect of reaching performance targets and market share growth.

The implementation process works side-by-side with the formulation process. Such collaboration leads to plans that are financially, socially and ethically responsible strategies for a company. As the literature review indicates, a number of factors influence strategy implementation. Some of the research reviewed explicitly investigated different types of implementation strategies. The research question in this report concerns the types of factors influencing strategy implementation in major oil companies in South Africa and this remains unanswered.

The proposition formulated through the literature review is as follows:

<u>Proposition 1:</u> The groups of factors influencing strategy implementation in major oil companies in South Africa include the following:

1. Communication
2. Management
3. Strategy formulation
4. People
5. Organisational
6. Systems

CHAPTER 3: RESEARCH METHODOLOGY

The structure of the research methodology section outlines the paradigm that was used to view the knowledge, the approach, the procedure for data collection and the method that was used for the analysis of the data.

3.1 Research methodology / paradigm

The research method employed in this study was quantitative in nature and utilised surveys (Leedy and Ormrod 2001). The type of research undertaken was exploratory in that, although the factors investigated have been well documented, they have not been investigated in respect to the major oil companies in South Africa.

3.2 Research Design

The approach used was non-experimental in nature. A quantitative descriptive survey was constructed as can be seen in Appendix A. The questionnaire included input mainly from the literature as well as from preliminary discussions with members from the major oil companies (Robson 2002). There was one open-ended question included in the survey, to probe for factors that might not have been covered by the questionnaire. The participants also ranked the top five most important factors influencing strategy implementation in their opinion.

3.3 Population and sample

3.3.1 Population

The population defines the set of entities from which the research sample is to be drawn (Eisenhardt 1989). The population for this study included all the major oil companies in South Africa, namely, Chevron, BP, Engen, Shell, Total and Sasol.

3.3.2 Sample and sampling method

Simple random sampling was used to select the participants for the survey from each of the major oil companies in South Africa (Leedy and Ormrod 2001). The sample comprised management level employees only. This included all major oil companies in South Africa including KwaZulu-Natal, Western Cape, Free State and Mpumalanga. The total number of respondents was seventy-six.

3.4 The research instrument

A self-designed survey questionnaire, as can be seen in Appendix A, was used for data collection. Interviews with five strategy personnel were held to discuss the factors influencing strategy implementation. This information was then combined with that from the literature review, which also provided input to finalise the survey questionnaire (Robson 2002).

The questionnaire was sent to all participants with a covering letter outlining the title and purpose of the research report, as can be seen in Appendix A. This letter also explained the value that the respondents were adding to their industry by participating in such a survey. The participants could reply via fax if they wished to remain anonymous. Alternatively, they could email their response if they preferred. The respondents were assured that confidentiality would always be maintained.

The first section of the survey requested respondents to fill in their demographic data. The survey questionnaire then went on to describe a series of statements that participants had to identify, in their experience, as being the most important in strategy implementation in major oil companies in South Africa. A Likert type scale response was used to obtain information from the participants. Factors were measured on a 5-point Likert-type scale being, “Strongly Disagree”, “Disagree”, “Neutral”, “Agree” and “Strongly Agree”.

The third part of the survey questionnaire included a section for the ranking of the top five factors. The aim was to identify and isolate the most highly ranked variables that respondents felt influenced strategy implementation in major oil companies in South Africa.

The last section of the survey consisted of an open-ended question that probed for factors that could have been missed by the questionnaire.

3.5 Procedure for data collection

The data for this research was derived from questionnaire responses from the sample selected. The questionnaire was first submitted to the Wits Business School committee for permission before distribution.

A covering letter as can be viewed in Appendix A was included with the questionnaire explaining the reason, significance and purpose of this study as well as the procedure of the data collection. It was also explained to the respondents why it was in their and their company's interest to answer the questionnaire honestly, as their management could only act on direction from their employees. Management would be able to use this information to make the company more successful and a better place to work at.

All participants were given the option to remain anonymous if they so chose. All individual responses remained confidential and all responses were grouped, reported and discussed as such. Hence, the trust and honesty of the respondents filling in the questionnaire was assured, as they had nothing to fear.

Data collection was carried out with a questionnaire that was sent to each of the respondents at their work email address. Each of the respondents was provided with the same questionnaire. A deadline for the completion of the survey was also communicated to all respondents.

3.6 Data analysis and interpretation

Employees were asked about the factors that they thought influenced the implementation of strategy in their company. The answers were seen as a self evaluation. The 23 factors established from the literature review were grouped into the six dimensions identified earlier (communication, management, strategy formulation, people, organisational and systems).

Factor analysis was used for two purposes in this study: to reduce the number variables in the system and to detect structure in the relationships between variables. The researcher clustered the factors influencing strategy implementation established from the literature review into six dimensions. Factor analysis was used to test whether the views of the participants were similar or whether the number of groups and the composition of the groupings were different.

Ranking of the factors was also used to identify the top 5 factors as rated by the participants. Data obtained from the open-ended question of the questionnaire was used to identify any other factors that the literature review may have missed.

The data analysis method is listed in the consistency matrix in Table 19 in Appendix B.

3.7 Limitations of the study

- A limitation of this study has been its exclusive reliance on self-report measures.
- The generalisation of these results outside of South Africa is unlikely as each country is likely to have different influences.

3.8 Validity and reliability

3.8.1 External validity

External validity deals with the ability of the research to be generalised across persons, settings and times (Golafshani 2003). External validity is affected by the research being set in the real world or being laboratory based. In terms of this, the research was carried out in a real world setting so external validity is confirmed.

External validity is also affected by sample choice. The sample selected was partly for convenience due to the fact that only a limited number of people in the major oil companies were accessible. This reduces the external validity of the study. To counter this, a sample of not less than 40 employees was randomly selected.

3.8.2 Internal validity

Internal validity is also known as face or content validity and deals with the extent to which the measuring instrument provides adequate coverage of the topic under study (Golafshani 2003). In order to increase internal validity, the questionnaire was constructed on the basis of both an extensive literary review and interviews with strategy personnel in the major oil companies who were able to provide relevant information. Through pre-testing of the final survey questionnaire with a few oil company employees and making the suggested changes, it was possible to improve the construct validity.

3.8.3 Reliability

Reliability refers to the measurement procedures of accuracy and precision (Golafshani 2003). The reliability of the study was enhanced by the use of a standardised questionnaire for all respondents and by piloting the survey questionnaire before it was sent out.

CHAPTER 4: PRESENTATION OF RESULTS

The structure of the results that were obtained is presented in this chapter together with a brief description of the said results. The approach and methodology of the factor analysis applied is also briefly described.

4.1 Introduction

A survey was conducted to assess factors influencing strategy implementation in the major oil companies in South Africa. A total of 76 respondents were obtained who had completed the survey in totality. There were a few half-completed surveys which were discarded.

The respondents were first asked to provide some demographic information about themselves. The respondents were then asked to indicate the level to which they agree/disagree (1 = “Strongly Disagree”, 2 = “Disagree”, 3 = “Neutral”, 4 = “Agree”, or 5 = “Strongly Agree”) with statements regarding the effectiveness of certain factors (henceforth referred to as variables to avoid confusion with factors identified in factor analysis) in strategy implementation. Following this they were requested to rate the five variables they believed were most effective in influencing strategy implementation.

Questions 8, 11, 12, 15, 18, 20, 22 and 23 were negative statements and so for the sake of data analysis, reverse scores were used. Factor analysis was performed on the data to identify underlying structure and latent variables in the data as well as a variable reduction tool. Next an assessment of the ratings of variables was conducted in order to assess which variables and factors had the greatest effect on strategy implementation.

4.2 Demographic profile of respondents

Below are the detailed demographic statistics of the respondents that completed the survey. These have been tabulated and a brief description is given for each.

Table 2: Gender

Gender				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Male	47	61.84	47	61.84
Female	29	38.16	76	100

Of the total 76 respondents, 47 (approximately 62%) were male and 29 (approximately 38%) female.

Table 3: Age Group

Age Group				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
<25	3	3.95	3	3.95
25-35	27	35.53	30	39.47
35-50	37	48.68	67	88.16
>50	9	11.84	76	100

The majority of respondents (64) were of the ages between 25 and 50, while 3 were younger than 25 and 9 older than 50.

Table 4: Race Group

Race Group				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Black	21	27.63	21	27.63
Coloured	9	11.84	30	39.47
Asian	16	21.05	46	60.53
White	30	39.47	76	100

As can been seen in Table 4, there are 21(28.6%) respondents who are Black, 30 (39.5%) White, 9 (11.8%) Coloured and 16 (21.1%) Asian.

Table 5: Employment Type

Employment Type				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Temporary	0	0.00	0	0.00
Contractor	1	1.32	1	1.32
Part Time	0	0.00	1	1.32
Permanent	75	98.68	76	100

The majority of respondents (75) were employed permanently with only 1 being employed on a contractual basis.

Table 6: Total number of Year Work Experience

Total Number of Years Work Experience				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
$x < 2$	1	1.32	1	1.32
$2 < x < 5$	7	9.21	8	10.53
$5 < x < 10$	13	17.11	21	27.63
$x > 10$	55	72.37	76	100

The respondents were categorized according to length of work experience (less than two years, two to five years, five to ten years or more than ten years); the vast majority recorded had worked for more than ten years.

Table 7: Total Number of Year Work Experience in the Oil Industry

Total Number of Years Work Experience in the Oil Industry				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
$x < 2$	7	9.21	7	9.21
$2 < x < 5$	19	25.00	26	34.21
$5 < x < 10$	20	26.32	46	60.53
$x > 10$	30	39.47	76	100

When considering only years spent working in the oil industry there was a greater spread. However the distribution is still skewed to the latter categories.

4.3 Factor Analysis

Factor Analysis has two primary uses: to reduce the number of variables in a system and to detect structure in the relationships between variables. In this study it is used to do both.

First one needs to determine how many factors are represented strongly in this underlying structure, and so a vector of eigenvalues (one for each variable), each accounting for a certain amount of the variance inherent in the data, was computed in Table 8:

Table 8: Eigenvalues

	Eigenvalue	Difference	Proportion	Cumulative
1	3.8051	1.3571	0.1585	0.1585
2	2.4480	0.3827	0.1020	0.2605
3	2.0653	0.3335	0.0861	0.3466
4	1.7318	0.1652	0.0722	0.4188
5	1.5666	0.2693	0.0653	0.4840
6	1.2973	0.1191	0.0541	0.5381
7	1.1782	0.0775	0.0491	0.5872
8	1.1007	0.0909	0.0459	0.6330
9	1.0098	0.0543	0.0421	0.6751
10	0.9555	0.0926	0.0398	0.7149
11	0.8629	0.0823	0.0360	0.7509
12	0.7807	0.0956	0.0325	0.7834
13	0.6850	0.0675	0.0285	0.8120
14	0.6175	0.0327	0.0257	0.8377
15	0.5848	0.0705	0.0244	0.8620
16	0.5143	0.0211	0.0214	0.8835
17	0.4931	0.0401	0.0205	0.9040
18	0.4530	0.0325	0.0189	0.9229
19	0.4205	0.0360	0.0175	0.9404
20	0.3844	0.0278	0.0160	0.9564
21	0.3567	0.0729	0.0149	0.9713
22	0.2837	0.0390	0.0118	0.9831
23	0.2448	0.0844	0.0102	0.9933
24	0.1603		0.0067	1.0000

There are many schools of thought on how to interpret this information; The method suggested by Kaiser (1960) recommends retaining as many factors as there are eigenvalues with value greater than 1, but this method tends to err on the side of "too many"; on the other hand Cattell (1966) suggests a graphical approach called the "scree test". Looking at a simple plot of the eigenvalues, one curtails it to where the slope tends to even out to the right. According to the plot in Figure 6, it appeared that either 3 or 4 factors should be retained:

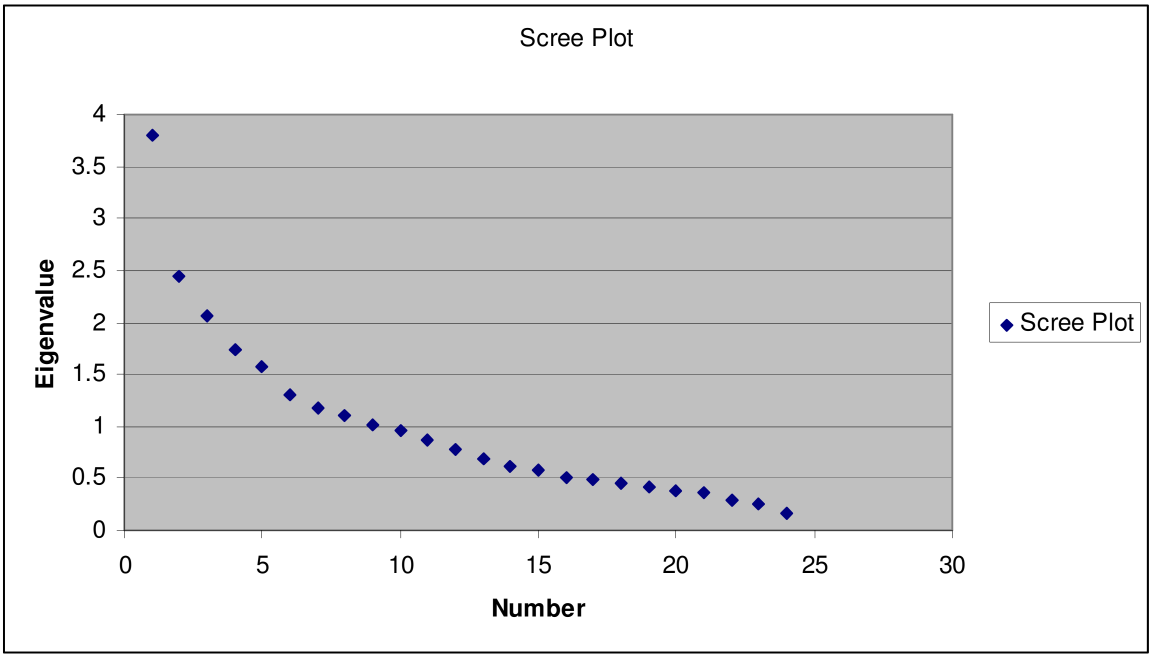

Figure 6: Scree Plot

A more precise way of determining the number of factors to retain is to run significance tests based on the following hypotheses:

H0: n factors are sufficient

H1: more factors are needed for increasing values of n.

There is dissent on when to stop, however, with some believing n should be chosen when first insignificance is attained while others believe a p-value of 0.5 should be exceeded.

It was found that 3 factors were enough to attain insignificance and 4 to exceed 0.5 from Table 9:

Table 9: Significance Tests

Test	DF	Chi-Square	Pr>ChiSq
H0: No common factors	276	454.3771	<.0001
HA: At least one common factor			
H0: 2 Factors are sufficient	229	269.9851	0.0327
HA: More factors are needed			
H0: No common factors	276	454.3771	<.0001
HA: At least one common factor			
H0: 3 Factors are sufficient	207	213.9876	0.3548
HA: More factors are needed			
H0: No common factors	276	454.3771	<.0001
HA: At least one common factor			
H0: 4 Factors are sufficient	186	182.2828	0.5633
HA: More factors are needed			

A factor analysis was run using the variance maximizing (varimax) technique on an oblique rotation, resulting in Table 10 with the following 4 factors:

Table 10: Factor Analysis (4 Factors)

Factor Structure (Correlations)					
		Factor 1	Factor 2	Factor 3	Factor 4
Factor_1	Factor 1	-0.1032	-0.0511	0.2362	0.0010
Factor_2	Factor 2	-0.0203	0.0975	0.1198	-0.2609
Factor_3	Factor 3	0.3857	0.2990	0.1833	0.1214
Factor_4	Factor 4	0.1433	0.1297	0.4002	0.0830
Factor_5	Factor 5	-0.0560	0.1372	0.4455	0.1127
Factor_6	Factor 6	-0.1589	0.2929	0.5685	-0.0552
Factor_7	Factor 7	0.0134	0.6584	0.2583	0.1413
Factor_8_	Factor 8*	0.5129	0.3144	-0.0244	0.0637
Factor_9	Factor 9	0.0186	0.5425	0.1494	-0.0486
Factor_10	Factor 10	0.0924	0.7228	-0.0963	0.1116
Factor_11__	Factor 11*	0.3923	-0.0802	-0.1713	-0.0524
Factor_12_	Factor 12*	0.5785	-0.0083	-0.1235	0.2164
Factor_13	Factor 13	0.4031	0.3201	0.1286	0.1516
Factor_14	Factor 14	0.4432	0.1969	0.2965	0.1344
Factor_15_	Factor 15*	0.2228	-0.0023	-0.1216	0.1530
Factor_16	Factor 16	-0.3053	0.3073	0.2058	0.7250
Factor_17	Factor 17	0.0292	0.1678	0.1897	0.3898
Factor_18_	Factor 18*	0.0811	0.4154	-0.1412	0.2775
Factor_19	Factor 19	0.3615	0.4468	0.0975	0.4056
Factor_20_	Factor 20*	0.6294	0.0962	0.0977	0.4896
Factor_21	Factor 21	0.3208	0.0536	0.6105	0.3774
Factor_22_	Factor 22*	0.3338	0.0689	0.2895	0.0951
Factor_23_	Factor 23*	0.2184	0.0803	0.1796	0.3607
Factor_24	Factor 24	0.0059	0.0808	0.4881	0.0640

A cut-off value of about 0.4 was used so as to account for approximately 65% of the variability of the variable. It appears (by Table 10) that the fourth factor is redundant as only one variable is loaded heavily on it uniquely.

A factor analysis retaining three factors and using the same rotation yielded the following:

Table 11: Factor Analysis (3 Factors)

		Factor 1	Factor 2	Factor 3
Factor_1	Factor 1	-0.0649	-0.1177	0.1829
Factor_2	Factor 2	0.0270	-0.1089	0.0192
Factor_3	Factor 3	0.3157	0.3031	0.2513
Factor_4	Factor 4	0.1268	0.0559	0.3919
Factor_5	Factor 5	0.1388	-0.1397	0.4326
Factor_6	Factor 6	0.2467	-0.3118	0.4705
Factor_7	Factor 7	0.6440	-0.0818	0.2624
Factor_8_	Factor 8*	0.3347	0.4346	0.0558
Factor_9	Factor 9	0.4726	-0.0572	0.1023
Factor_10	Factor 10	0.7510	0.0324	-0.0598
Factor_11__	Factor 11*	-0.0542	0.4177	-0.1501
Factor_12_	Factor 12*	0.0621	0.6494	0.0007
Factor_13	Factor 13	0.3512	0.3504	0.1928
Factor_14	Factor 14	0.2343	0.3633	0.3282
Factor_15_	Factor 15*	0.0395	0.2718	-0.0368
Factor_16	Factor 16	0.3409	-0.1475	0.3260
Factor_17	Factor 17	0.2333	0.0531	0.2814
Factor_18_	Factor 18*	0.4333	0.1073	-0.0211
Factor_19	Factor 19	0.5212	0.3304	0.2598
Factor_20_	Factor 20*	0.2311	0.6325	0.3059
Factor_21	Factor 21	0.1274	0.2472	0.7257
Factor_22_	Factor 22*	0.0980	0.2491	0.3277
Factor_23_	Factor 23*	0.1431	0.2324	0.3006
Factor_24	Factor 24	0.0762	-0.1179	0.4854

This analysis shows cohesion between variables 7, 9, 10, 18 and 19, 8, 11, 12 and 20, and 4, 5, 6, 21 and 24.

It is now pertinent to try to understand this correlation and structure of variables. Consider the questions associated with each factor:

Factor 1:

Q7 The communication offered by senior management to me, facilitated the implementation of the strategy
Q9 I had a clear understanding of the task and role assigned to me when I was to implement the strategy
Q10 Senior management played vital roles in assisting me to implement the strategy
Q18 To me the incentive schemes were of little motivation in the implementation of the strategy
Q19 Human resource management was significant in the implementation of the strategy

Factor 2:

Q8 The information that was shared with me across different functional departments was not vital to implementation
Q11 Company politics and power structures made little impact on me during the implementation of the strategy
Q12 For me, the organisational structure had little affect on the strategy implementation
Q20 The complexity of the strategy as I experienced it had no affect on the implementation

Factor 3:

Q4 For me, a well-define strategy plays a vital role in strategy implementation
Q5 I have found that a good strategy enables implementation
Q6 In my experience, the use of an implementation model provides guidance to achieve execution
Q21 In my experience, the use of an implementation plan is critical to achieve execution
Q24 I feel that entrusting my employees to make decisions on their own has an influence on the implementation of strategy

Table 12: Factor Structure Summary

Factor 1	Factor 2	Factor 3
Q7	Q8	Q4
Q9	Q11	Q5
Q10	Q12	Q6
Q18	Q20	Q21
Q19		Q24

Table 13: Factor Analysis Results

Factor 1	Factor 2	Factor 3
Poor communication	Horizontal information sharing	Vague Strategy
Unclear employee roles	Power structures and company politics	Poor/Bad Strategy
Ineffective senior management	Organisational structure	Implementation model
Motivational and incentive schemes	Strategy complexity	Implementation plan
Human resource management		Empowerment

The commonality in Factor 1 seems to be managerial influence as a strategy implementation tool; Factor two is based more on the structure of organisation and interactions therein; while Factor three primarily adheres to the abstract presence and structure of a plan/strategy.

4.4 Ranking

Based on the ratings of variables by the respondents, the variables are ranked according to three different scales; firstly in order of how frequently a variable was recognized as being the most heavily influential in strategy implementation, secondly in order of frequency that they were recognized as being in the top five most influential variables, and finally a weighted aggregate based on the position in the top 5.

Full results of this can be found in Table 14:

Table 14: Variable Ranking

Variable	Rating						
	1st	2nd	3rd	4th	5th	sum	weighted
1	2	0	0	0	1	3	2.20
2	2	1	1	0	1	5	3.03
3	0	2	1	4	1	8	2.53
4	23	5	3	6	4	41	28.80
5	1	6	3	1	1	12	5.45
6	0	0	3	1	3	7	1.85
7	5	4	3	5	2	19	9.65
8	1	2	0	1	5	9	3.25
9	2	4	5	4	6	21	7.87
10	5	7	5	6	1	24	11.87
11	1	1	2	4	4	12	3.97
12	2	0	2	1	1	6	3.12
13	1	4	3	2	2	12	4.90
14	5	4	7	7	4	27	11.88
15	3	6	3	3	1	16	7.95
16	3	8	5	7	7	30	11.82
17	0	1	10	8	5	24	6.83
18	0	1	1	0	1	3	1.03
19	1	1	5	5	2	14	4.82
20	1	1	1	0	0	3	1.83
21	6	4	5	6	7	28	12.57
22	2	4	2	2	3	13	5.77
23	6	8	5	2	7	28	13.57
24	4	2	1	1	7	15	6.98

Question/Variable 4 recorded the highest rank in all three categories. Analyses of variance were conducted based on the following hypotheses:

H0: The relative frequencies of all variables are the same.
H1: At least one variable's relative frequency differs from the rest.

Results of these tests are found in Table 15:

Table 15: Anovas (Variable Ranking)

Relative Frequency total						
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	31.25	23	1.36	9.07	6.56E-30	1.54
Within Groups	269.58	1800	0.15			
Total	300.83	1823				
Relative Frequency 1st						
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	6.52	23	0.28	7.69	2.39E-24	1.54
Within Groups	66.32	1800	0.04			
Total	72.83	1823				

For both the case of most influential and of most often in the top 5, the null hypothesis is rejected and it can be concluded that these differences did not occur by random haps. Other variables which were recognized considerably more than others (that is, at least twice as often as the median value) were questions 14, 16, 21 and 23.

Q4 For me, a well-define strategy plays a vital role in strategy implementation
Q14 Resources (time, manpower, funding etc) had a direct impact on my day to day activities of implementing the strategy
Q16 The company culture was essential for me when implementing the strategy
Q21 In my experience, the use of an implementation plan is critical to achieve execution
Q23 Staff involvement in strategy formulation has no impact on the strategy implementation

Assessing the factors identified earlier, a similar analysis was done. Each was given an average score based on the variables involved, a weighted score including the associated factor loading values and standardized according to factor size, and a double weighted value, calculated based on the factor loadings of the involved variables as well as their weighted frequencies, and standardized according to the size of the factor. The results are found in Table 16:

Table 16: Factor Ranking

	total	average	weighted	double weighted
Factor 1	81	16.2	48.78	21.80
Factor 2	30	7.5	14.72	6.25
Factor 3	103	20.6	52.15	30.91

All three measures showed factor 3 as being highest in rank.

An ANOVA was conducted under the following hypotheses:

H0: The average score for each of the three factors is equal.
H1: At least one average score is different from the rest.

The null hypothesis is not rejected in this case as can be seen in Table 17 and it is concluded that there is insufficient evidence in support of any factor being significantly different from the others based on this scoring method.

Table 17: Anova (Factor Ranking)

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Factor 1	5	81	16.2	67.7
Factor 2	4	30	7.5	15
Factor 3	5	103	20.6	190.3

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	387.86	2	193.93	1.98	0.184	3.982
Within Groups	1077.00	11	97.91			
Total	1464.86	13				

4.5 Open ended questions

Respondents were give the opportunity to identify and list any other factors not mentioned in the questionnaire that they thought might influence strategy implementation or any other issues they considered to be important when it came to strategy implementation in major oil companies in South Africa, based on their experience and knowledge of the oil industry.

About half of the respondents did comment/identify factors that they thought were important. The complete responses are found in Appendix C. The list in Appendix C is the direct response obtained, separated per respondent.

4.6 Summary of the results

The results covered the demographic of the sample that was used. These responses were then subjected to factor analysis to reduce the number of variables in the system and to detect structure in the relationships between the variables used in the questionnaire. Respondents also ranked the different variables in order to obtain the respondents' assessment of the most important top 5 variables that they thought influenced strategy implementation in major oil companies in South Africa. Respondents were also given the opportunity to identify any other factors or issues that they thought the questionnaire did not cover.

The demographics of the sample obtained revealed the South African oil industry management to consist of mostly males. The industry has 84% of its working age group between 25 and 50 years old. Most people are employed permanently and a large percentage of the work force has at least 10 years experience. The number of years of experience in the oil industry itself is also skewed towards at least 10 years' experience in the oil industry.

Based on the factor analysis, three underlying constructs were identified among variables influencing strategy implementation. These were managerial influence, organisational structure and the presence and structure of a formulated plan.

The analysis of the ratings each respondent gave these variables, showed the last of the three as being the most important. In the Anova that was conducted in order to determine the significance level of these results, the null hypothesis was accepted, namely that there is a difference in the aggregate scorings assigned to each of these three factors. It is unfortunately the case that in data reduction (as in this factor analysis) one often loses a certain amount of statistical power.

Individual variables isolated by the respondents as being pivotal in strategy implementation were:

Q4 For me, a well-define strategy plays a vital role in strategy implementation
Q14 Resources (time, manpower, funding etc) had a direct impact on my day to day activities of implementing the strategy
Q16 The company culture was essential for me when implementing the strategy
Q21 In my experience, the use of an implementation plan is critical to achieve execution
Q23 Staff involvement in strategy formulation has no impact on the strategy implementation

With more than half of the respondents identifying question 4 as being important, and approximately 30% seeing it as the most important (based on two analyses of variance, the data supported that differences in the relative frequencies of the variables do exist). Questions 14, 16, 21 and 23 were all recognized by more than a third of respondents.

The open-ended questions reflected the issues that respondents felt were not covered in the questionnaire. All of the responses were captured in Appendix C.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

The structure of this chapter is centred on the discussion and explanation of the results obtained from the questionnaire and the statistics applied on the data. The results are then discussed, taking into account the literature review performed and the industry from which the data were received.

5.2 Demographic profile of respondents

In Figure 7 appears the detailed demographic statistics of the respondents that completed the survey. The pie graph in Figure 7 shows that approximately 62% of the respondents were male. This is much higher than the 49% male representation in the South African population (Statssa.gov.za 2009). The South African oil industry has acknowledged this concern and is currently running programs such as Leadership in Oil and Energy Certificate Programmes (SAPIA.com 2009) to increase the skills base of the women in this industry.

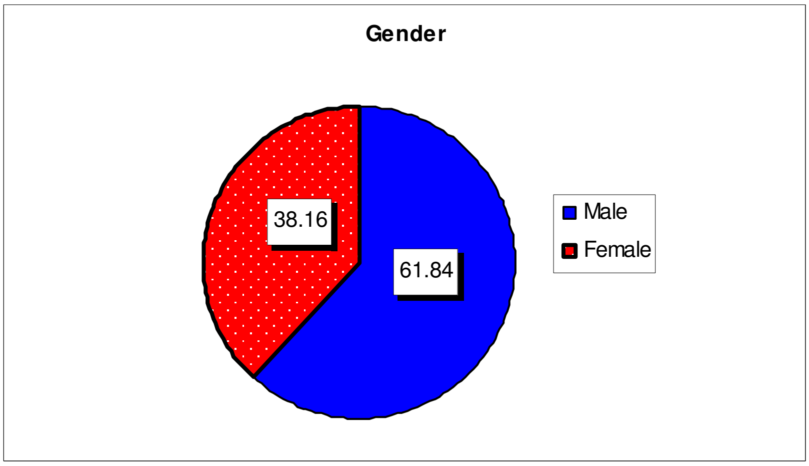

Figure 7: Gender

The majority of respondents (approximately 84%) were of the ages between 25 and 50, while about 4% were younger than 25 and 12% older than 50, as can be seen in Figure 8. Bearing in mind that junior to senior management is being considered, this is in line with what can be expected of the age grouping. The oil industry is currently trying to inject new blood into the industry and this is indicated by the age profile in Figure 8.

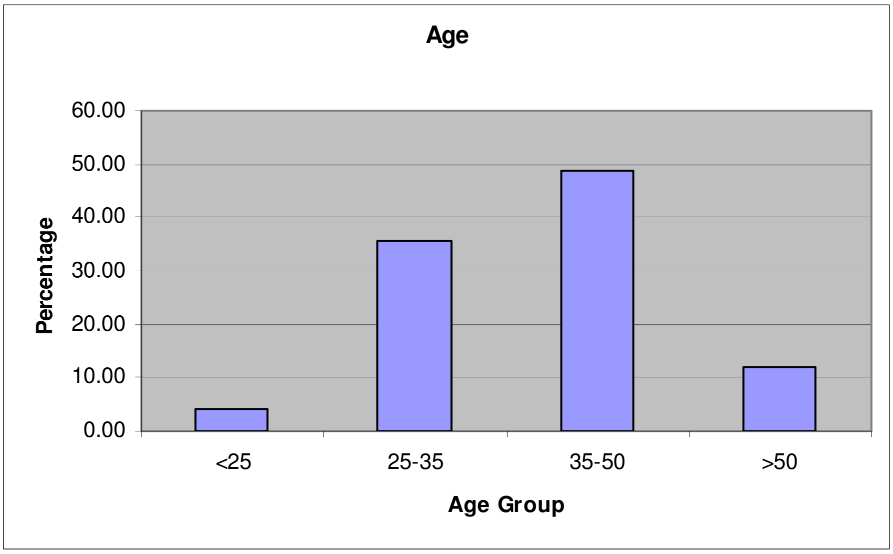

Figure 8: Age Group

Figure 9 represents the race group profile of the major oil industries in South Africa. It can be seen that a demographic of about 28% Black, 39.5% White, 12% Coloured and 21% Asian makes up the profile of respondents being employed in the major oil industries in South Africa. The population group profile of South Africa consists of 79.6% Black, 9.1% White, 8.9% Coloured and 2.5% Asian (Statssa.gov.za 2009). Hence a large discrepancy can be noticed in the two profiles.

The oil industry has previously been criticized for not being representative of the South African population. A concern in the industry is the lack of engineering/oil industry skills in the market place as it takes a long time to train these people. Given South Africa's past, it is going to take a few more years to address these issues but major inroads into solving these problems have been made in the last few years. The oil industry has in recent years offered a number of bursaries to black engineering students to assist in building a skills base in the oil industry (SAPIA.com 2009).

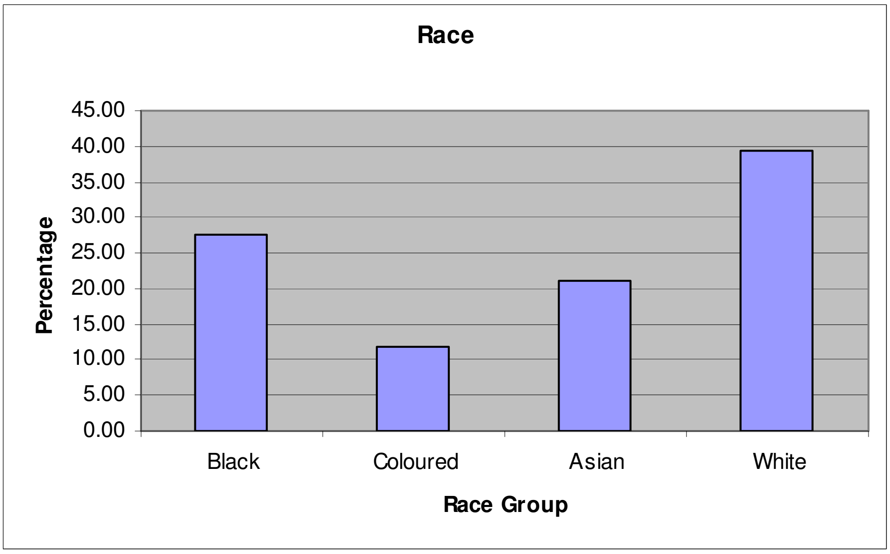

Figure 9: Race Group

The majority of respondents, 98%, as can be seen in Figure 10, were employed permanently, with only 2% (1 respondent) being employed on a contractual basis. This is reflective of the current recession that South Africa is in where most companies have reduced the headcount by reducing the number of consultants, contractors and part-time employees. Only scarce-skilled employees are considered to be employed as contractors.

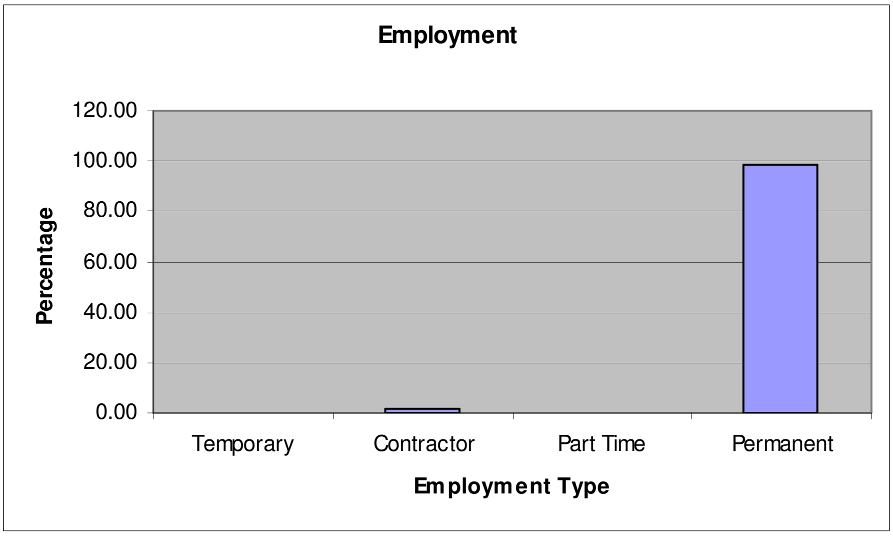

Figure 10: Employment Type

The respondents were categorized according to length of work experience (less than two years, two to five years, five to ten years or more than ten years); the vast majority (72% see Figure 11) recorded having worked for more than ten years. The oil industry normally tries to hire more experienced people due to the large amounts of money involved in this industry, while still trying to maintain a balance in terms of injecting new thinking/blood into the industry.

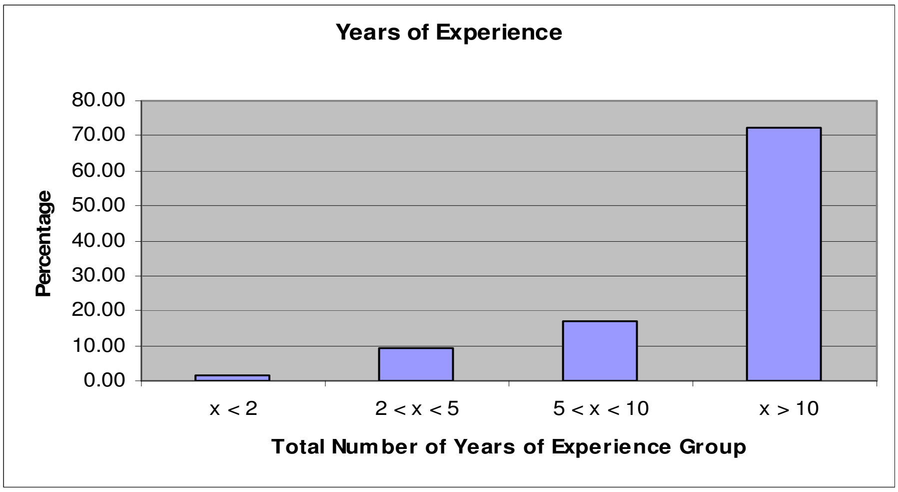

Figure 11: Total number of Years of Work Experience

When considering only years spent working in the oil industry there was a greater spread. However the distribution is still skewed to the latter categories. The general trend is that once you have worked in the oil industry, you become a specialist in this field and become highly prized in the industry, with the effect that most people change oil companies but still stay in the same industry.

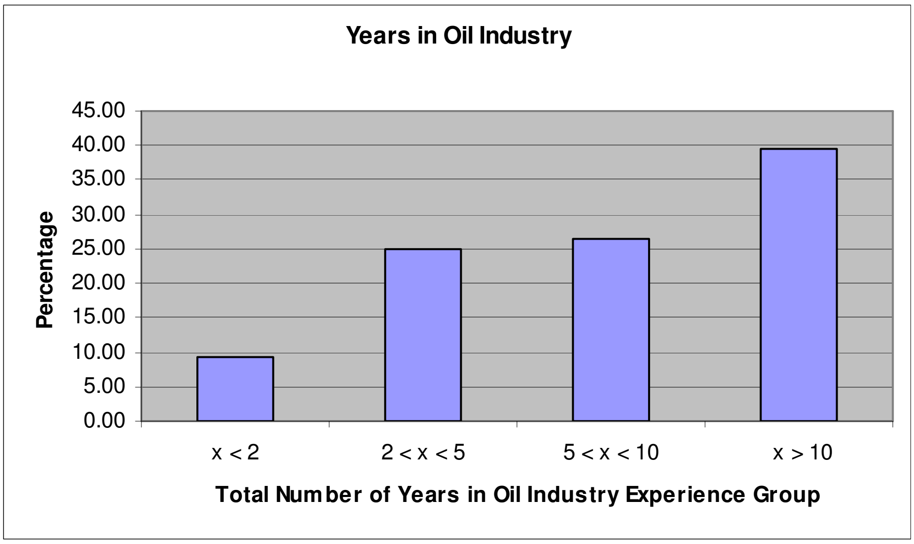

Figure 12: Total Number of Years of Work Experience in the Oil Industry

5.3 Factor Analysis

The aim of this section was to discuss and explain the factors identified as influencing strategy implementation in major oil companies in South Africa. Factor analysis was used for two primary reasons: to reduce the number of variables in the system and to detect the structure in the relationships between variables. From the results of the factor analysis, 3 factors were identified. These factors consisted of the following variables for each factor 7, 9, 10, 18 and 19, 8, 11, 12 and 20, and 4, 5, 6, 21 and 24. Please see Table 13 for the factor analysis results.

The commonality in Factor 1 seems to be managerial influence as a strategy implementation tool; Factor 2 is more based on the structure of organisation and interactions therein; while Factor 3 primarily adheres to the abstract presence and structure of a plan and of the strategy. Hence:

Factor 1: Managerial Influence

Factor 2: Organisational Structure and interactions

Factor 3: Formulation and Structured Planning of Strategy

These three factors are now discussed individually as to their influence on strategy implementation in major oil companies in South Africa.

5.3.1 Factor 1: Managerial Influence

The factors which the researcher summarized that were grouped as managerial influence included poor communication, unclear employee roles, human resource management, motivational and incentive schemes, and ineffective senior management.

Major oil companies in South Africa are large organisations and effective and good communication is a major issue that affects strategy implementation. Communication is one of the pillars of strategy implementation; without it strategy is destined to be a major problem (Reed and Buckley 1988). Managers find it difficult to get the right mix of communication to their people. Communication takes time, energy and dedication from managers who are normally fully occupied with their normal day-to-day activities. More effective communication requirements put a strain on the management of the company. Top-down and bottom-up communication is something that management should encourage so that trust and a culture of openness allows for employees to bring to the attention of management any matters that they feel influence the strategy implementation (Beer and Eisenstat 2000).

Communication as a variable can be found in 4 of the 5 models suggested from literature (i.e. see Figures 2 to 5). This suggests that it does form one of the factors that need to be paid particular attention when looking at strategy implementation. Thus in a major oil company, communication is an intricate part of the implementation of the strategy.

Another factor that management have influence over is the role clarification of employees during the strategy implementation process. The ability to coordinate across functions, businesses and borders (Beer and Eisenstat 2000), especially in large and complex organisations such as oil companies, is important in the strategy implementation phase. Employees need to know what they are responsible and accountable for and thus it is management's responsibility to ensure that this is communicated timely and correctly. A mistake in this part of the strategy implementation could cause confusion and dissatisfaction amongst employees. Hence only good communication can assist in ensuring that employees are aware of what needs to be done, by whom and when.

The human element is one of the key factors during strategy implementation (Buller 1988; Fryxell et al. 2004). The oil companies employ thousands of people in each of the companies. Management needs to be aware of the aspiration, needs and feelings that affect the people working in the organisation and be aware that the only reason the organisation exists is because there are people who work together towards a common goal. A change in one affects the other, hence part of management's role is to ensure that all the company's employees are aware of, and are focused on, the end goal of strategy implementation.

Management has a direct influence on motivating and incentivising their employees to obtain the correct end goal of strategy implementation. Hence management needs to understand and know what they need to drive in terms of their employees to ensure that the employees are correctly motivated and to incentivise accordingly (Crittenden and Crittenden 2008). Oil companies have come up with a number of schemes that they use. However a large number of these schemes are more focused on the day-to-day operations of the company rather than driving strategy or strategy implementation. Thus mainly short term goals are achieved, which results in employees being rewarded for attaining the goals.

Management's influence extends to ensuring that senior management is effective in terms of strategy implementation. Senior management has the overall and end view of where they want to take the company (Sterling 2003). This needs to be communicated and put into action throughout the company. Oil companies seem to have been particularly affected by their leadership when it comes to strategy implementation. A possible reason for this is that senior management are the ones who normally formulate these strategies and hence have a large amount of knowledge and power associated with this.

Looking at all the models from the literature reviewed, the Beer and Eisenstat's (2000) model in Figure 4 on page 24 seems to best represent this factor of managerial influence. This model highlights four of the five variables that are grouped under this factor and illustrates the dynamics of these variables in this factor. The affect on strategy implementation is shown in Figure 4.

5.3.2 Factor 2: Organisational Structure and interactions

The variables that were grouped to make up this factor of organisational structure and interactions are horizontal information sharing, power structures and company politics, organisational structure and strategy complexity. Organisational structure and interactions in major oil companies in South Africa can have a critical effect on strategy implementation.

Organisational structure effects implementation indirectly through its influence on information, control and decision processes (Hrebiniak 1992; Heide et al. 2002). Most of the major oil company's continually try to adapt their organisational structure to enable their strategy. This does result in employees being exposed to many waves of change, especially in a highly dynamic environment. Managers see this as an important variable as organisational structure can save time and energy when implementing strategy.

Horizontal information sharing across organisational structures of oil companies can be challenging. Obtaining the right information to ensure that departments are aligned to the single goal of strategy implementation does provide many a trial for management in major oil companies in South Africa. Oil companies have not as yet found effective ways to break down these barriers between business units within the same companies and it is this that poses the biggest challenge in terms of information sharing.

Power structures and company politics (Brenes et al. 2008) are present in most oil companies due to the complexity of their organisational structures and the characteristics of the people they hire in terms of being ambitious and driven. These are matters that management of oil companies have come to realise and understand. This can be a major threat when it comes to strategy implementation, especially in the oil industry in South Africa.

Managers find that the higher the complexity of a strategy the more effort that is required to implement the strategy in the major oil companies in South Africa. A complex strategy places a higher demand on cooperation and effective coordination and information sharing between organisational units (Beer and Eisenstat 2000) which managers need to spend more resources on.

Looking at all the models from the literature reviewed, Hrebiniak's (2006) model in Figure 5 seems to best represent this factor of organisational structure and interactions. This model highlights and illustrates the dynamics of these variables and their effect on strategy implementation.

5.3.3 Factor 3: Formulation and Structured Planning of Strategy

The management team in the major oil companies in South Africa have indicated that there needs to be a focus on formulation and structured planning of strategy for strategy to be implemented. The factor group formulation and structured planning of strategy was developed to include vague strategy, poor/bad strategy, implementation model, implementation plan and empowerment.

Vague strategy in the major oil companies in South Africa does have an effect on strategy implementation as was noted in the literature (Brenes et al. 2008). Management needs to ensure that unclear strategy is prevented as it can cause a number of problems such as conflicting priorities.

Management in the major oil companies in South Africa needs to be skilled in the formulation of strategy that creates value for all stakeholders involved in the oil industry and in South Africa. Good execution cannot overcome the shortcoming of a bad strategy or poor strategic plan. Hence, it is important to have a good strategy before the process can start.

When looking at formulation and structured planning of strategy, the major oil companies have identified the need for an implementation plan to assist in strategy implementation. The lack of planning produces inefficiencies, omissions, overlaps and anxiety for all involved (Porter and Harper 2003). Detailed planning assists the major oil companies of South Africa with strategy implementation. Management needs to focus on getting a meaningful and detailed plan for the implementation phase, to assist with the planning cycle.

Similar to the implementation plan, a good implementation model has been identified as a means of obtaining guidance on implementation efforts that major oil company managers in South Africa can use to make their jobs less difficult and ambiguous when executing strategy (Hrebiniak 2006). Managers need to know what their priorities are in the execution process and why it is critical to focus on each of these steps. Thus, major oil companies in South Africa should use advance planning for implementation and the building of models to achieve their objectives of strategy implementation.

Managers in the major oil companies in South Africa are highly skilled individuals with an array of backgrounds. These managers view empowerment as a key part of strategy implementation. Many of the major oil companies do empower their managers but with applicable responsibility and accountability that comes with trust from the oil company.

As this factor is more focused on the formulation and structured planning of strategy, none of the implementation models identified in the literature reviewed in section 2.4 represent it. However Figure 1 does combine these factors, showing the strategy flow i.e. formulation/planning, internalisation, acceptance, dissemination, implementation, adaptation and finally the process starts all over again with formulation (Rapert et al. 2002; Brenes et al. 2008).

5.4 Proposition vs. Factor categories

The literature review and the models illustrated in section 2.4 suggest that there are 23 variables that can widely influence strategy implementation. These variables were grouped into six proposed factor groups as shown below:

Proposition 1: The groups of factors influencing strategy implementation in major oil companies in South Africa include:

1. Communication
2. Management
3. Strategy formulation
4. People
5. Organisational
6. Systems

The factor analysis found that only three factor groups were responsible for influencing strategy implementation in major oil companies in South Africa and these were as follows:

Factor 1: Managerial Influence

Factor 2: Organisational Structure and interactions

Factor 3: Formulation and Structured Planning of Strategy

The variable for both the proposed and factor groups were the same but they were not necessarily found in the same categories.

Table 18: Proposition vs. Factor groups

Proposition Grouping	***Factor Grouping***
Communication factors: Horizontal information sharing Poor communication	**Organisational Structure and interactions:** Horizontal information sharing Power structures and company politics Organisational structure Strategy complexity
Management factors: Management training Level of ownership Unclear employee roles Power structures and company politics Resource allocation Senior management leadership style Ineffective senior management Project management approach	**Managerial Influence :** Motivational and incentive schemes Poor communication Unclear employee roles Human resource management Ineffective senior management
Strategy formulation factors: Poor or vague strategy Implementation model Strategy complexity Implementation plan Collective participation in strategy formulation	**Formulation and Structured Planning of Strategy:** Vague strategy Poor/bad strategy Implementation model Implementation plan Empowerment
People factors: Human resource management Empowerment Change management Motivational and incentive schemes	

Proposition Grouping	*Factor Grouping*
Organisational factors: Organisational structure Company Culture	
System factors: Financial and non financial information monitoring Information and management systems	

The results of the factor analysis indicate that the strategy implementation in major oil companies in South Africa is covered by the above three groups of factors in Table 18 rather than by the six proposed groups.

5.5 Ranking

The aim of this section of the study was to be able to identify and isolate the most highly ranked variables that respondents felt influenced strategy implementation in major oil companies in South Africa. Based on the ratings of variables by the respondents, these were ranked according to three different scales; first, in order of how frequently a variable was recognized as being the most heavily influential in strategy implementation; secondly, in order of frequency that they were recognized as being in the top five most influential variables; and finally, a weighted aggregate based on the position in the top 5. The variables ranking can be seen in Table 14. Question/Variable 4 recorded the highest rank in all three categories. Other variables which were recognized considerably more than others (that is, at least twice as often as the median value) were questions 14, 16, 21 and 23.

It appears that the respondents in the major oil companies in South Africa have a serious concern about vague strategy and see this as the most important variable in the implementation of the strategy in the company. A possible reason for this might be that in large companies such as the major oil companies; communication is poor, thus resulting in a strategy being vaguely communicated to the management and employees at the lower levels.

Resource allocation, company culture, implementation plan and collective participation in strategy formulation were the other most highly ranked variables that respondents felt influenced strategy implementation in major oil companies in South Africa. These variables seem to be centred on the strategy formulation process and the input, be it human or idea inputs from the oil companies, that are a concern for the respondents of these major oil companies in South Africa. Focus from management needs to be on these factors as this is what has been highlighted by the people working in these companies.

When looking at the factor groups ranking in Table 16, it can be seen that for all three measures shown, factor 3 indicates the formulation and structured planning of strategy as being highest in rank. From the individual to the grouped factors, the formulation and structured planning for implementation seems to continuously arise as influencing the strategy implementation in major oil companies in South Africa.

5.6 Open ended questions

Respondents were give the opportunity to identify and list any other factors not mentioned in the questionnaire that they thought might influence strategy implementation, or any other issues they considered to be important when it came to strategy implementation in major oil companies in South Africa, based on their experience and knowledge of the oil industry.

The complete list of responses can be found in Appendix C. The open-ended questions reflected some of the issues identified in the literature previously but in particular it emphasised poor communication, level of ownership, senior management leadership style, poor or vague strategy and collective participation in strategy formulation. These issues seemed to arise continually in all three sections when respondents expressed their opinions on the factors influencing strategy implementation in the major oil companies in South Africa.

The following additional factors were raised from the open-ended questions:

A factor that the respondents raised was the “transformation of the industry”. This could have an effect on strategy implementation as it could cause conflict when the new structure is to be populated. People’s aspirations and perceptions need to be handled sensitively as it is these same people that are still working in the company and implementing the strategy.

Another factor that could affect the implementation of strategy could be the “burning platform”. This is where something else in the company may not be right or not ready and this needs to be mended first to permit the strategy implementation.

Looking at the demographics, one can see that the age groups and experience gap does exist. This was highlighted by some respondents in that “Very often when the new strategy is in the planning stage(s), the older generation tends to refer to how things were done and the newer generation want to try new things.” This could be a factor that affects the implementation of the strategy and these conflicts between generations needs to be addressed.

When strategy and strategy implementation plans are formulated, very seldom are the risk assessments done on these. This was highlighted in this section of the questionnaire “for failing to implement strategy is the neglect to do a risk analysis associated with the implementation plan”. These plans need to be looked at realistically and the risk needs to be evaluated as this could in the end impact the implementation of the strategy.

Some respondents felt that the list of above-mentioned factors focuses mainly on internal matters of the major oil companies and not external matters. Respondents felt that “Regulation in the South African oil industry sets profitability thresholds for the industry. Regulatory environment precludes some strategic options." The South African oil industry is regulated and as such, this influences the strategies to be implemented.

Another factor identified by respondents was "If business unit's strategy does not align to the corporate strategy". This could cause confusion and the implementation of any strategy would be difficult to accomplish.

5.7 Conclusion

The results obtained from the questionnaire were discussed and explained taking into account the literature review performed and the industry in which the data were surveyed.

The demographics of the sample obtained of the South African oil industry were discussed and explained. These are important variables to take into account, as one need to know and understand the diversity of the people one is managing, as this influences the implementation of strategy.

The commonality in factor one seems to be managerial influence as a strategy implementation tool; factor two is based more on the organisation structure and interactions therein; while factor three primarily adheres to the abstract presence and structure of a plan and of the strategy. Hence:

Factor 1: Managerial Influence

Factor 2: Organisational Structure and interactions

Factor 3: Formulation and Structured Planning of Strategy

Factor one dealt with the managerial influence in the companies. These include poor communication, unclear employee roles, human resource management, motivational and incentive schemes, and ineffective senior management. The leader's role and duties cannot be emphasised enough when it comes to strategy implementation in the major oil companies in South Africa.

The variables for factor two were grouped to make up organisational structure and interactions which included horizontal information sharing, power structures and company politics, organisational structure and strategy complexity. Organisational structure and interactions in the major oil companies can have a significant effect on strategy implementation.

In the final factor group three, formulation and structured planning of strategy was developed to include vague strategy, poor/bad strategy, an implementation model, implementation plan and empowerment. The management teams in the major oil companies in South Africa have indicated that formulation and structured planning of strategy needs focus for strategy to be implemented.

The literature review and the models illustrated in section 2.4 suggest that there are 23 variables that can influence strategy implementation. These variables were then grouped into six proposed factor groups. The factor analysis found that only three factor groups were responsible for influencing strategy implementation in major oil companies in South Africa. The variables for both the proposed and factor groups were the same but they were not necessarily found in the same categories.

The aim of ranking the variables was to be able to identify and isolate the most highly ranked variables that respondents felt influenced strategy implementation in major oil companies in South Africa. Question/Variable 4 recorded the highest rank in all three categories. Other variables which were recognized considerably more than others (that is, at least twice as often as the median value) were questions 14, 16, 21 and 23. When considering the ranking for the factor groups, factor three, the formulation and structured planning of strategy, is seen as being the highest in rank.

From the open questions, six new variables were identified that could influence strategy implementation in major oil companies in South Africa. These were the transformation of the industry, burning platforms, age groups and experience gaps, risk assessments, regulatory environment and the alignment of business unit strategy to corporate strategy.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The structure of the section involves the conclusions that have been arrived at with regard to the research topic and recommendations that can be made to the major oil companies in South Africa in terms of the factors influencing strategy implementation.

6.2 Conclusions of the study

The purpose of this study was to identify factors influencing strategy implementation in major oil companies in South Africa, be it positively or negatively. The results of this study concluded that 14 of the 23 variables identified from the literature review were important. The results of the factor analysis grouped these widely into three factor categories rather than the proposed six categories from the literature review.

This indicated that in the major oil companies in South Africa, the groupings are different in that the variable dynamics play a different role when it comes to strategy implementation in the major oil companies in South Africa. The three factor groups are managerial influence, organisational structure and interactions, and formulation and structured planning of strategy.

The purpose of the ranking was to identify and isolate the most highly ranked variables that influenced strategy implementation in South Africa's major oil companies. Vague strategy was recorded as the highest ranked. Other variables which were recognized considerably more than others were resource allocation, company culture, implementation plan and collective participation in strategy formulation. It appears that in the major oil companies in South Africa, vague strategy is a serious concern for employees in the implementation of the strategy in their companies.

From the open questions, six new variables were identified that could influence strategy implementation in major oil companies in South Africa. These were transformation of the industry, burning platforms, age groups and experience gaps, risk assessments, regulatory environment and the alignment of business unit strategy to corporate strategy.

As a result of this study, management of the major oil companies in South Africa are now aware of the need to focus on these three factor groups, giving them the highest priority. These factors thus influence the strategy implementation in their companies. Not giving these factor groups the right attention will have a direct impact on the implementation of the strategy.

6.3 Recommendations

With the information and knowledge gained about the strategy implementation of the major oil companies in South Africa, the following recommendations are made on how best to implement strategy in these companies:

- A well-defined, uncomplicated strategy assists in strategy implementation.
- The management should simplify the strategy for every one in the organisation to understand and should communicate the strategy in a simple understandable fashion.
- Management should rally the entire company to engage in talking and living the strategy. Strategy should be something one operates on a daily basis and should be treated as such. This assists the implementation of the strategy as it presents itself in the daily activities of all employees.
- Communication and feedback sessions on how the strategy is working or not working must be carried out on a regular basis in order to get buy-in from the employees.

- Management should map the strategy dynamics that are specific for their company so that they are aware of the intertwined variables that are at play in the implementation of the strategy.

- The frequency of strategy change should be reduced by management. High frequency of change trivializes the need for change and causes uncertainty, which stifles growth of both the employee and the company.

- Education and practical experience by management in the industry is important in setting realistic strategies which employees can perceive as valuable.

- Strategy implementation must be given more attention in training and educational programs at companies and higher educational institutions to increase the implementation skills of managers.

- It is essential to have a senior manager (preferably someone on the Executive Committee) to be the "flag bearer" for implementation. Decision-making is then much quicker.

- Management needs to show the employees the vision and benefit that the change of strategy will have from the onset so that the end goal is clear in their minds.

- Management must implement the new organisational structure as soon as possible. Making a transition while the old structure stays intact to any extent after the roll-out has commenced, creates uncertainty and barriers to strategy implementation.

- Test the understanding of the strategy managers/implementers before the implementation phase so that the right message and activities are sent out from the start.

- Managers need to look at both internal and external factors such as the regulatory environment, compliance and competition act requirements, when implementing the strategy.

- An implementation plan should include aspects such as a communication program and risk assessment. These assist in strategy implementation.

- Transformation and transformation expectations of the industry in South Africa are variables that need to be built into the implementation plan of the company.

- Managers must assess and develop the organisation's state of readiness for strategic change before implementation starts. Management needs to ensure that their companies are stable and do not have any burning platforms that might negatively influence the end goal of implementation.

6.4 Suggestions for further research

- This study was conducted at management level and hence could be extended to all levels in the organisation to obtain a wider perspective on the factors influencing major oil companies in South Africa. .

- This study focused mainly on the internal factors influencing major oil companies in South Africa; there is hence an opportunity to extend this study to include the external factors as well.

- A similar study could be performed on emerging oil companies in South Africa to determine the factors that influence their strategy implementation.

- Further research can be done to build the factors identified into a model.

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APPENDIX A

Actual Research Instrument

SURVEY QUESTIONNAIRE FOR: “Factors influencing strategy implementation in major oil companies in South Africa.”

This section consists of the following two documents:

1. A letter to the employees of major oil companies requesting their participation in the survey

2. The survey questionnaire

Wits Business School

Sculpting global leaders

Dear Sir/Madam, 20 September 2009

Thank you for taking part in this research. This survey will be used for data collection for my MBA dissertation***: Factors influencing strategy implementation in major oil companies in South Africa***. The report hopes to make a meaningful contribution to the understanding of the factors that influence strategy implementation in major oil companies in South Africa.

The questionnaire consists of four sections:

Section 1: Demographic information. This will be necessary to ensure that the results are representative of the demographic groups in South Africa.

Section 2: The various factors influencing strategy implementation are listed based on theory. There are 5 boxes ranging from *"strongly disagree"* to *"strongly agree"*. Please read the factor, and indicate to what extent you think the factor applies to you based on your experience in the oil industry by ticking the appropriate box.

Section 3: You are requested to identify the top five most important factors that influence strategy implementation in your opinion from Section 2.

Section 4: An open ended question is included, which enables you to highlight any other factors that you think the researcher may have overlooked or any other issues you want to raise about strategy implementation.

All participants' information and responses will be kept confidential at all times. To ensure anonymity, you can **fax** back the completed survey to 011 522 9134 or if you wish, you can **email** it to Nushil.Sookram@sasol.com. You can call me on 082 375 1643 if you are unclear on any aspect of this survey.

It will be highly appreciated if the completed questionnaire is returned by Wednesday **23rd September 2009**. Thank you for taking part and for your prompt assistance. Your participation will make a valuable contribution to academic knowledge and the oil industry.

Thank you, Nushil Sookram

SURVEY QUESTIONNAIRE FOR: "The Factors Influencing Strategy Implementation in Major Oil Companies in South Africa."

QUESTIONNAIRE

By: Mr. Nushil Sookram – WITS MBA Student
Contact Details:
Tel: 011 889 9650
Cell: 082 375 1643
Email address : nushil.sookram@sasol.com

Section 1: Demographics

Please complete this section by **TICKING** (clicking) the applicable statement **BOX** that applies to you for each statements below.

Question No.	Statement				
1	Please indicate your gender	Male		Female	
2	Please indicate your age	< 25	25-35	35-50	>50
3	Please indicate your race group	Black	Coloured	Asian	White
4	Please indicate employment status	Temporary	Contractor	Part time	Permanent
5	Please indicate your total number of years of work experience	< 2	> 3	> 5	> 10
6	Please indicate your total number of years of work experience in the oil industry	< 2	> 3	> 5	> 10

Section 2: List of Factors

Please complete this section based on ***your*** experience in the oil industry. There are a number of statements in the table below regarding strategy implementation. For each statement please indicate to what extent you agree or disagree with each statement by ***ticking/clicking only on one*** of the boxes as it relates your most recent strategy implementation experience. P.s. if you change you mind , re-click on the box to unmark it.

Factor No.	Factor	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I had the skills to formulate a strategy rather than executing one					
2	My level of ownership of implementing a strategy is much higher than that of top management's					
3	The amount of support that I gave during the change management process affected the strategy implementation					
4	For me, a well define strategy plays a vital role in strategy implementation					
5	I have found that a good strategy enables implementation					
6	In my experience, the use of an implementation model provides guidance to achieve execution					
7	The communication offered by senior management to me , facilitated the implementation of the strategy					
8	The information that was shared with me across different functional departments was not vital to implementation					
9	I had a clear understanding of the task and role assigned to me when I was to implement the strategy					
10	Senior management played vital roles in assisting me to implement the strategy					
11	Company politics and power structures made little impact on me during the implementation of the strategy					
12	For me , the organizational structure had little affect on the strategy implementation					
13	Financial information assisted me in the implementation of the strategy					
14	Resources (time, manpower, funding etc) had a direct impact on my day to day activities of implementing the strategy					
15	In my experience the leadership style adopted by the senior management was trivial to the final implementation of the strategy					
16	The company culture was essential for me when implementing the strategy					
17	Information and management systems to me were an enabler to the strategy implementation					
18	To me the incentive schemes were of little motivation in the implementation of the strategy					
19	Human resource management was significant in the implementation of the strategy					
20	The complexity of the strategy as I experienced had no affect on the implementation					
21	In my experience, the use of an implementation plan is critical to achieve execution					
22	A project management approach has offered me no significant advantage in the implementation of the strategy					
23	Staff involvement in strategy formulation has no impact on the strategy implementation					
24	I feel that entrusting my employees to make decisions on their own has an influence on the implementation of strategy					

Section 3: Top 5 Factors

Please indicate in order of importance the ***top 5 factors*** **(as referenced in Section 2 above)** that in your opinion influence strategy implementation in major oil companies in South Africa. Please ***click*** on the Factor No. cell and ***use the drop down menu*** for selection

Order of importance	Factor No. (1 - 24 above)
Most important (e.g. No.17)	
2nd most important (e.g. No.9)	
3rd most important (e.g. No.10)	
4th most important (e.g. No.20)	
5th most important (e.g. No.15)	

Section 4: Open Question

Please identify and list any other factors not mentioned above that you think might influence strategy implementation or any other issues you want to raise about strategy implementation in major oil companies in South Africa based on your experience and knowledge in the oil industry.

Please can you ***SAVE*** and then ***email*** me back the spreadsheet
or
Please can you print and fax to 011 522 9134

Thank you for completing this questionnaire.

APPENDIX B

Consistency matrix

Table 19: Consistency matrix

<table>
<tr><td colspan="6">The purpose of the research is to identify the factors influencing strategy implementation in major oil companies in South Africa. .</td></tr>
<tr><th>Sub-problem</th><th>Literature Review</th><th>Hypotheses or Propositions or Research questions</th><th>Source of data</th><th>Type of data</th><th>Analysis</th></tr>
<tr><td>The purpose of the research is to identify the factors influencing strategy implementation in major oil companies in South Africa.</td><td>• (Porter and Harper 2003)
• (Brenes et al. 2008)
• (Devlin 1989)
• (Alexander 1985)
• (Beer and Eisenstat 2000)
• (Hambrick and Cannella 1989)
• (Crittenden and Crittenden 2008)
• (Hrebiniak 2006)
• (Heide et al. 2002)
• (Noble 1999b)
• (Olson et al. 2005)</td><td><u>Proposition 1:</u>

The factors influencing strategy implementation in major oil companies in South Africa:

1. Communication
2. Management
3. Strategy formulation
4. People
5. Organisational
6. Systems</td><td>Likert type questionnaire</td><td>Ordinal</td><td>Factor analysis</td></tr>
</table>

APPENDIX C

Open Ended Question – Participant comments

Question: “Please identify and list any other factors not mentioned above that you think might influence strategy implementation or any other issues you want to raise about strategy implementation in major oil companies in South Africa based on your experience and knowledge in the oil industry ? “

The list below contains all the comments (in their own words) received from the respondents whom completed this section of the questionnaire:

Respondents Comments:

Rand dollar exchange.

Business Culture.

The Functional excellence program should be handled with great care as not to destroy the company's competitive advantage

Targeting the different groups of employees at the right level ie. Managers will require a different role in implementing and understanding the strategy then operational employees

Operational employees need to understand what about their jobs are going to change and not the whole strategy itself as it's beyond understanding if you not influenced

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Business resource (people) availability is a serious constraint. You are dependant on the same people who struggle with day-to-day activities, to implement strategy.

The important role players (cross-functional) MUST be part of strategy formulation to ensure successful implementation. It creates buy-in and save a lot of time during implementation.

Detail implementation planning (formalised in documents) is essential for implementation. It serves as reference during the implementation.

Expect changes to happen during implementation. People get "wiser" during implementation. Allow these changes. If you don't, implementation will be painful.

Continual follow up on the progress of the implementation of a project as well as feedback to all involved.

Ensure that the testing phase of the implementation is done in stages in order to identify any hiccups/glitches.

Get sign off from all involved to ensure that the progress of the strategy implementation has covered all aspects involved.

Change management very important. All employees must see reasons why new strategy needs to be implemented. Involvement of correct departments if the strategy is only applicable to certain departments. Vision and mission statements must be change according to new strategy. All employees needs to be trained on new vision and mission statements.

Company must change and keep on change according trends in local an global markets to survive. OD practitioner or consultants must have good track records before using them to change current strategy. Involve correct persons when strategy needs to be formulated.

The alignment of qualifications of Managers to the job content is important. Too often we hear the phrase "qualified by experience", however, if a manager does not know the basic theory and models of a particular field, how can one manage that space. This ultimately leads to constant delays in decisions communication regarding strategy.

Therefore, education and practical experience in the industry is important to set realistic strategies.

Clear directive on the desired output of the strategy implementation.

Buy in and unilateral view with middle management on the implementation process.

South African oil company's failure to streamline upstream and the downstream markets, as all of them tend to look at both streams in isolation. Looking at Sasol as a typical example, the company needs to focus on marketing its various brands and business units through the retail sector which serves as the company window to the rest of the world. How will people know about Sasol Gas, if such a product is not readily available to the end consumers in the retail sector? The new age of cleaner fuels in a form of LPG can be best exploited through retail as the automobile industry looks to exploit alternative ways of expanding to new avenues (electricity and LPG fuelled cars) Big retail companies such as Woolworths, Pick n Pay, Checkers, Starbuck, Burger King look forward to partnering with 24 hour retail centres such as service stations in order to provide accessibility of their products to consumers. Hence why partnerships such as Engen and Woolworths are formed as both parties benefit from impulse buying. However for such strategy to be recognised, acknowledge and even can be implemented a pool of New Economy Leaders need to be groomed as only leaders of this calibre will have all the tools to keep up with an ever changing retail sector globally which thrives on aggressive MARKETING.

Change management at the beginning, middle and the end of strategy implementation.

Note there is a difference between strategy and planning. Both is required for Strategy implementation.

Strategy development can also take place on different levels of the organisation that results in different success of implementation

Goal alignment and performance management

Clear communication of incentive score card and the link to strategy implementation

Monitoring and evaluation of implementation and identification of corrective measures if need be

For strategy implementation to be successful clear targets need to set that focus employee behaviour.

Transformation of the industry

Lack of skills development and interest sharing the knowledge

Another critical element that I would have chosen is an implementation plan.

Structure should always follow strategy unless the structure is imbedded and would therefore be costly to adjust.

Strategy is often influenced by short term considerations (budgets) which are not congruent with long term goals and this affects the ability of the company to operate effectively.

When implementation occurs a top down / bottom up approach should be used to ensure buy-in from all affected management.

Sasol's overall strategy is not well communicated throughout the organisation, which really defeats the purpose of setting a strategy.

Due to the nature of the industry, the company's strategy is always changing. Hence, before the previous version of the strategy is implemented, another version is out.

I found that in Sasol, most high level managers in the business units were not fully aware of what Sasol's strategy was. This then meant that the strategy for there particular groups or sections were not aligned to the Sasol Group strategy.

The ability to simplify the strategy for every one in the organisation to understand it at their level is crucial. If you can mobilise the entire organisation to engage in talking/living strategy you have won the game---I always use the example of the Malaysian government strategy inculcation which I saw when I visited the country a few years ago. Everyone from the taxi driver to business people could relate the basic strategic focus points to us .We tend to make strategy complex rather than simplify it--in that way it remains a top management property rather than a way of life which belongs to the entire organisation.

Please note that I chose 16 to the most important because I considered it to encompass 15 and 11.

Missing factor = Business burning platform (Something that needs fixing and failure to fix can result in the demise of the company); Regulatory environment precludes some strategic options

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When the strategy is first developed/revised - buy in/approval from senior management is important and this needs to be filtered to the rest of the company.

In my experience, wrt to implementation of strategy - tracking of strategic intiatives is vital together with a RACI (for more detail) - so the strategy is not merely a paper exercise.

Communication of the strategy to the rest of the company is crucial - as unpacking the strategy eventually fits into employees KPA's and performance agreement.

The industry is small in terms of the number of companies one has a choice of working for the duration of one's working carrier. Very often when the new strategy is in the planning stage(s); the older generation tends to refer to how things were done and the newer generation want to try new things. The resulting conflict results in focus shifting from the task at hand. For example: "At PetroSA we used to do it like this…" or "At Secunda things where done this way". The other factor is that the likes of Sasol Oil as a whole is short of seasoned marketers.

Strategy ownership does not lie exclusively with the executives - for any successful implementation buy-in from employees must be obtained.

In addition, the problem is not so much in the development of the strategy wherein challenges lay, it is in the actual implementation which goes back to my point of obtaining appropriate buy-in from staff.

The list above focuses on internally in companies. External factors are very NB. Regulation in the S.A. Oil industry sets profitability thresholds for the industry.

Optimisation, resource availability and where in the value chain you reside is important.

One of the reasons, in my opinion, for failing to implement strategy is the neglect to do a risk analysis associated with the implementation plan. (This include risks which may become exploitable opportunities as well as those risks which presents threats to strategy implementation.) Addressing risks include the mitigation strategies. Widespread buy-in or ownership is also a factor which may lead to poor implementation. The elitist approach that only top management goes into a "dark room" for the purpose of crafting a strategy of which the implementation is left in the hands of the non-management cadre, cannot have buy-in or ownership and therefore no motivation to implement it.

Properly defined SWOT analysis

Senior management's approach toward strategy implementation plays a big role in the success of the implementation process.

Hence, a well defined uncomplicated strategy that is communicated properly is much easier to implement successfully

Senior management's ability to drive the required specific outcomes also plays a big role in the success of the implementation.

Benchmarking is vital in ensuring alignment with recent developments within the industry.

In my experience, it is always good to involve employees at all levels when implementing a strategy.

Strategy implementation often falls flat if it is not monitored & the negatives or drawbacks investigated & resolved.

Open communication is always a positive thing to have as transparency is what employees want to see in an organisation.

Regular feedback sessions or communication on how the strategy is working must be done in order to get buy in from the employees.

The employees want to see a benefit from any change or strategy so from the onset this must be clear in all minds. Employees see change as a threat nto a benefit hence the need to explain in the easiest/ clearest possible terms.

Proper channelling to change and adaptation

Proper dissemination of information to eliminate assumptions

Pointing out the significance of the companies strategy before implementation

Identifying the real goal of strategy in order for the ups and downs to be managed effectively

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I think that strategy is not something that you would change each year, but should be a longer term goal that you would enable (possibly by different methods taking current realities into account) over a period. Also in order for implementation to be successful, an understanding of the strategy (which essentially the bigger picture) is vital and accountability needs to rest with the relevant stakeholders within the business.

Strategy cannot be developed in isolation by a Strategy Department but should be developed by a core team with the correct competencies

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Having good knowledge of regulations governing this particular industry. Also, compliance / competition act requirements

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The strategy must be well defined and most importantly be communicated to the staff so they know what to do and what is in for them…you can involve then at the early stage when you are formulating the strategy so they become part of it right from the onset. Then you need to have well defined execution plan which will include allocation of resources (time, finance and human resources etc)..put the right reosurce at the right place. The revision of strategy from time to time is very important to ensure that the original execution plans are still applicable as we operate in a dynamic environment

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1. Importance of senior management to communicate the strategy effectively and to 'believe' and 'buy - in' to it

2. The importance to ensure all staff is aware of the strategy and implementation plan.

3. To ensure that most staff members have bought into the strategy

4. Implementation plans need to be communicated effectively

I believe that the before the strategy is even implemented the people at grass roots level need to at least be given the opportunity to voice their viewpoints on the strategy. Many a time decisions are taken at a higher level without a clear view of how it impacts operations.

Frequency of strategy change. High frequency of change trivializes the need for change. Implementers have less confidence in the need for change

Strategy must be progressive with a logical, business case for the next change

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The impact of own agendas

Participation of all role players

Following other oil companies and no leading

Other factors outside the company that impact on a strategy

Not a clearly defined strategy

Changing the strategy from when you started to accommodate personal agendas

If business units strategy does not align to the corporate strategy

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Regulatory environment

SHEQ considerations affect all major strategies

Time lines for key deliverables is key in focussing ppl energy's during the journey, ppl fatigue is a real issue

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The strategy should be rolled out to the lowest level to ensure that operational detail is clear to all.

The project rollout plan should include the tracking of full implementation in terms of RACI

Resistance to change

Impact of external environment on strategy, government regulations

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Strategy is not something you go an formulate in a smoke filled room and then impose on an organisation. Strategy is how we operate on a daily basis

The organisation is constantly in strategy implementation mode

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work shopping prior to strategy formulation and implemented

It is important to develop a good business case and identify resources capable of implementing the strategy. The time lines should also be strictly adhered to