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# STRATEGY IMPLEMENTATION INSIGHTS FROM THE COMPETITION COMMISSION SOUTH AFRICA

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# DECLARATION

I, Mark Burke, hereby declare that this research report is submitted in partial fulfilment of the degree of Masters in Public and Development Management at the Wits School of Governance, University of the Witwatersrand. Apart from where recognised, this research is my own unaided work and has not been formerly submitted for any degree to any other university.

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**Mark Burke**

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**Date**

# ACKNOWLEDGEMENT

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I would also like to thank the staff of the Competition Commission South Africa who appreciate the importance of intellectual enquiry and who made their time available to engage in this academic exercise.

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Thank you Appā for keeping me company while working in December.

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Finally, thank you very much Shanti for letting me so frequently interrupt your painting to share a new thought or insight and for letting me bounce ideas off you! It has always been and remains a delightful partnership that is deeply cherished. Much appreciated!

## ABSTRACT

Knowledge on strategy implementation in the public sector is limited. A deeper understanding of how public sector economic regulators such as competition agencies implement strategies is required to ensure that these organisations are able to reap the benefits of strategy-making and implementation. The purpose of this research was to explore how competition agencies with the mandate to regulate competition implement their strategies by examining the Competition Commission South Africa (CCSA). The research aimed to uncover how the organisation's processes and practices enable the implementation of its prioritisation strategy and how this contributes to the development of dynamic capabilities.

The study identified six organisational processes associated with prioritisation that enable three categories of actions. Firstly, the governance, strategic and business planning, and scoping processes support priority setting in the organisation. Secondly, the resource allocation and case management processes support the marshalling of resources towards assembling the resources required for accomplishing organisational priorities. Thirdly, performance monitoring and evaluation processes are evaluative in that they structure actions that assess progress and account for performance, while making adjustments where required.

In the analysis of the four organisational practices associated with prioritisation, it was revealed that each practice constitutes a specific mode of action and promotes specific values. The practice of managing cases from 'cradle-to-grave' is an approach that encourages ownership of investigations and cases. The practice of constituting inter-divisional teams is a specific form of organisation that promotes joint responsibility and shared accountability. The mid-term review is a mode of alignment as it provides an opportunity to calibrate organisational alignment to priorities in a structured and periodic fashion. The practice of colour-coding the business plan according to organisational priorities is a mode of communication that supports the implementation of priorities.

Finally, the research demonstrates how the capabilities built up in the organisation's priority setting processes, sector expertise, and fledgling project management capacity enable the identification of opportunities and re-configuration of the CCSA resource base to take advantage of those opportunities The study concludes that the implementation of the prioritisation strategy has strengthened the internal capabilities of the CCSA, but that external factors should also be taken into account when evaluating effective regulatory governance.

# Table of Contents

**Chapter 1: Exploring Strategy Implementation in Competition Authorities in the Context of Regulatory Governance ..... 1**

**1.1. Introduction ..... 1**
**1.2. Background ..... 2**
1.2.1. Proliferation of competition regimes in the wake of globalisation ..... 2
1.2.2. Economic regulation and competition policy ..... 3
1.2.3. Global markets, regulatory governance and institutions ..... 4
1.2.4. Competition policy and agencies ..... 6
1.2.5. The Competition Commission South Africa ..... 8
1.2.6. Competition agency effectiveness and strategic planning ..... 13
1.2.7. Strategic planning in the Competition Commission South Africa ..... 14
1.2.8. Implementing prioritisation as strategy ..... 16
**1.3. Strategy implementation challenges ..... 17**
**1.4. Research problem statement ..... 18**
**1.5. Purpose statement ..... 19**
**1.6. Research questions ..... 19**
**1.7. Summary ..... 19**

**Chapter 2: A Review of Strategy Implementation Issues, Processes, Practices and Capabilities ..... 21**

**2.1. Approach ..... 21**
**2.2. Evolution of strategy ..... 21**
**2.3. The dynamics of strategy in the public sector ..... 24**
**2.4. Strategy implementation ..... 26**
2.4.1. Barriers and success factors ..... 27
2.4.2. Learning and change ..... 28
2.4.3. Organisational routines, adaptation and dynamic capabilities ..... 29
2.4.4. Communication, language and participation ..... 30
2.4.5. Discourse and power ..... 31
**2.5. Strategy process and practice ..... 32**
2.5.1. Actors ..... 35
2.5.2. Activities ..... 37
2.5.3. Artefacts ..... 39
**2.6. Summary and conceptual framework ..... 40**

**Chapter Three: Research Design and Approach ..... 42**

**3.1. Introduction ..... 42**
**3.2. Research paradigm ..... 42**
3.2.1. Research strategy ..... 43
3.2.2. Research design ..... 43
3.2.3. Data collection and sampling ..... 45
3.2.4. Analysis ..... 47
3.2.5. Reliability and validity ..... 49
**3.3. Ethics ..... 50**
**3.4. Summary ..... 50**

**Chapter Four: Evolution and Implementation of the Prioritisation Strategy in the Competition Commission South Africa ..... 51**

**4.1. Introduction ..... 51**
**4.2. Setting the scene: understanding prioritisation ..... 51**
4.2.1. Defining prioritisation ..... 51
4.2.2. Motivations for prioritisation ..... 52
4.2.3. Criteria underpinning prioritisation ..... 53
4.2.4. Challenges to prioritisation ..... 53
**4.3. The Competition Commission South Africa's approach to prioritisation ..... 54**
4.3.1. Background to prioritisation ..... 54
4.3.1.1. Competition policy and the quest for economic transformation ..... 54
4.3.1.2. International legitimacy of prioritisation ..... 55
4.3.1.3. Internal shift from reactive to proactive competition regulation ..... 56
4.3.2. Evolution of the prioritisation approach in the Competition Commission South Africa ..... 57
**4.4. Relevant organisational processes ..... 60**
4.4.1. Governance processes ..... 60
4.4.2. Strategy and business planning processes ..... 62
4.4.3. Scoping studies processes ..... 65
4.4.4. Resource allocation processes ..... 66
4.4.5. Case management processes ..... 67
4.4.6. Performance monitoring and evaluation processes ..... 70
**4.5. Relevant organisational practices ..... 72**
4.5.1. 'Cradle-to-grave' case management ..... 72
4.5.2. Inter-divisional teams ..... 73
4.5.3. Mid-term review ..... 74
4.5.4. Business plan as artefact ..... 75
**4.6. Relevant strategic capabilities ..... 76**

4.6.1. Sector expertise ....77
4.6.2. Project management capability ....77
4.6.3. Priority setting expertise ....78
**4.7. Summary ....78**

**Chapter Five: Significance of Prioritisation Implementation Processes, Practices and Capabilities ....80**

**5.1. Introduction ....80**
**5.2. Significance of prioritisation strategy implementation processes ....80**
5.2.1. Priority setting processes ....81
5.2.1.1. Processes oriented towards examining strategic priorities ....81
5.2.1.2. Endorsing strategic priorities ....83
5.2.1.3. Embedding strategic priorities ....85
5.2.2. Resource marshalling processes ....86
5.2.2.1. Assembling resources for priorities ....86
5.2.2.2. Accomplishing priority tasks ....87
5.2.3. Evaluative processes ....87
5.2.3.1. Assessing performance in respect of priorities ....87
5.2.3.2. Accounting for performance ....88
5.2.3.3. Adjusting to improve performance ....88
**5.3. Significance of prioritisation strategy implementation practices ....89**
5.3.1. Cradle-to-grave as mode of doing ....89
5.3.2. Inter-divisional teams as mode of organisation ....90
5.3.3. Mid-term review as mode alignment ....91
5.3.4. Business plan as mode of communication ....91
**5.4. Significance of dynamic capabilities ....92**
5.4.1. Sensing opportunities ....92
5.4.2. Seizing opportunities ....93
5.4.3. Reconfiguring the organisational resource base ....95
**5.5. Summary ....96**

**Chapter Six: Insights into the Relationship between Strategy Implementation and Regulatory Governance ....97**

**6.1. Introduction ....97**
**6.2. Framing and studying processes, practices and dynamic capabilities ....97**
**6.3. Limitations of the study ....99**
**6.4. Enabling organisational processes ....100**
**6.5. Enabling organisational practices ....102**
**6.6. Strategic capabilities ....104**

6.7. The significance of strategy and prioritisation to competition agencies .....105
6.8. The relationship between strategy implementation and regulatory governance .....107

References .....110
List of Competition Commission Documents .....125
Annexure 1: Interview Guide .....129
Annexure 2: Evolution of Prioritisation .....132
Annexure 3: Ethics Clearance Certificate.....134

# Abbreviations and Acronyms

| | | |
|---|---|---|
| AEWG | - | Agency Effectiveness Working Group |
| APP | - | Annual Performance Plan |
| ASGISA | - | Accelerated and Shared Growth Initiative – South Africa |
| CCSA | - | Competition Commission South Africa |
| CLP | - | Corporate Leniency Programme |
| COSATU | - | Congress of South African Trade Unions |
| CSO | - | Chief Strategy Officer |
| E&E | - | Exemptions and Enforcement. |
| FEDUSA | - | Federation of Unions of South Africa |
| EXCO | - | Executive Committee |
| GDP | - | Gross Domestic Product |
| GEAR | - | Growth, Employment and Redistribution Strategy |
| ICN | - | International Competition Network |
| IES | - | Income and Expenditure Survey |
| LSD | - | Legal Services Division |
| MANCOM | - | Management Committee |
| M&A | - | Mergers and Acquisitions |
| MTEF | - | Medium Term Expenditure Framework |
| NIPF | - | National Industrial Policy Framework |
| NPM | - | New Public Management |
| OECD | - | Organisation for Economic Cooperation and Development |
| SOEs | - | State-owned Enterprises |
| UNCTAD | - | United Nations Conference on Trade and Development |
| UK | - | United Kingdom |
| USA | - | United States of America |

# Chapter 1: Exploring Strategy Implementation in Competition Authorities in the Context of Regulatory Governance

## 1.1. Introduction

This research explored how strategy is implemented in public agencies mandated to regulate competition in developing economies. The study focused on the strategy implementation processes and practices in the Competition Commission South Africa (CCSA), with specific reference to the implementation of its prioritisation strategy. Furthermore, the study examined how the implementation of strategy in the CCSA contributed to the development of dynamic capabilities in the organisation. The research focused on the implementation of the prioritisation strategy during the period 2012 – 2015.

The research was underpinned by a critical realist ontological orientation in which a qualitative research design was employed to explore, elaborate and explain the strategy implementation processes, practices and resultant capabilities in the CCSA. The main data collection methods used were document reviews and key informant interviews. The study is situated at the intersection of a number of theoretical and conceptual developments that have emerged over the past twenty years, especially the conceptions of regulatory governance and strategy-as-practice.

This chapter provides a brief description of the conditions that drive the emergence of regulation as a form of governance and the particular role played by competition authorities in the process of regulation. It highlights a number of key issues and developments pertaining to strategy implementation in competition authorities with reference to the CCSA, which is the site of study. Finally, this chapter draws attention to the gaps in available knowledge regarding strategy implementation in public organisations in general and competition regulators in particular as the research problem this study aims to address, elaborated in section 1.4.

## 1.2. Background

This section discusses the proliferation of competition regimes globally as a part of the emergence of a particular form of economic governance referred to as regulatory governance. It highlights the connection between the effectiveness of competition authorities and strategic planning. The section concludes by highlighting the strategy process of the CCSA, located in the context of a poor track record of strategy implementation in both public and private organisations and the limited knowledge available on strategy execution.

### *1.2.1. Proliferation of competition regimes in the wake of globalisation*

The proliferation of competition laws and authorities set up to implement and enforce these laws has been nothing short of remarkable. Nine jurisdictions had a competition law in place and only six had established a competition agency in 1990. By October 2013, there were 127 jurisdictions with a competition law and 120 with an operational competition agency (OECD, 2014).

The growth of competition laws and institutions over this period must be understood in the context of the globalisation of economic activity and the associated arrangements that enable and govern these processes. Technological advances and falling costs of transport and communication have reduced the barriers of distance and time to cross-border flows of trade, investment and finance (Perraton, Goldblatt & Mcgrew, 1997). The opening-up, increasing integration and interdependence of national economies have given rise to global markets in which multi-national corporations compete (Nayyar, 2002), and in which competition has become a key mechanism for allocating resources and structuring economic exchange (Gerber, 2010).

The diffusion of ideas about the role of competition in promoting economic development is closely tied in with ideas, ideologies and discourses on the centrality of the market as the most effective and efficient mechanism for structuring economic relations. The dominance and spread of market principles across the globe following the collapse of the Soviet Union, and with it the communist alternative in which the state plays the dominant role in the economic domain, has been central to the diffusion of competition law globally. Gerber (2010: 84) argues that the turn towards the market “generated

patterns of thought and rhetoric that called for the abandonment of policies based on a significant economic role for government." It follows that if the market is such an important mechanism then protecting it from distortion through competition policy should be a high priority. It is this association that positions competition policy as complementary to and a key component of policies supporting market economies to the extent that "competition law has been enlisted *in the service of* economic development" (Gerber, 2010: 210 italics in original).

Competition policy is thought to be desirable where the state has loosened its grip on economies following the turn to the market in order to open up space for greater private participation by firms. Competition policies are intended to promote rivalry among such firms through regulating activities such as mergers and acquisitions, abuse of dominance, cartels, conspiracies in restraint of trade and other economic offences deemed to be anti-competitive (Doern & Wilks, 1996). Accordingly, the overall purpose of competition policies, laws and institutions is to protect competition as a means of allocating scarce resources in order to produce allocative efficiency that leads to broader economic and social welfare gains. In theory and in practice, "competitive pressures on individual firms must be strong enough not only to dissipate monopolistic rents but, more importantly, to induce firms to adopt active competitive strategies instead of profiting from incentives provided by industrial and technology policies" (Possas & Borges, 2009: 450).

### *1.2.2. Economic regulation and competition policy*

Competition policy is an important instrument of economic regulation (Robb & Roberts, 2014). Economic regulation has gained prominence over the last several decades as a consequence of the liberalisation, privatisation and corporatisation of infrastructure sectors. Private sector participation in these monopoly industries that provide utility services such as energy, gas, telecommunication, rail and ports have induced the need for regulatory reforms (Cook, Kirkpatrick, Minogue & Parker, 2004).

Economic regulation concerns the rules determined by government and its agencies to control the operation of firms in these industries in order to prevent abuse of their monopoly power such as excessive pricing in search of excess profits. Economic

regulators impose limitations on the behaviour of firms in monopoly markets in terms of price, quantity, entry and exit into the market (Robb & Roberts, 2014). This desire to move towards competitive markets by protecting and promoting competition provides the basis for understanding economic regulation broadly "as the set of rules within which businesses make investment, production and supply decisions" (Robb & Roberts, 2014: 501). From this perspective, competition policy is part of economic regulation.

The rationale for establishment of economic regulators draws on the principal-agent framework of transaction cost economics (Levy & Spiller, 1994). Regulation is required to address contracting problems that arise from the unique characteristics of utilities in natural monopoly markets, including economies of scale and scope, information asymmetries, and sunk costs. Regulation is necessary to address contracting problems that undercut the ability of market mechanisms to achieve the best results.

### *1.2.3. Global markets, regulatory governance and institutions*

The development of global markets, in which multi-national corporations and other economic players facilitate cross-border investment, production and trade, is part of a broader process of economic and political transformation and change taking place across the globe. The emergence of global markets has been interwoven and underpinned by new patterns of international and domestic governance arrangements and institutions that govern and regulate economic activity. The co-evolution of global markets and the associated governance arrangements is a prominent feature that enables and constitutes the framework of rules and institutions that facilitate and regulate cross-border economic activity (Gerber, 2010).

Perspectives on the role of the state in promoting economic development have had a significant impact on the nature and type of the governance arrangements and institutions that have emerged, particularly at the domestic level. The dominance of the market as the mechanism to structure economic relations and the private sector principles that influence policies and behaviours crowded out any significant role for government following the introduction of public sector reforms after the economic and fiscal crisis of the 1970s. Public and development management reforms were initiated in response to the quest for efficiency and effectiveness in the public sector. These

reforms were geared towards introducing market mechanisms and private sector management principles under the aegis of the New Public Management (NPM) discourse informed by concepts such as public choice, transaction costs and principal-agent theories emphasising markets, competition, contracting and incentive structures (Larbi, 1999). Accordingly, the range of strategies and techniques employed to achieve these goals included decentralised management; devolution of budgets and financial control; organisational unbundling, downsizing, separating production and provision functions; and new forms of corporate governance. With the reduction of direct government controls, regulation emerged as a new form of governance and control over the social sphere in general and in the economic sphere specifically.

"Governance through regulation" constitutes a new division of labour between state and society in which there is an "increase in delegation, proliferation of new technologies of regulation, formalisation of inter-institutional and intra-institutional relations and the proliferation of mechanisms of self-regulation in the shadow of the state" (Levi-Faur, 2005: 13). It signals a move away from direct intervention by government through nationalisation and macro-economic planning towards more arm's length control (Bach & Newman, 2007). Governance through regulation implies a greater reliance on institutions operating at arm's length from government through the establishment of regulatory agencies that adopt technocratic and judicial approaches in the way they exercise their regulatory mandate.

The emphasis on the role of institutions in social and economic development processes has been given a boost by the resurgence in research on 'institutionalism' across the disciplines of economics, political science and sociology, motivated by a "common conviction that institutional arrangements and social processes matter" (Powell & DiMaggio, 1991: 3). North (1998) argues that institutions form the incentive structure of society and that political and economic institutions determine economic performance. Institutions are the rules of the game that are "humanly devised constraints that structure human interaction" and "are made up of formal constraints, informal constraints, and their enforcement characteristics" (North, 1998: 248).

Regulatory agencies form part of the institutional framework by which economic activity is regulated. The establishment of these regulatory agencies, it is argued, is linked to reforms that promote liberalisation and privatisation since these institutions are seen to be insulated from political interference in day-to-day decision-making by virtue of the rule-based and technocratic mode of operation (Dubash & Morgan, 2012). Levi-Faur (2013, 235) asserts that reforms privilege regulatory actors, institutions and instruments and constitute an additional administrative layer of the capitalist state that serves "partly as a substitute, partly as an extension and partly as a refinement of older administrative systems."

### *1.2.4. Competition policy and agencies*

Competition policies can be defined as "the set of policies and laws which ensure that competition in the marketplace is not restricted in such a way as to reduce economic welfare" (Motta, 2004: 30). Definitions of competition policies imply that competition is of value to society and, as such, it needs to be protected. This, in turn, assumes that private enterprises operate under competitive market conditions.

According to neoclassical economic theory, competitive markets provide consumers with wider choice and lower prices and provide sellers with stronger incentives to minimise cost, innovate and adapt to changing market conditions (UNCTAD, 2004). Firms search for and adopt improved production methods in order to develop the capabilities that advance their products and services. Firms are able to achieve abnormal returns through collusion and rent extraction hurting consumers in the process when there is an absence of the competitive discipline (Competition Commission, 2008a). Graham and Richardson (1997) assert that competition policy determines the institutional mix of competition and cooperation that gives rise to the market system; regulates the intensity of competition and the scope of cooperation and defines the legal boundaries for both; seeks a blend of efficiency and fairness in markets; and ultimately aims to make markets work better.

Competition law is a specific instrument of competition regulation. It involves the adoption of legislation to regulate anti-competitive conduct. The firm conduct and structural conditions that competition law aims to regulate include (Doern & Wilks, 1996:

15) cartels, trusts, or horizontal arrangements among competitors to fix prices or allocate markets; abuse of dominant position or monopoly or market power; mergers that significantly reduce competition; vertical arrangements between producers and various sellers, such as resale price maintenance, exclusive dealing, exclusive territories, and tying arrangements; and arrangements and practices that mislead consumers.

The goals of competition laws can be categorised into economic and equity goals. Economic goals include efficiency, such as static and dynamic, allocative, productive and dynamic efficiency; consumer welfare sometimes including consumer choice; total welfare; or protecting the competition process from the creation of private artificial barriers. Equity goals concern protecting small and middle sized businesses from abuses; safeguarding economic opportunity for all, in some cases especially for historically excluded segments of society (Fox & Gal, 2014). Competition laws are enforceable legal rules that prohibit firms from attaining or exercising substantial market power obtained through improper means. It is concerned with eliminating abusive monopoly conduct, price fixing and other cartels. It prohibits mergers that limit competition and addresses artificial barriers to entry, and in so doing facilitates market access to enhance competition (Aldaba & Geronimo, 2014). While competition laws exhibit a high degree of similarity at their core they do vary widely in respect to the goals they emphasise, the substantive aspects of the law and the institutional arrangements they set out (Fox & Gal, 2014).

Competition agencies are an integral part of the institutional arrangements set out to operationalise competition policy and law. As Kovacic (2013, 5) states, “To be adapted successfully to practice, theory cannot be suspended in air. Unless grounded in engineering of effective institutions, theory will not work in practice. The engineering of policy making involves basic questions of policy implementation.” Competition agencies are economy-wide in their scope of coverage and administer the laws aimed at protecting consumer interests by prohibiting firms from reducing competition through colluding or merging with their rivals, or seeking to eliminate competitors by means other than offering superior products to consumers (OECD, 1998).

### *1.2.5. The Competition Commission South Africa*

Competition policy was a key element in the Reconstruction and Development Programme of the first democratically elected government in South Africa in 1994 (Makhaya, Mkwananzi & Roberts, 2012), foreshadowing the adoption of the Competition Act of 1998 (Competition Commission South Africa & Competition Tribunal South Africa, 2009). The purpose of the Competition Act is to promote and maintain competition in the South Africa by: promoting the efficiency, adaptability and development of the economy; providing consumers with competitive prices and product choices; promote employment and advance the social and economic welfare of South Africans; expanding opportunities for South African participation in world markets and to recognise the role of foreign competition in the Republic; ensuring that small and medium-sized enterprises have an equitable opportunity to participate in the economy; and promoting a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged persons.

The Act further aims to open the economy to greater participation by more South Africans by addressing high levels of concentrated ownership and control in the South African economy. After the demise of Apartheid, four main conglomerate groupings (Anglo American Corporation, Sanlam, Liberty Life and Rembrandt/Remgro) dominated economic activity in South Africa, notwithstanding the process of liberalisation in many sectors (Makhaya and Roberts, 2013; Roberts, 2004). The objectives of the Act are explicit about promoting the participation of previously excluded groups (small and medium enterprises and historically disadvantaged persons) in the economy and addressing the legacy of concentrated ownership and control (Makhaya, Mkwananzi & Roberts, 2012).

The Competition Act makes provision for the establishment of a triumvirate of institutions to implement the policy. According to the Act, the Competition Commission is responsible for the investigation, control and evaluation of restrictive practices, abuse of dominant position, and mergers. The Competition Tribunal, and administrative decision-making body is responsible for adjudicating matters brought before it by the Competition Commission. Finally, the Act establishes the Competition Appeal Court as

a special division of the High Court dedicated to hearing appeals from the Competition Tribunal.

The Competition Commission South Africa (CCSA) was established in 1999 and has since then developed and refined its mode of operation concerned principally with investigating mergers and anti-competitive conduct and referring outcomes to the Competition Tribunal to decide on the cases placed before it. The Act empowers the CCSA to implement measures to increase market transparency and develop public awareness of the provisions of the law; collaborate with regulatory authorities to coordinate and harmonise the exercise of jurisdiction over competition matters; investigate and evaluate alleged anti-competitive conduct, grant or refuse applications for exemption from the application of the Act, and negotiate and conclude consent orders; authorise, prohibit or refer mergers of which it receives notice; refer matters to the Competition Tribunal, and appear before the Tribunal when required; and review legislation and public regulations over time, and report to the Minister (Competition Commission, 2005).

In addition to the Office of the Commissioner, the institution is organised into main divisions dealing with mergers, enforcement, cartels, legal services, policy and research and advocacy and stakeholder relations, supported by corporate services and finance divisions. The organisation is headed by a commissioner and deputy commissioner(s) and supported by a team of divisional managers that make up the executive management team of the CCSA. In the last decade, the CCSA has grown its staff compliment from 81 to 182 at an average annual growth rate of 12%. The CCSA ramped up its staff by a considerable 45% in the 2007/08 financial year and has since then maintained steady growth to cope with the increase in the volume and complexity of its work as shown in Figure 1.1. The CCSA's capacity is bolstered by external council and expert economists for major cases.

A similar pattern of growth can be observed in the expenditure of the CCSA when it increased by more than a third in the 2007/08 financial year compared to the previous year. Over the ten year, period the CCSA's budget has grown by 31% annually (see Figure 1.3). In the 2014/15 financial year, the organisation had revenue of R248 million

derived primarily from a budget allocation from government and fees for merger filings, exemption applications and advisory opinions (Competition Commission South Africa, 2014a; Makhaya, Mkwananzi & Roberts, 2012).

The first five to eight years of the CCSA's work was dominated by merger regulation (Competition Commission South Africa & Competition Tribunal South Africa, 2009; Makhaya, Mkwananzi & Roberts, 2012; Makhaya & Roberts, 2013). The Competition Act compels firms to notify the CCSA of mergers above specific thresholds of asset and combined turnover values as these transactions require approval by the competition authorities (Competition Commission South Africa, 2007). Merger notifications peaked in the 2007/08 and 2008/09 financial years when 513 and 415 notifications were received. Notifications fell sharply the next year following the introduction of new thresholds to take into account the effects of inflation and growth in equity evaluations, as shown in Figure 1.4.

The CCSA has since 2006 stepped up its enforcement activity and in the 2007/08 financial year the number of investigations initiated reached double digits for the first time as shown in Figure 1.2. The Competition Act empowers the Competition Commission to investigate three classes of anti-competitive conduct, namely, restrictive horizontal practices, restrictive vertical practices, and abuse of a dominant position. The CCSA signaled its intent to improve its enforcement capacity in its 2006/07 annual report, with a specific focus on detecting and prosecuting cartels (Competition Commission, 2007). Following international practice, the CCSA introduced a corporate leniency policy (CLP) in 2004 and revised it in 2008 that gives cartel members immunity from prosecution should they be the first to come forward with information on cartel activities. Cartel arrangement involves competitors meeting to agree on keeping prices to customers high and thereby ensuring an easier environment for themselves and higher profits at the expense of consumers. The unit responsible for investigating cartels was formally established in 2011.

An additional instrument to promote competition in markets is market inquiries for which the CCSA was granted formal powers in terms of the amendments to the Competition Act that came into force on 1 April 2009. Section 21 of the Act requires the CCSA to

implement measures to increase market transparency and can do so through conducting market inquiries into the general state of competition in a market for particular goods and services, without necessarily referring to the conduct or activities of any particular firm. The CCSA has recently launched market inquiries into the healthcare, supermarkets and liquefied petroleum gas markets following complaints over several years related to these sectors.

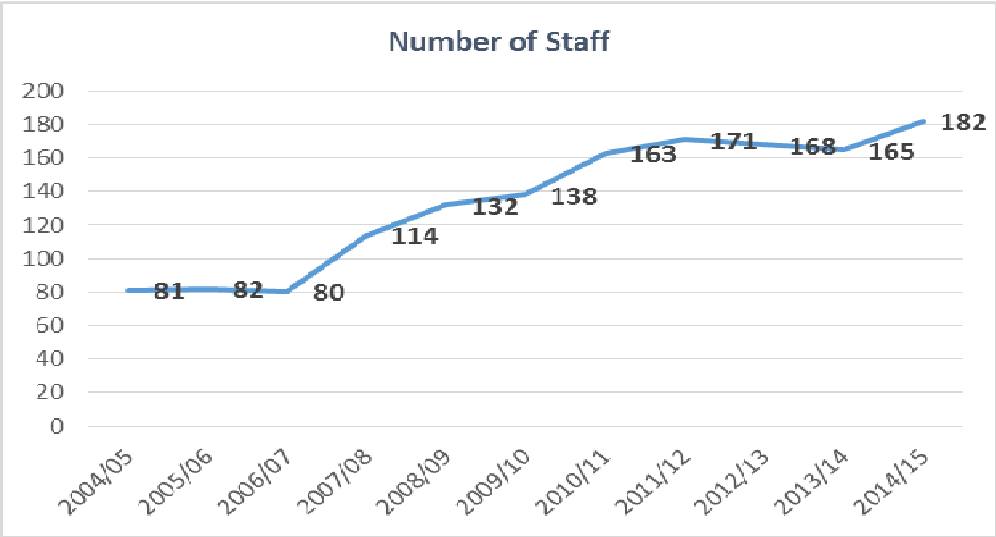



**Figure 1.1:** Growth in the number of Competition Commission staff, 2004/05 - 2014/15 (Compiled from annual report data)

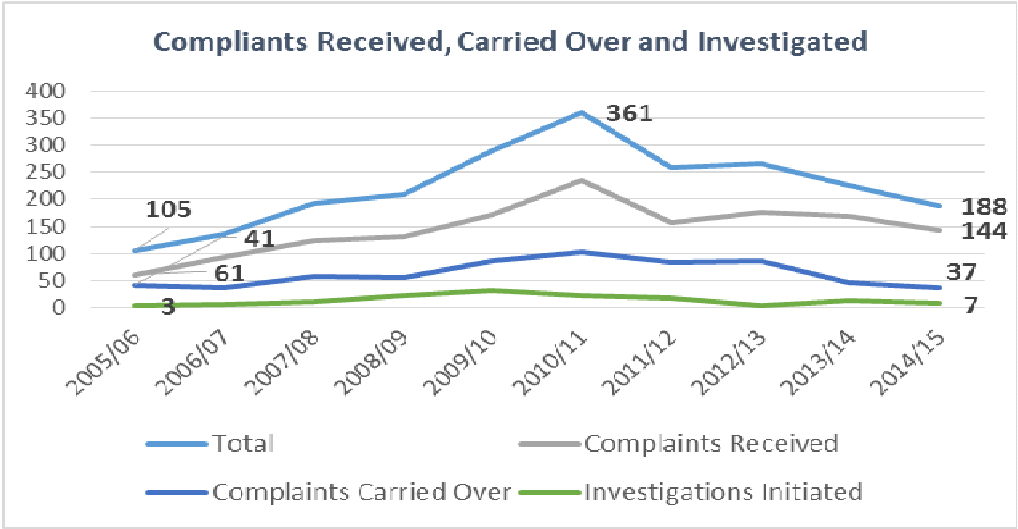



**Figure 1.2:** Complaints received, carried over and investigated, 2005/06 - 2014/15 (Compiled from annual report data)

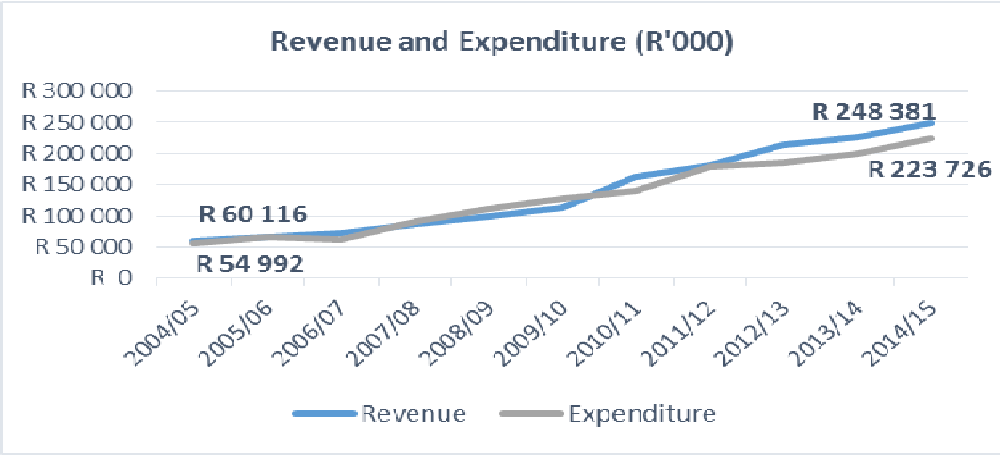



**Figure 1.3:** Growth in the Competition Commission revenue and expenditure, 2014/15 - 2013/14 (Compiled from annual report data)

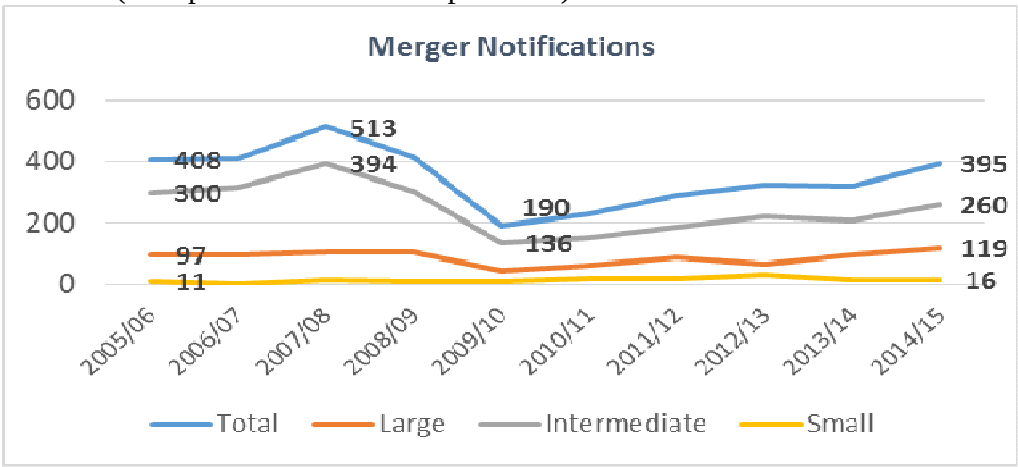



**Figure 1.4:** Merger notifications, 2005/06 – 2014/15 (Compiled from Annual Report data)

### *1.2.6. Competition agency effectiveness and strategic planning*

There is widespread recognition that the quality of a nation's competition policy depends on the effectiveness of the institutions responsible for the formulation and implementation of that policy and law (Kovacic & Hyman, 2012). The effectiveness of competition agencies has been a central concern for many governments around the world and international agencies such as the Organisation for Economic Cooperation and Development (OECD), United National Conference on Trade and Development (UNCTAD) and global voluntary network organisations such as the International Competition Network (ICN).

Effectiveness refers to the ability of an agency to achieve its objectives by the appropriate use of its resources. Effectiveness of competition agencies is influenced by a number of factors in its design, including elements related to its legal status, its standing within the broader governmental machinery and the business and consumer stakeholders, and the design of its internal processes to maintain high-quality work output (UNCTAD, 2011). According to the International Competition Network (2009), there are a number of pre-requisites to achieving effectiveness including: good planning and prioritisation (both strategic and operational); efficiency in use of resources and project management; evaluation of activity in order to assess its impact; and good communication as a large part of the impact of a competition agency comes via perceptions and awareness of the value of competition by various economic actors.

A large focus of the work of international organisations has been on prioritisation within competition agencies in the face of constraints related to scarce resources relative to the requirements for effectively achieving the mandates of these agencies. The assumption is that it is necessary to decide what must be achieved over a period of time, establish a plan to achieve this and provide a framework for prioritisation. Setting strategy and developing a plan to implement it must enable an agency's limited resources to be focused on high-impact cases and markets with great significance in terms of direct economic impact on the market in question or by virtue of deterrence value or value in setting precedent or policy (International Competition Network, 2009). The focus on strategy and prioritisation is in direct response to the recognition that competition agencies all over the world, but especially in developing countries, simply

do not have the resources to deal with every complaint brought before them. Setting strategy has been identified as one of the main characteristics of good competition agencies and, perhaps, the most important responsibility of agency leadership (Kovacic, 2013).

### *1.2.7. Strategic planning in the Competition Commission South Africa*

Strategic planning in the South African public sector has become a key feature of a reformed system of public management and governance. Strategic planning has been formalised and encoded in a set of guidelines and regulations and is now an integral part of the government's planning, performance monitoring and evaluation system (National Treasury, 2010).

As a public entity established by an act of Parliament, the CCSA embarked on its journey of strategic planning and implementation in 2006 when it sought to consolidate its experience into a strategic plan and respond appropriately to developments and changes in its environment (Competition Commission, 2007). This was before any formal regulations were introduced to guide the strategic planning processes in public organisations in the country. The plan's main strategic thrusts were to increase staff morale and motivation; align organisational structure and work processes to the CCSA's strategic priorities; define and clarify the Commission's approach and methodology; establish the CCSA as a centre of information, knowledge and expertise; and ensure effective advocacy and communication (Competition Commission, 2006a).

The time horizon for the implementation of the first generation strategy was three years into 2009. An internal review of the implementation process found that the execution of the strategy was a learning experience for all involved, which provided an opportunity to gain valuable insights into the process of strategic planning and implementation (Competition Commission, 2009a). A key finding of the review was that the time frames for the implementation of activities were very ambitious and that the implementation of some components of the strategy was only commencing at the time of the review. Furthermore, the review found that the structures established and processes set in motion to support the strategy implementation process did not function as intended.

The implementation of the second generation strategy commenced in 2010 and focused on achieving demonstrable competitive outcomes in the economy through prioritisation; enhancing the competitive environment for economic activity through partnership, engagement, dialogue and advocacy; and realising a high-performance regulatory agency (Competition Commission, 2009a). This strategy was implemented through to 2013/14 financial year before a third generation strategy was developed covering the period 2015 to 2020 (Competition Commission South Africa, 2015d). The internal review of this strategy found that coordination of strategy activities, integration into the day-to-day operational activities and ownership of the strategy remained a challenge (Competition Commission, 2012c). This strategy remained in force until the commencement of the third generation strategy for the period 2015 – 2020. The focus of the current strategic priorities is effective competition enforcement and merger regulation; strategic collaboration and advocacy; and developing a high-performing agency. The strategic priorities for the first, second and third generation strategies are set out below in Table 1.1.

| **2006 – 2009 (1st Generation Strategy)** | **2009 – 2014 (2nd Generation Strategy)** | **2015 – 2020 (3rd Generation Strategy)** |
|---|---|---|
| **External Environment** | **External Environment** | **External Environment** |
| • Expanding economic activity<br>• Competition policy review<br>• Increasing sophistication<br>• Impact assessment<br>• Increasing profile | • Global economic crisis<br>• Implementation of changes to the Competition Act<br>• Strategic engagement opportunities<br>• Increasing expectations | • Re-alignment of regulatory institutions to promote efficiency<br>• Growing importance of BRICS nations<br>• Infrastructure-led growth<br>• Implementation of changes to the Competition Act |
| **Internal Environment** | **Internal Environment** | **Internal Environment** |
| • Sound governance arrangements<br>• Structure<br>• Human resource | • Continued organisational growth and expansion<br>• Empowering middle management | • Streamlining business processes<br>• Human capital development and |

| | | |
|---|---|---|
| • Culture and climate<br>• Information and knowledge management | • Leading and managing change<br>• Information and knowledge management | management<br>• Effective leadership and management<br>• Improving resource management |
| **Strategic Priorities** | **Strategic Priorities** | **Strategic Priorities** |
| • Increase staff morale and motivation<br>• Align organisational structure and work processes to the Strategy<br>• Defining and clarifying the Commission's approach and methodology<br>• Establish the Commission as a centre of information, knowledge and expertise<br>• Ensure effective advocacy and communication | • Achieve demonstrable competitive outcomes in the economy<br>• Improve competitive environment for economic activity<br>• Realise a high-performance competition regulatory agency | • Effective competition enforcement and merger regulation<br>• Strategic collaboration and advocacy<br>• A high-performance agency |

**Table 1.1:** Strategy cycles and strategic priorities

Source: Compiled from Competition Commission Strategic Plans 2006 – 2009; 2009 – 2012; 2012 – 2015; and 2015 – 2020.

### *1.2.8. Implementing prioritisation as strategy*

A consistent feature of the strategic plans of the CCSA over the past fifteen years has been the adoption and implementation of a strategy to prioritise its work. According to the organisation's first generation strategy (2006 – 2009) this approach involves prioritisation based on appropriate criteria and guiding principles, together with greater proactivity in initiating and selecting cases (Competition Commission, 2006a). The second generation strategy noted that prioritisation has been established as a strategic necessity in the CCSA, as it recognises that limited resources should be directed at high-impact industry sectors, markets and cases. Prioritisation is also a key feature of

the organisation's third generation strategy for the period 2015 – 2020 (Competition Commission South Africa, 2015d). According to Commissioner, "The challenges are so enormous and the resources so limited that you have to constantly prioritise. In the past ten years or so, we have really institutionalised strategic planning, prioritisation of sectors, and so on" (Krisztian, 2015: 1).

### 1.3. Strategy implementation challenges

Making the transition from strategy formulation to implementation remains a major challenge for many organisations, both in the private and public sectors. Following a study of 104 firms across multiple sectors, Shah (2005) concluded that organisations understand the need for effective strategy implementation, but that execution in most firms falls short of the set goals.

A survey by Bridges Business Consultancy (2013) of multi-national and local companies as well as government organisations in the United States and Singapore found that 80% of leaders feel that their organisation is good at crafting strategy with only 44% feeling that their organisations are good at its implementation. It is, therefore, not surprising that only 2% of all managers in the study are confident that they will achieve 80% or more of their strategy's objectives.

A global survey of 587 executives by The Economist (2013) found that 61% of respondents admit that their firms struggle to bridge the gap between strategy formulation and implementation and that on average 56% of strategic initiatives have been successfully implemented in the last three years. Organisations in the public sector are no less subject to strategy implementation failure. A review of the literature on strategic management in the public sector indicate that the real challenge lies in implementation as agencies vary widely in how purposeful and effective they are in fully executing their strategies (Poister, Pitts, & Edwards, 2010).

The increasing focus on strategy processes (Farjoun, 2002) and practices (Jarzabkowski, 2004; Whittington, 2007) as key units of analysing strategy in organisations has potential to shift attention beyond formulation towards implementation as the focus of research. This is critically important in view of the high rates of failure in strategy implementation (Poister et al., 2010; Shah, 2005). Furthermore, recent

research into dynamic capabilities that enable organisations to re-configure their resource base in response to changing environments could enhance our knowledge of how strategy implementation contributes to the capacity of organisations to adapt to their environments (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997).

### 1.4. Research problem statement

The effectiveness of economic regulators, in particular, competition authorities, is closely associated with strategic planning (International Competition Network, 2009; UNCTAD, 2011). It is contended that strategy supports the process of prioritisation in regulators, which in turn enables these organisations to focus their resources on high impact areas that create precedent in order to deter firms from transgressing competition laws. The focus of international organisations that contribute to the building of institutional capacity had been on formulating strategic plans, rather than their implementation. The available literature also suggests that knowledge of strategy implementation in public organisations is limited and the phenomenon is poorly understood (Bryson et al., 2010). The limited knowledge on strategy implementation in public organisations is the main research problem this study seeks to address.

Without a deeper understanding of how economic regulators such as competition agencies implement their strategy, it will not be possible for such organisations to benefit optimally from the perceived benefits of strategy implementation. This is especially important in the developing countries of southern Africa, considering the number of recently established competition authorities in the region where financial, technical and other resources are scarce. The CCSA is implementing its third successive strategy and the experience it has gained in practice, whether successful or not, can provide valuable insights from which newly established authorities can learn. By exploring the processes and practices by which the CCSA has implemented its prioritisation strategy over the past few years, this study responds to the explicit call made by Poister et al. (2010) for case studies to help understand how strategy implementation processes work.

This research focused on how strategy is implemented in public agencies mandated to regulate competition in developing economies with specific reference to the CCSA as the site of study. In order to do so, the study explored the key strategy implementation

processes and practices associated with prioritisation in the CCSA. Furthermore, the study examined how the implementation of the prioritisation strategy contributed to the development of dynamic capabilities in the organisation.

## 1.5. Purpose statement

The purpose of the research was to explore how competition authorities mandated to regulate competition in developing economies implement their strategies. The study sought to understand the processes and practices by which the CCSA, as an institutional case of competition authorities, implements its prioritisation strategy. In addition, the research set out to examine how the implementation of the organisation's prioritisation strategy contributed to the development of dynamic capabilities. The research set out uncover insights from this case study that may be of value to other competition agencies in developing countries embarking on prioritisation.

## 1.6. Research questions

The main research question that guided the study is: How do the organisation's processes and practices enable the implementation of its strategy and contribute to the development of dynamic capabilities. Three specific lines of enquiry were pursued in addressing this research question:

- Which organisational processes are oriented towards the implementation of the prioritisation strategy and what is the significance of these processes?
- What practices are associated with the implementation of the prioritisation strategy and what is the significance of these practices?
- How does the implementation of the prioritisation strategy contribute to the development of dynamic capabilities in the organisation?

## 1.7. Summary

Knowledge on strategy implementation in the public sector is limited. A deeper understanding of how public sector economic regulators such as competition agencies implement strategies is required to ensure that these organisations are able to reap the benefits of strategy-making and implementation. Therefore, the purpose of this research was to explore how competition agencies with the mandate to regulate competition implement their strategies by examining the case of the CCSA. The research aimed to uncover how the organisation's processes and practices enable the implementation of

its prioritisation strategy and how this contributes to the development of dynamic capabilities. This study is located in the context of the global proliferation of competition regimes and their roles in regulating competition as part of the emerging governance arrangements of a restructuring global economy.

# Chapter 2: A Review of Strategy Implementation Issues, Processes, Practices and Capabilities

## 2.1. Approach

The literature review specifically draws on research into strategic planning and implementation within the broader management field of strategic management. Two key multi-disciplinary cross-searchable collections of full text databases (ProQuest Central and EBSCOHost) and a number of single collection databases (Oxford Journals Online, SAGE Premier Online, ScienceDirect, Taylor & Francis, SpringerLINK, and Wiley Online Library) were searched with the key words: “strategy”; “strategy AND planning”; “strategy AND implementation”; and “strategy AND public sector”. Eighty articles were selected for review following an assessment of the titles and abstracts of journal articles retrieved from the databases based on relevance to strategy implementation.

NVivo 10, a software programme for analysing unstructured qualitative data, was used to organise, explore and review the articles. An initial set of five articles was reviewed to develop a preliminary list of codes used to analyse the papers. A definition was developed for each code to ensure that the review and interpretation of the qualitative content was consistent. The literature review was developed by drawing on the qualitative data in the codes. The literature provides a high level overview of the evolution of strategy over the past fifty years, describes the dynamics of strategy in the public sector, highlights key issues pertaining to strategy implementation, and discusses developments in strategy process, practice and capabilities.

## 2.2. Evolution of strategy

“Everyone needs a strategy”, claims Freedman (2013: vi) in the preface to his book on the history of strategy. He asserts that having a strategic approach is preferred to a tactical or random method since it implies an ability to grasp a view of the long-term and of that which is essential rather than the short-term and the trivial, while enabling a focus on the causes, rather than the symptoms. These assertions are a reflection of the influence of strategy and represent the prominent position strategy has come to occupy since the 1960s in the field of management not only in academia but also in the popular imagination and culture.

The word strategy, in its modern meaning, did not appear in the literature until the 1770s, notwithstanding the use of strategic reasoning by polities before then (Gray, 2010). Traditionally, strategy has been an instrument of the military to achieve policy outcomes by way of purposefully connecting ends, ways, and means (Gray, 2013). The military successes of the United States of America (USA) in the Second World War and the prestige this earned, together with the association of strategy as a central strut in this achievement, contributed to the spread of ideas on, and application of strategy in the private sector (Knights & Morgan, 1991). References to business strategy increased in the 1970s and became more frequent than military strategy by the turn of this century (Freedman, 2013).

Knights and Morgan (1991) draw attention to three key developments in the post-war period that opened up space for the emergence and growth of corporate strategy. Firstly, corporations were expected to explain to their owners what they were doing and why, due to the restructuring of ownership relations in which institutional separation of ownership from direct managerial control had taken place. Secondly, market conditions became increasingly complex by virtue of heightened competition fueled by technological innovation, price and quality. Thirdly, new developments in the structure and management of organisations, including multi-plant corporations, the geographical dispersal of multi-national organisations and changes in production and communication, formed part of the process that propelled strategy to its dominant position in the wider field of management.

The theoretical lens through which strategy has been studied has developed and shifted over time. Whereas planning in the 1950s and 1960s focused on the practical internal problems of coordinating decisions and maintaining control in firms, the focus in the 1970s and 1980s shifted externally towards increasingly dynamic markets and business environments in which it was necessary to position firms relative to competitors in order to maximise profits (Grant, 2005). This perspective on strategy came to be known as the industry-based view of strategy and was influenced in no small measure by the work of Porter (1985) on industry structure, factor conditions and demand conditions. In the 1990s, the focus shifted once more towards strategies that exploit the internal resources

of firms as the source competitive advantage in what is now considered as the resource-based view of strategy (Barney, 1991). The focus in the 2000s shifted to knowledge and innovation as the source of competitive advantage (Stewart, 2001) known as the knowledge-based view of strategy (Choo & Bontis, 2002).

An important issue to note at this juncture is that this study of strategy implementation in the Competition Commission South Africa (CCSA) takes place in a developing country environment. Much of what is known of institutional development of economic regulation is gleaned from developed countries such as the United States of America (USA) and countries in Western Europe. In these countries, there is a much longer history of implementing competition regimes and their relative positions in the global economy, and cooperation and coordination between their respective regulatory systems have "shaped the global arena and domestic regulatory regimes" (Levi-Faur, 2005: 15). Regulatory regimes developed in relatively resource-rich environments in the USA and Western Europe are transplanted to relatively resource-poor environments of developing countries, "without common understandings across political actors of [their] purpose or of the viability of implementation" (Dubash & Morgan, 2012: 267). For instance, whereas the concern of regulators in developed countries is efficiency, the pressure on regulators in the developing world is for redistribution due to widespread poverty, low levels of access to services and weak legitimacy of the executives in these countries. Thus, institutional context and the institutions that constitute regulatory regimes matter.

The emergence of the institution-based view of strategy (Peng, 2002) is in acknowledgement of the importance of institutions in economic (Powell & DiMaggio, 1991) and social analysis (Brinton & Nee, 1998). According to Peng (2002), a firm needs to take into account wider influences from sources such as the state and society when formulating and implementing strategy. Institutions are defined "as a set of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed and constrained, what aggregate rules will be used, what procedures must be followed, what information must or must not be provided, and what pay-offs will be assigned to individuals dependent on their actions" (Ostrom, 1990: 51). Institutions are the "webs of interrelated rules and norms that govern social

relationships," and comprise "the formal and informal social constraints that shape the choice-set of actors" (Nee, 1998: 8). Since strategy is fundamentally concerned with choices, an appreciation of the formal and informal constraints that influence decision-making due to a given institutional framework is important in strategy development and implementation (Peng, 2002). This perspective on strategy focuses on the dynamic interaction between institutions and organisations and considers strategic choices as the outcome of such interaction (Peng, Sun, Pinkham & Chen, 2009).

### 2.3. The dynamics of strategy in the public sector

The uptake and diffusion of strategy in the public sector took much longer than in the private sector. According to Bryson (2010) strategy in the public sector has evolved over the second half of the twentieth century and has been incorporated into urban planning, regional planning, advocacy planning, and programme planning. Kaufman and Jacobs (1987) identify the 1980s as the period in which academics and planners concluded that strategic planning is applicable to the public sector.

Llewellyn and Tappin (2003) argue that three factors account for keeping strategic planning off the public sector agenda. Firstly, strategies that attempt to secure competitive advantage in the public sector have no relevance since public service organisations have a monopoly on service provision. Secondly, the need for strategy is minimised due to remarkably stable conditions in the public sector, coupled with a traditionally custodial approach to management. Finally, inconsistent demands by stakeholders and the need to address insoluble problems make the articulation of strategy difficult and problematic. Differences in the focus of strategy and the conditions in which it is implemented in the public sector influence the way strategy has been adopted and the problems that are encountered, compared to the private sector.

The focus of strategy in the private and public sectors are different. In the private sector strategy is concerned with achieving a competitive position that leads to superior and sustainable financial performance (Porter, 1991). In the private sector environment, a firm's strategy can be defined as "the planned or actual coordination of the firm's major goals and actions, in time and space, that continuously align the firm with its environment" (Farjoun, 2002: 570). Firms are concerned with using strategy to achieve

competitive advantage over their rivals in the industries in which they operate (Porter, 1985).

In contrast, strategy in the public sector is concerned with an organisation's actions, behaviour and performance and with service delivery (Walker, 2013). The use of strategy in the public sector context is aimed at "increasing organisational performance, maximising organisational well-being, ensuring the organisation's survival and other goals that are not yet clearly understood, captured by existing performance measures, or vary widely" (Bryson, Berry, & Kaifeng Yang, 2010: 510).

Furthermore, there are differences in the public sector environment which have significant implications for strategy (Boyne & Walker, 2004). The strategies carried out by public organisations are the result of complex processes and interactions that take place in the context of constitutional government, rather than responses to market conditions as is the case in the private sector (Wechsler & Backoff, 1997). Public organisations have reporting and accountability processes that are closely tied to agreed performance targets (Stewart, 2004), for which they must account to their political sponsors through instruments such as performance indicators, audits, budget controls and annual reports (Boyne & Walker, 2004). This takes place in the context of competing expectations from stakeholders, political coalitions, and plural and ambiguous goals (Bryson et al., 2010).

Additional considerations should be taken into account when analysing economic regulators such as the CCSA. Economic regulators are specific forms of public entities although their institutional form may vary widely across different jurisdictions. Authority is delegated to regulatory entities to make, monitor and enforce rules through oversight. They are "law-backed specialised agencies operating through administrative means" (Dubash & Morgan, 2012: 263). Specific factors are deemed critical to their effectiveness, including independence to make decisions in the scope of their authority; accountability by which they can be held to account through right of appeal, reporting and oversight; rule clarity and completeness of principles, guidelines and consequences of misbehavior (Brown, Stern & Tenenbaum, 2006);

Nevertheless, Bryson (2010) argues that the benefits of strategic planning in the public sector are manifold and include promoting strategic thinking, acting and learning; improving decision-making; enhancing organisational effectiveness, responsiveness and resilience; and improving organisational legitimacy. It has the potential to enhance organisational capacity and improve organisational performance (Poister et al., 2010). Strategic planning in the public sector context is thus defined as "a deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation (or other entity) *is* (its identity), what it *does* (its strategies) and *why* it does it (mandates, mission, goals and the creation of public value)" (Bryson, 2010: 257 [emphasis in original]).

Strategic planning is a component of strategic management which is a broader management process for maintaining and improving an organisation's performance through enabling, formulating and realising its strategies (Farjoun, 2002). It involves continuously managing an organisation in a strategic manner (Poister et al., 2010). Strategy implementation is an integral component of the strategic management process that translates the strategy into a series of actions that enable the achievement of planned strategic objectives (Thompson & Strickland, 2003). Noble (1999: 120) defines strategy implementation as the "communication, interpretation, adoption and enactment of strategic plans." Translating strategic plans into reality is a dynamic, iterative and complex process that consists of a series of decisions and activities that are influenced by a range of interrelated internal and external factors (Li, Guohui, & Eppler, 2010).

## 2.4. Strategy implementation

Cohen and Cyert (1973: 362) assert that strategy implementation is one of nine steps in the strategy process and that it is necessary in this step to "decompose the broadly stated strategy into a time-sequence of plans" in order to operationalise the agreed-upon strategy. Traditionally, the strategy formulation and strategy implementation processes have been viewed as distinct sub-processes in which formulation concerns analysis of the internal and external environment and choice of strategy, while implementation consists of a series of administrative activities (Farjoun, 2002). This distinction is increasingly questioned.

For instance, the study by Lê and Jarzabkowski (2014) found that task and process conflict in the strategy implementation process contribute to clarifying strategic content. In addition, Leonardi (2015) argues that separating 'making' (formulation) from 'doing' (implementation) limits our understanding of how and why strategies come into existence and work and that a longer-term view is necessary in which strategy making includes the ways in which strategy is animated in practice. From this perspective, strategy is an emergent process in which "content emerges through implementation and, hence, is inimically entwined with the process that produces it" (Lê & Jarzabkowski, 2014: 2).

A survey of 225 South African small and medium manufacturing organisations conducted by Oosthuizen (2005) on strategy process dimensions and organisational output performance found that implementation of strategy was considered to be the most important dimension of the strategic management process. Following a study of 104 firms across multiple sectors, Shah (2005) concluded that organisations understand the need for effective strategy implementation but that execution in most firms falls short of the set goals. A review of the literature on strategic management in the public sector indicates that the real challenge lies in implementation as agencies vary widely in how purposeful and effective they are in fully executing their strategies (Poister et al., 2010).

The following section introduces a number of issues that enable or constrain strategy development and influence strategy implementation in practice.

### *2.4.1. Barriers and success factors*

Empirical studies reveal that there is a broad range of barriers that account for strategy implementation failure, including poor understanding and communication of the strategy (Jooste & Fourie, 2009), inadequate leadership and direction, inadequate management skills, poor comprehension of roles, ill-defined implementation tasks, and a lack of employee commitment (Shah, 2005).

The literature review suggests that there are a number of factors crucial to the success of strategy implementation that can overcome the aforementioned barriers. According to Bryson (1988), a process sponsor in a position of power is necessary to legitimise the process; a strategic planning team must be in place; there must be ability to pull

information and people together at key points for important discussions and decisions; and disruptions and delays should be expected. The role and important contribution of organisational leaders to successful strategy implementation is a recurring theme in the literature (Cohen & Cyert, 1973; Poister et al., 2010; Shah, 2005;). Commenting on the literature that informed early business practice, Porter (1991) identified three conditions for strategy success. The first is an internally consistent set of goals and policies that define the position of the organisation in the market. The second is the alignment of the firm's strengths and weaknesses with industry opportunities and threats. The third is the exploitation of the firm's unique strengths or competences.

### *2.4.2. Learning and change*

Strategy implies change. Accordingly, "[a]n organisation's strategy can be found in the pattern of major, non-routine decisions, choices and actions that sets its direction into the future" (Wechsler & Backoff, 1987: 34). Since the organisation uses strategy to deal with the changing environment, the "substance of strategy remains unstructured, un-programmed, non-routine and non-repetitive" (Chaffe, 1985: 89). It is the non-routine decisions, choices and actions that impact the organisation in ways that enable the development of new processes, products, services and capabilities. Drawing on an ecological perspective on strategy-making to illuminate the evolution of Intel Corporation's strategy, Burgelman (1991: 255) suggests that organisational "survival depends to a significant extent on the adjustment and renewal capacities of strategy-making processes." The study found that the strategic process facilitates the development, appropriation and retention of new learning through a process of internal experimentation and selection that enables the organisation to adapt to its environment.

In their review of the literature on strategic management in the public sector, Bryson et al. (2010) conclude that the future directions in strategy implementation should include a focus on incorporating ideas and practices that enable organisational learning and knowledge management in order to take advantage of the learning and communications in this process. Teece et al. (1997) identify learning as one of three key roles (the others being coordination and reconfiguration) of organisational processes fundamental to the capacity of organisations to change and adapt their organisational resources in dynamic ways. They note that it is a process by which repetition and experimentation enable improved performance. Knowledge at the organisational level is considered to be

learning that is institutionalised and embedded in the non-human elements such as structures, systems, procedures, routines and strategy (Crossan & Hulland, 2000). Integrating learning and new knowledge into organisational routines is challenging since routines are by their nature patterns of activity (Teece et al., 1997) and "an organisational routine is, by definition, durable" (Pluye, Potvin & Denis, 2004: 124).

### *2.4.3. Organisational routines, adaptation and dynamic capabilities*

An organisational routine refers to a "repetitive pattern of activity" (Nelson & Winter, 1982: 97) that is process oriented, provides a degree of stability, is embedded in the organisation and its structures, stores knowledge and represents a collective phenomenon involving multiple actors (Becker, 2004). Routines serve as the memory of actions in the organisation, reflect values, beliefs and codes, and adhere to rules that govern action and decision-making (Pluye et al., 2004).

An organisation's repertoire of routines constrains its future behaviour (Teece et al., 1997). The codification of repeated experience into technology and formal procedures supports repeated practice and accelerates the building of routines (Eisenhardt & Martin, 2000). The combination of stability provided by routines and the successful practices that may result from it places the organisation on a trajectory of increasingly recursive behaviours that limits its ability to adapt (Jarzabkowski, 2004).

Although counter-intuitive, it is the very stable, recursive and procedural nature of routines that afford organisations the opportunity to detect and make incremental changes and adjustments (Becker, 2004). The challenge is to understand 'how the continuity of routinised behaviour operates to channel organisational change" (Nelson and Winter, 1982: 135). The dynamic capabilities perspective regards the "capacity of an organisation to purposefully create, extend or modify its resource base" as a key resource for channelling organisational change (Helfat et al., 2007: 4). It is the ability of an organisation to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece at al., 1997). Dynamic capabilities are the organisational and strategic routines by which managers change the resource base of the organisation to achieve their strategic goals (Eisenhardt & Martin, 2000). Sensing and shaping opportunities and threats, seizing opportunities and transforming

organisational resources to enhance performance are regarded as dynamic capabilities (Katkalo, Pitelis & Teece, 2010; Teece, 2007).

### *2.4.4. Communication, language and participation*

The literature reviewed emphasises the critical importance of communication and participation in strategy implementation. Castell (2013: 54) defines communication as "the sharing of meaning through the exchange of information", while the process of communication is defined by the technology used, the characteristics of the senders and receivers, their cultural codes of reference and protocols, and the scope of the communication. In their review of the literature on the factors influencing strategy implementation, Li et al. (2010) found that studies emphasise the important role communication plays in training, knowledge dissemination and learning in the process of strategy implementation. The importance of communication relates to how it is integrated into every aspect of organisational process, context and implementation objectives.

The perspective that the "actual doing of strategy in organisations takes place in the form of talk, text and conversation" (Fenton & Langley, 2011: 1172) has increased the focus by researchers and practitioners on communication and discursive practices. Although not the only form of communication, it is through talking that organisational members negotiate and establish meanings, articulate perceptions of their environment, share knowledge and make sense of the possibilities for their organisations (Samra-Fredericks, 2003). In her fine-grained analysis of strategists' real-time deployment of relational-rhetorical skills, Samra-Fredericks (2003: 150) found that consensus was developed on strategy proposals through "negotiation, argument, appraising, blaming, etc. – in other words, through everyday talk."

The construction of shared views and meaning in the strategy implementation process is created through linguistically mediated social interaction (Bürgi, Jacobs & Roos, 2005). Thus, language constitutes and roots us in reality (Mantere, 2013). The role of language in constituting shared meaning and understanding the discursive strategies and linguistic devices used in strategising has become a major focus of research into strategy implementation over the past decade (Bürgi, et al. 2005; Fenton & Langly,

2011; Kwon, Clark & Wodak, 2014; Mantere, 2013; Mantere & Vaara, 2008; Samra-Fredericks, 2003).

This research builds on the work of Knights and Morgan (1991) who framed the analysis of strategy in terms of a set of discourses and practices. They argued that a discourse, as a set of ideas and practices that condition the way of relating to and acting upon a phenomenon, is embedded in social practices which reproduce that way of seeing. In this way the discourse has disciplinary force with power and truth effects structured around a whole set of power and knowledge relations that are written, spoken, communicated and embedded in social relations. Strategy discourse, in terms of how it is understood and practised in the organisation, can impede or promote participation in strategy work (Mantere & Vaara, 2008).

Nutt (1986) identified participation as one of four implementation tactics employed in 91 case studies of planned change initiatives. He distinguished between token participation, delegated participation, complete participation and comprehensive participation by virtue of the extent of involvement and role in the implementation of the change initiative. Stensaker, Falkenberg and Grønhaug (2008) argue that participation and communication contribute to developing an understanding and commitment to change since participation has the potential for creating motivation-based ownership and results in a deeper understanding of the rationale behind the change. In their study on a planned change initiative in four business units of a large organisation, they found that participation in planning activities facilitates sense-making at the individual level, but does not necessarily ensure organisational sense-making or lead to collective action. In an analysis of strategy work in 12 organisations, Mantere and Vaara (2008) found the type of discourses through which organisational actors make sense and give sense to strategy can constrain or enable participation. They found that the discourses of mystification, disciplining, and technologising were systematically associated with non-participatory approaches, while self-actualising, dialogising, and concretising discourses tended to promote participation.

### *2.4.5. Discourse and power*

Through their discourse analysis of corporate strategy, Knights and Morgan (1991) argue that strategy aids in securing the exercise of power and the management of

identity for managers, and at the same time, facilitates the development of a corporate image and rationalisations of success and failure for organisations. According to Castells (2013:10), "[p]ower is the relational capacity that enables a social actor to influence asymmetrically the decisions of other social actor(s) in ways that favour the empowered actor's will, interests and values." However, managers and staff are not merely passive victims of the power of strategy discourse. Rather, individuals and groups exercise power to elaborate some and resist other elements of the discourse and through this process of engagement are at least partially constituted by its content (Knights & Morgan, 1991).

In their case study on a multinational firm seeking to achieve greater strategic integration across Europe, Jarzabkowski and Balogun (2009) found that resistance is likely to occur where actors are allocated subordinate positions within the strategy process, especially when it involves a change of position such as moving from strategy formulators to strategy implementers. More powerful units in the integration process experienced the implementation as dominant and exclusive and sought to resist the process and at the same time, to modify the planning process so as to reduce its subordinating effects. On the other hand, less powerful units experienced the process as inclusive and accepted their sub-ordinate role. Hardy and Thomas (2014) considered discourses associated with the strategy of a global telecommunications company and found that the power effects of discourses are intensified through specific discursive and material practices. This leads to the production of objects and subjects that are aligned to the strategy. They identified the following six categories of intensification practices: tailoring, packaging, scheduling, bulking up, holding to account, and associating.

## 2.5. Strategy process and practice

Traditional mechanistic models of strategy that are premised on assumptions that industry, organisational structure and resources are the key determinants of strategy and performance, have been critiqued as perspectives that may be suited to explain strategy in a stable and predictable world, rather than one that is more complex as a result of constantly changing behaviour of individuals, organisations and their environments (Farjoun, 2002). In addition, there is a growing conviction that strategy research has ignored the messy day-to-day realities of organisational life (Campbell-Hunt, 2007).

This conviction has contributed to a much greater focus by researchers on examining and understanding the processes and practices that emerge in strategy implementation (Jarzabkowski, 2004; Vaara & Whittington, 2012; Whittington, 2007). Process and practice approaches to strategy emphasise the dynamics and consequences of strategic action, enable a richer understanding of the multiple factors that influence strategic processes, accommodate the existence of competing histories and perspectives, and facilitate a rich description of organisational strategising based on actors' own accounts and their actions (Maitlis & Lawrance, 2003).

Process perspectives shift the focus from what determines strategy and performance to how they are determined (Farjoun, 2002). From the process perspective, strategy formulation and implementation can be viewed as constantly co-evolving through a process of strategic learning and control, rather than being seen as distinct processes. Following Andersen (2004), strategy implementation processes can be defined as organisational activities that coordinate actions across the entire organisation related to the advancement of its mission and goals. These processes include resource allocation activities (Noda & Bower, 1996), communication (Jarzabkowski & Balogun, 2009), and the monitoring and evaluation feedback processes (Rumelt, 1975).

A practice perspective shifts the focus to examining strategy "not as something a firm has, but something a firm does" (Jarzabkowski, 2004: 529). Strategic practices refer to routines and norms of strategy work and can be stand-alone activities or embedded in analytical techniques used in strategy making (Whittington, 2007). Following Jarzabkowski (2004), the term 'practice' implies repetitive performance that enables one to attain recurrent, habitual, or routinised accomplishment of particular actions. Strategy practices are those coherent clusters of activities that reflect a specific strategic disposition (Rasche & Chia, 2009). It incorporates those socially-defined modes of acting through which micro-strategy and strategising occur and thereby generate an ongoing stream of strategic activity in practice (Jarzabkowski, 2003). Strategising emphasises what people do when they do strategy, giving importance to day-to-day activities happening at the micro-level which relates to strategic outcomes (Lê &

Jarzabkowski, 2014). Accordingly, “[s]trategic practices structure the flow of everyday strategy work” (Mantere, 2005: 158).

The relationship between strategy processes and practices appears to be an ambiguous one, but one that nevertheless requires clarification if it is to be the focus of this study. The ambiguity, at least in part, stems from the way in which strategy practices are defined. One of the main critiques levelled at practices as a focus of strategy analysis is that it is defined in a contradictory and confusing way (Carter, Clegg & Kornberger, 2008). It can mean anything from social routine (Whittington, 2007), to coherent cluster of activities (Rasche & Chia, 2009), to socially defined modes of acting (Jarzabkowski, 2003), and meetings, workshops and rituals (Mantere, 2005).

Strategising and micro-activities related to strategic outcomes incorporate a broad range of organisational practices. It refers to the social routines such as recurrent meetings, workshops, processes and rituals that are central to strategy formation and implementation, and involves the concepts, tools and techniques without which strategy making would hardly be possible (Mantere, 2005; Whittington, 2007). Furthermore, strategy is connected with particular practices such as strategic planning, annual reviews and strategy workshops (Jarzabkowski & Seidl, 2008). Strategic practices produce structures such as committees (Hoon, 2007) that form the collective systems that constrain and enable strategy implementation (Jarzabkowski, 2004).

The approach adopted by Brown and Duguid (2000; 2000a) provides a useful way of resolving this ambiguity. They argue that processes are the way in which activities are organised, whereas practices are the way tasks are carried out or done. Processes are the vertical structures that emphasise hierarchy, command and control while practices emphasise lateral connection through which activities are coordinated and explored. This view is supported by Lee (2005) who argues that a process is definable, describable, and repeatable; is a linear and logical sequence; and has a predictable outcome. On the other hand, a practice is seen as a frequently repeated act, habit or custom that is associated with the uncodified ‘‘know-how’’ resulting from human experience, improvisation and innovation. According to Brown and Duguid (2000), organisational processes coordinate diverse practices in the organisation. In this sense,

strategic practices are nested in organisational processes. The differences between organisational processes and practices are set out in Table 2.1.

| Processes | Practices |
|---|---|
| The way tasks are organised | The way tasks are done |
| Routine | Spontaneous |
| Orchestrated | Improvised |
| Assumes predictable environment | Responds to a changing unpredictable environment |
| Relies on explicit knowledge | Relies on tacit knowledge |
| Linear | Network or web-like |

**Table 2.1:** Differences between processes and practices
Source: Adapted from Brown & Duguid, 2000 and Lee, 2005

Individuals and groups embedded in social structures of the organisation make strategic choices and act on these choices (Bryson et al., 2010). The following section provides a brief discussion on the actors, activities and artifacts involved in organisational strategy implementation.

### *2.5.1. Actors*

Actors who influence strategy are from diverse groups including managers at the top and below and can be internal and external to the organisation (Whittington, 2007). These include top managers, middle managers, strategists and champions.

Traditionally, strategy has been regarded as the terrain of the organisational leader and the top management team (Finkelstein, Hambrick, & Cannella, 2009). For instance, Horovitz (1981: 89) claims that the use of techniques and tools has nothing to do with the success or failure of strategy, but it “has to do primarily with the commitment, personal involvement, attitude, and style of the chief executive officer toward strategy.” This view of the dominant role of top management in the strategy process can be ascribed to the view that these management teams exert influence over the members of the organisation through their shared perspective of environmental events and organisational capabilities (Lyles & Schwenk, 1992). According to Bass (2007) strategy emerges as a result of the interaction of the individual leader and the organisation’s

internal and external environment. In doing so, the top management sets policies for acquiring and integrating resources; reduces uncertainty, and reduces competition; creates favourable public images and opinions of the organisation and its products and services; and oversees the management, production and services systems.

Increasingly however, the role played by middle managers in the strategy implementation process is being recognised. Middle management can be defined as the coordination of the day-to-day activities of a business unit with those of vertically related groups (Floyd & Wooldridge, 1992). As such, they play the role of 'linking pins' that enable them to take action that has both upwards and downwards influences on strategy. Upward influence concerns affecting top management's view of organisational circumstances and alternative strategies under review while downward influence concerns the alignment of organisational arrangements with the strategic context.

Floyd and Wooldridge (1992) further identify four types of middle management involvement in strategy, including synthesising information, championing alternatives, facilitating adaptability; and implementing deliberate strategy. Middle managers gather input, identify and recognise new ideas, negotiate activities intended to coordinate divergent aims and interests, and convince others of the merit of new ideas (Hoon, 2007). In this way, the strategic context emerging from the formal and informal interaction between senior and middle managers goes beyond the dichotomy of senior managers providing the strategic direction while middle managers gather strategic input. The middle managers' place in strategising has evolved into one where they are at the centre of knowledge creation and the development of core competence – two processes that have become the basis for strategy formation (Wooldridge, Schmid & Floyd, 2008)

A practice perspective on strategy provides room for the emergence of champions whose role and contribution in strategising may otherwise not have been visible or perceived. Champions are "individuals trying to influence strategic issues larger than their own immediate operational responsibility" (Mantere, 2005: 157). Such individuals seek to influence strategic issues by affecting the opinions or actions of others, change the organisation or system, or secure resources for this purpose. In addition, strategists from inside and outside the organisation play a role in strategising. Strategists are

deemed to be professionals who apply distinct bodies of knowledge to problems involving risk and uncertainty and who depend on close collaboration with a wide range of other executives throughout the business to perform their work as credible strategists (Whittington, Cailluet, & Yakis-Douglas, 2011). There has been a considerable increase in the number of firms with a chief strategy officer (CSO) over the last several years who has the responsibility for managing the firm's strategy process and execution (Menz & Scheef, 2014).

It should be noted that individual behaviour is embedded in a web of social practices so that social structures and human agency link together to explain strategic action (Vaara & Whittington, 2012). They draw on collective knowledge schemes that provide shared understanding and common ground (Rasche & Chia 2009). Furthermore, Mantere (2013) argues that actors who control the proper use of concepts, and thereby the language games enabling strategising, are the ones who influence the practice of strategy.

### *2.5.2. Activities*

Strategy practices are a particular kind of recurrent strategising activities (Hoon, 2007). Key activities are those formal operating procedures involved in direction setting, resource allocation and monitoring and control (Jarzabkowski, 2003). A number of activities have been identified that enable strategy formulation and implementation, including organising, control and sense-giving (Mantere, 2005). Organising leads to the legitimation of activities and is concerned with what actions are agreed to, how they correspond to the strategy and who is allowed to act; control determines how resources are distributed; sense-giving involves communication activities at various organisational levels in which shared understanding of strategy is created.

In a study of further education college principals aiming to implement a collaboration strategy involving a proposal to co-locate their respective colleges, Iszatt-White (2010) identified a number of practices of strategic leadership in action including clarifying, rehearsing, upholding, adapting, and elaborating. Iszatt-White (2010: 422) found that the strategy "was observed to be: (1) clarified on the back of the perceptions of others to whom it is outlined; (2) refined and internalised by being rehearsed by the central protagonists; (3) upheld in spirit whilst incorporating unanticipated events which may

change the detail of what has been planned; (4) adapted in the manner in which it is pursued in order to keep its progress on track; and (5) elaborated or furnished with more detail and developed into practically implementable actions, as the process continues."

Hendry and Seidl (2003) invoke the concept of 'episode' as a sequence of communications structured in terms of its beginning and ending. They suggest that organisations are able to create opportunities for reflexive strategic practice through episodes during which they are able to routinely suspend their normal routine structures of discourse, communication and hierarchy. The temporal nature of an episode enables the communication process to develop differently and is oriented to the achievement of a specific goal and (or) on a time limit. Hendry and Seidl (2003: 184) argue that episodes afford an organisation the opportunity to "distance itself from itself in such a way as to allow it to observe itself and from that position initiate a change in its structures."

Jarzabkowski and Seidl (2008) extend this framework in a study that examines how strategy meetings stabilise existing strategic orientations or propose variations that cumulatively generate change in strategic orientation. They define meetings as planned gatherings of three or more people who assemble for a purpose. Meetings consist of the three phases of initiation, conduct, and termination. Their study identified a typology of meeting structures that explains three typical evolutionary paths through which variations emerge, are maintained and developed, and are selected or de-selected. Thus, meetings are particularly important mechanisms in strategy implementation with stabilising and de-stabilising effects (Suddaby et al., 2013).

Strategy workshops are also important episodes in the strategy process. Strategy workshops are often part of a wider strategy process where executives set aside one or two days, frequently off-site, often employing specialist facilitators, and using strategy concepts and analytical tools to consider strategic issues (Johnson, Prashantham, Floyd & Bourque, 2010). Johnson et al. (2010) draw on theories of ritual and ritualisation to explain how behavioural dynamics in workshops, and thereby the extent to which their purpose is achieved, are influenced by the degree of removal, the use of

liturgy and the role of specialists. Removal refers to being removed from the everyday in terms of geographic distance, symbolic change, activity differentiation or cognitive contextualisation. Liturgy refers to the prescribed form of ritual that leads participants to think and act in ways that are distinct from the everyday. The involvement of a specialist is important for their engagement with liturgy and their role in legitimising it.

Often, organisations establish specific structures to facilitate the implementation of strategy. Structures are defined as the collective systems within which human actors carry out their daily activities (Jarzabkowski, 2004). It is a generic concept that manifests in the structural properties of social systems and is constituted by rules and resources (Herepath, 2014). Actors draw on social structure in order to act and at the same time are constrained and enabled thereby (Jarzabkowski, 2004). A committee is a particular kind of structure in which a particular group of people work together in formally constituted meetings to explore and review strategic issues, make recommendations or implement an initiative (Hoon, 2007). The committee formally organises the interaction of strategic actors and its work is framed by the various informal interactions of exchange and information sharing of those involved. In her study on the role of committees as strategic practice during the implementation of personnel development in a public administration, Hoon (2007) identified gathering strategic input, negotiating activities and making decisions as strategising activity patterns in respect of the work of the committee.

### *2.5.3. Artefacts*

Material artifacts in this context are “those ‘things’ that are part of the everyday doing of strategy” (Jarzabkowski et al., 2013: 41), and include a range of tools and objects such as whiteboards, flipcharts, post-it notes, pens, note-books, graphs, tables, graphic figures, PowerPoint and so on (Werle & Seidl, 2015). These tools include frameworks, concepts, techniques, models and methods (Jarzabkowski & Kaplan, 2015). These tools represent formalised ways to structure analysis and guide decision-making (Suddaby et al., 2013). It can be used to describe methods of simplifying and representing a complex situation (Jarzabkowski, 2003). The use of strategy tools is situated in specific social contexts and comes with affordances that enable and constrain its use (Jarzabkowski & Kaplan, 2015). Strategy tools have proliferated across large populations of organisations (Whittington, 2015). In a survey on the use of

strategic tools in the United Kingdom (UK), Gunn and Williams (2007) found that academically trained managers use tools that are heavily reliant on theoretical frameworks such as the value chain, while professionally trained managers tend to use tools that are associated with industry such as Benchmarking and the Balanced Scorecard.

## 2.6. Summary and conceptual framework

The literature review points to a number of key developments, issues and shifts that frame this research study and that have been integrated into its design and conceptual framework.

The theoretical building blocks on which the foundations of this study rest are a combination of the institution-based, resource-based and knowledge-based views of strategy in organisations. According to Peng (2002), the different theoretical dispositions to studying strategy in organisations are complementary as they extend the scope and focus of analysis. This study primarily draws on the institution-based view (Brinton & Nee, 1998; Ostrom, 1990: 51; Peng, 2002, 2009; Powell & DiMaggio, 1991), which dictated that the research had to be sensitive to the institutional environment that constrains and enables the strategic decisions and actions of the Commission. In addition, it was complemented by the knowledge-based view on strategy in organisations, given the importance of learning and knowledge in the process of change and adaptation to the organisational environment (Choo & Bontis 2002; Grant, 2005; Stewart, 2001). Furthermore, the resource-based view of the firm is used to consider how the internal resources of the organisation contributes to the development of its strategic capabilities (Barney, 1991; Eisenhardt & Martin, 2000; Teece et al., 1997).

The conceptual lens used in the study drew on key concepts used in the emerging strategy-as-practice approach to researching strategy in organisations. Accordingly, the study sought to understand how strategy is implemented in the CCSA through strategy processes (Campbell-Hunt, 2007; Farjoun, 2002; Noda & Bower, 1996; Rumelt, 1975) and practices (Hoon, 2007; Hendry & Seidl, 2003; Jarzabkowski, 2003, 2004; Jarzabkowski & Balogun, 2009; Jarzabkowski & Seidl, 2008; Mantere, 2005, 2013; Vaara & Whittington, 2012; Whittington, 2007), and how these are influenced by factors such as the actors involved (Floyd & Wooldridge, 1992; Hoon, 2007; Mantere, 2005;

Whittington et al., 2011), the activities they engage in (Iszatt-White, 2010; Suddaby et al., 2013), the artifacts they use (Gunn & Williams, 2007; Jarzabkowski & Kaplan, 2015; Werle and Seidl, 2015; Whittington, 2015). The study also took into account the role of communication and language in encouraging or limiting participation (Fenton & Lengley, 2011; Li et al., 2010; Mantere, 2013; Samra-Fredericks, 2003), and how power influences strategy implementation (Hardy & Thomas, 2014; Jarzabkowski & Balogun, 2009).

A key focus of the study was to determine whether strategy implementation contributed to the development of dynamic capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997). This required assessing whether strategic processes and practices enabled the organisation to develop capabilities that could be used to change its resource configurations as a way of strategically adapting to the demands of its environment. The conceptual framework is set out in Diagram 2.1.

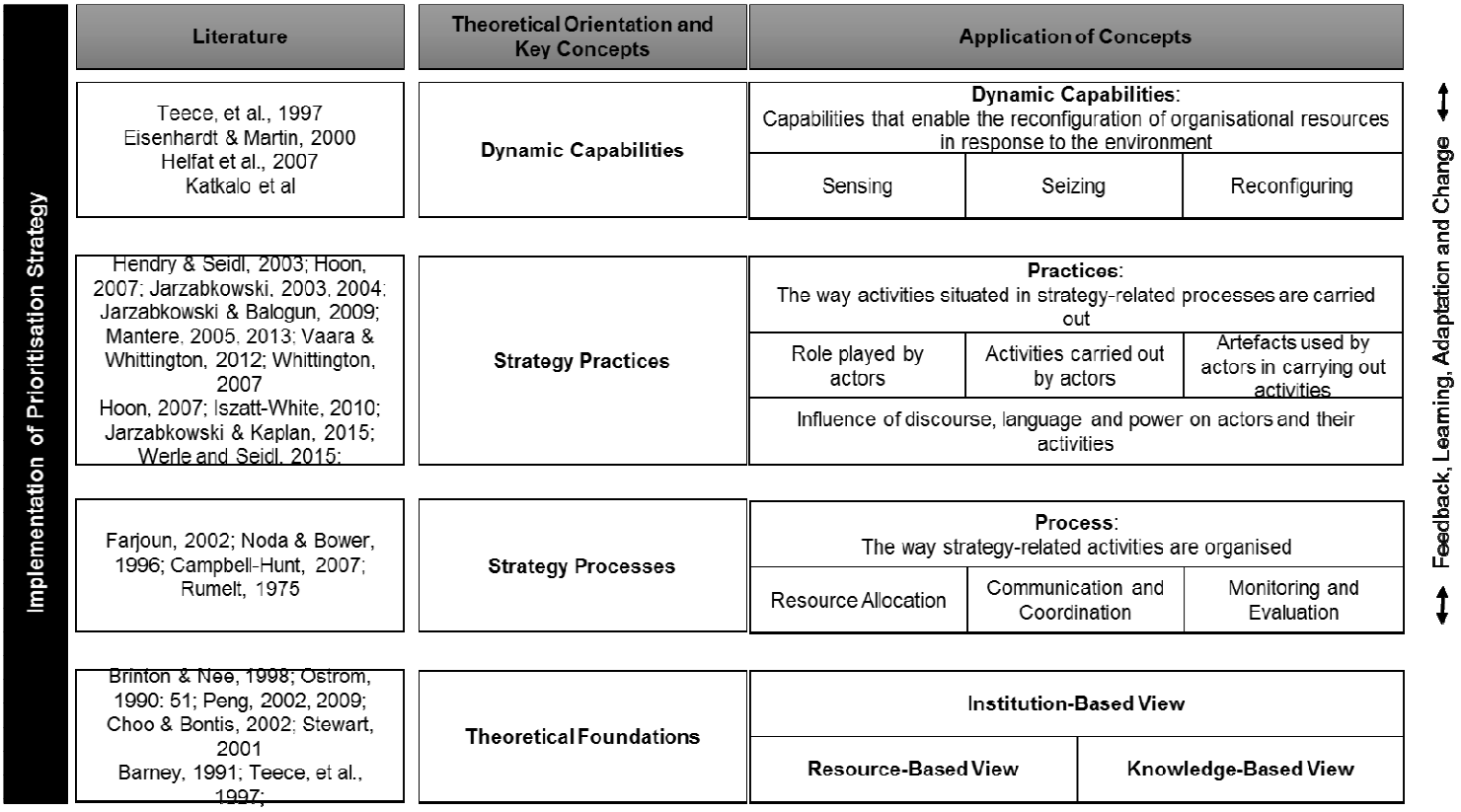



**Diagram 2.1:** Conceptual framework

Source: Author

# Chapter Three: Research Design and Approach

## 3.1. Introduction

The methodology sets out the research paradigm, strategy and design, together with the data collection methods that will guide the investigation. It does so informed by the research problem, purpose and research questions discussed in the first chapter. First, attention is drawn to the key shift away from the orthodox rational economic models of strategy towards an ontology that recognises strategy as socially constructed and the methodological implications thereof.

## 3.2. Research paradigm

The research was underpinned by a critical realist ontological orientation that enables not only a rich description of the phenomenon under review, but also explores explanation of what is described. The critical realist paradigm assumes that social phenomena are produced by mechanisms that are real, but these mechanisms are not directly accessible by observation and are detected only by their effects (Bryman, 2004). Critical social realism holds that real social structures and systems exist that are emergent entities and that they operate independently of our conception of them (Wikgren, 2005). In terms of ontological realism, our knowledge of these phenomena are partial, incomplete and fallible since the real world exists independently of our perceptions, theories and constructions (Bhaskar, 1975; Maxwell, 2010). Thus, critical realism has at its centre the goal of explaining outcomes through a focus on causation, mechanisms and contexts (Clark, MacIntyre & Cruickshank, 2007). Adopting this ontological approach takes into account the complexity and emergent nature of organisations (Marion, 1999). This ontological orientation recognises that processes and practices provide only a partial explanation and that there are structures and constraints that are not visible to researchers and that influence how organisations develop.

A feature of critical realism is that a distinction is made between the ontological and epistemological levels (Wilgren, 2005). While researchers hold a realist perspective at the ontological level, they adopt an interpretive approach at the epistemological level since knowledge of the real world is inevitably a construction based on their own

experience (Maxwell, 2010). Critical realism recognises the interpretative nature of our understanding of reality, highlights the explanatory importance of the context of the phenomena studied, and relies on understanding particular processes, situations and events (Easton, 2010; Maxwell, 2004). Critical realism at the epistemological level is therefore, well-suited to gain an understanding of strategy implementation processes, practices and capabilities in the CCSA through a qualitative research strategy.

### *3.2.1. Research strategy*

Whilst the body of knowledge on strategic management, in general, has grown over the past three decades, research on strategy in the public sector is described as shallow pools of knowledge, rather than a deep reservoir of theory (Poiser, et al. 2010). There has been progress in understanding how to integrate strategic planning into the management process, but the extent and effectiveness of strategy implementation in practice have received limited attention (Bryson et al., 2010). Given the paucity of knowledge and literature on strategy implementation, it is was feasible to adopt a qualitative research strategy fit to explore strategic processes and practices in the CCSA (Monette, Sullivan, & DeJong, 2002). A qualitative research strategy effectively supported the collection of "open-ended, emerging data with the primary intent of developing themes from the data" (Creswell, 2003: 18).

Such an approach further facilitated an inductive enquiry that enabled the researcher to draw inferences out of observations (Bryman, 2004) and it works well with describing and exploring single cases (Wagner, Kawulich, & Garner, 2012). The conceptual framework provided a broad guide to the investigation while the inductive approach enabled the specific dimensions for analysis to emerge within the framework (Patton, 1997).

### *3.2.2. Research design*

A case study approach was adopted to undertake this study. A case study is defined as an empirical inquiry that investigates "a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident"; and "relies on multiple sources of evidence, with data needing to converge in a triangulation fashion" (Yin, 2009: 18). It involves a detailed descriptive account of part of a particular situation, event or initiative with the goal of

gaining understanding through depth and richness of the description of the case (Monette et al., 2002).

Multiple sources of data were used in order to strengthen triangulation by which the researcher searched for convergence from different sources such as interviews, documentary analysis and review of archival research (Monette et al., 2002):

There are various types of case studies, including (Yin, 2009):

- ***Exploratory*** case studies that aim to establish patterns in the data and information collected. The information is collected first and then assessed to discover the patterns and meaning contained therein.
- ***Descriptive*** case studies obtain information on particular features of an issue. It relies on theory to frame the study and point the data collection in the appropriate direction.
- ***Explanatory*** case studies seek to analyse or explain why or how a specific situation or event happens in the way that it does.

The case approach adopted in this study consisted of a combination of these case approaches. It was prudent to adopt an exploratory approach during the initial research phase, given the paucity of information and knowledge on strategy implementation in competition authorities. Information collected in this phase through interviews and document analysis provided the basis for identifying preliminary concepts, categories and elements that were used to deepen the enquiry and analysis in the study.

A descriptive approach was then adopted to develop rich descriptions of the organisation and its institutional environment. At the same time, the conceptual framework assisted in refining the questions that were used in the key informant interviews. As more descriptive data and information became available the case study increasingly sought to adopt an explanatory stance by way of searching for patterns and explanations. In this way, the case study approach adopted here was iterative as it moved from exploratory during the initial research phase, through to descriptive and eventually, into an explanatory case approach.

### *3.2.3. Data collection and sampling*

The study drew on both primary and secondary data to review, assess and analyse the processes and practices of strategy implementation in the Commission.

The secondary data included a literature review and document analysis. The literature review covered eighty articles on the subject of strategy and strategy implementation with a particular focus on the public sector. Moreover, an in-depth assessment was done on the issues and themes relate to strategy implementation processes and practices, and dynamic capabilities as discussed in chapter two.

A total of thirty-five documents produced by the CCSA were reviewed and analysed. The sources included planning documents, reports, guidelines, policies, strategy review documentation and submissions. NVivo 10 was used to organise, code and analyse the document sources. Documents produced in the course of the strategy implementation in the CCSA were analysed as objects of the approaches, decisions and plans resulting from the organisational strategy implementation processes and practices.

| Type | Number |
|---|---|
| Planning (strategic plans, annual performance plans, | 9 |
| Reporting (annual reports, project reports) | 13 |
| Review (periodic reviews on competition developments, strategy reviews, internal reviews) | 5 |
| Guidelines (advisory notes, policies, laws) | 3 |
| Submissions (funding submissions) | 2 |
| **Total** | **35** |

**Table 3.1:** Type and number of documents analysed

Source: Author

Primary data collection consisted of semi-structured interviews in which an interview schedule that defined the lines of enquiry was used to guide the interview process (Wagner et al., 2012). The purpose of the qualitative research interview "is to understand themes of the lived daily world from the subjects' own perspectives" (Kvale, 1996: 27).

The researcher initially set out to interview staff in different positions and levels in the organisation, including senior managers, middle managers and administrators. This strategy was based on the assumption that senior management sets direction, creates enabling conditions and mobilises resources for strategy implementation (Finkelstein et al., 2009); middle managers have specific responsibility for implementing the decisions taken by senior management (Floyd & Wooldridge, 1992); and administrators have the responsibility for providing organisational, administrative and logistical support for the implementation process. Given their different roles, their insights and perspectives were expected to be different thus providing information that could enrich the outcome of the case study. The researcher was able to interview all the senior managers in the organisation, but could unfortunately only interview one middle manager and one administrator. Eleven interviews were completed, as shown in Table 3.2.

| Categories of Respondents | Number of Respondents |
|---|---|
| Senior Managers (including Commissioner, Deputy Commissioners and Divisional Managers) | 9 |
| Middle Managers | 1 |
| Administrators | 1 |
| **Total** | **11** |

**Table 3.2:** Categories and number of respondents
Source: Author

Each respondent was invited to participate voluntarily in the interview process and was provided with an information letter explaining the research process and requirements. Each respondent was required to provide consent to participate in the research process once they understood fully what the process entailed. An interview guide following the structure of the conceptual framework discussed on chapter two (see Annexure 1) was prepared. Following an introduction, respondents were asked to consider the processes that enable the implementation of prioritisation, the organisational practices that support it and the dynamic capabilities that arise from the implementation thereof.

### *3.2.4. Analysis*

A three-phase approach was adopted in the analysis of the data. NVivo was used to organise, structure, code and analyse the data and information. The analysis moved through a series of analysis episodes in which data was condensed into an increasingly coherent understanding of what, how and why (Miles & Huberman, 1994).

The first phase of analysis focused on analysing the internal documents of the CCSA, documents relevant to competition and the economy in South Africa, and a number of documents pertaining to prioritisation in competition agencies. Eighty-six documents were reviewed, including CCSA internal documents. The review of existing secondary data sources provided an opportunity to develop an initial set of themes and questions arising from this process (Wagner et al., 2012). These themes were used to develop a coding structure for the process of analysis.

Coding refers to the process of breaking down the data into component parts or categories which are given names (Bryman, 2004). Each of the codes in the coding structure has been defined and served as the basis for developing a full coding structure for use in the content and data analysis in this phase. Fifty-four codes were developed in this phase and these codes are regarded as First Order codes.

These codes have been created as nodes on NVivo 10 for Windows, a qualitative data analysis software package designed to assist researchers working with rich text-based information. NVivo supports coding by applying nodes to segments of text that can be retrieved in report format. The codes provide the basis for the key themes and issues relevant to prioritisation in competition agencies, the approach adopted by the CCSA, the criteria used in deciding priorities, and challenges faced in prioritising.

Codes identified in the first phase that are relevant to the questions pertaining to processes, practices and dynamic capabilities provided the starting point for the development of Second Order codes. These codes were constructed around the main themes emerging from the key informant interviews. Each interview was transcribed and the transcripts uploaded to NVivo for coding purposes. An initial review of the transcripts

resulted in a number of additional themes being coded to form the Second Order analytical categories (in total 64 codes were developed).

The second phase of the analysis focused on the themes relevant to the evolution of prioritisation, strategy processes and practices associated with prioritisation and dynamic capabilities. Detailed analysis of the themes revealed specific processes and practices, as well as capabilities relevant to the implementation of prioritisation. In this phase of the analysis, the focus was on establishing and identifying the cited processes deemed relevant to implementing the prioritisation strategy. Furthermore, this phase was concentrated on determining the types of organisational practices most relevant to and closely associated with prioritisation. Also, it focused on identifying the capabilities that emerge from implementing prioritisation, particularly those capabilities that enable the CCSA so identify and take advantage of opportunities while reconfiguring its resource base.

The third phase of analysis was focused on establishing the significance of the processes, practices and dynamic capabilities identified in phase two. A third set of themes emerged when the interview data was interrogated from the perspective of the significance of the processes, practices and capabilities identified in phase two.

In this phase, key themes related to how the organisational processes were able to facilitate the implementation of priorities were analysed. A two-step process was used in the analysis to determine the significance of identified organisational processes in the third phase of analysis. Processes were grouped together by virtue of how these enabled prioritisation in the organisation. Three categories emerged that describe the dominant orientation of these processes relevant to implementing priorities. Thereafter, the three categories were analysed to discover what actions each made possible, relative to implementing priorities.

This phase focused on analysing the major themes related to the ways in which organisational practices enable the implementation of prioritisation. A similar two-step process was involved in the analysis of the identified practices. Firstly, each practice was analysed to determine its type and character. Thereafter the analysis focused on

what the purpose of each practice is, and its significance to the implementation of the prioritisation strategy.

Finally, this phase of analysis focused on the way in which capabilities enabled the organisation to identify and take advantage of opportunities and to re-configure its internal resource base in response to the external environment. The analysis of dynamic capabilities that arise from the implementation of priorities was focused on drawing out the significance of each by analysing examples and how these work in the organisational environment.

This phase involved another review of the transcripts to answer the question of how the identified processes, practices and dynamic capabilities enable the implementation of the prioritisation strategy. Twenty-two Third Order codes were developed in the final phase.

### *3.2.5. Reliability and validity*

This study followed Bryman's (2004) alternative approach to establishing reliability and validity by focusing on building the trustworthiness of the study. This entailed ensuring that the study is credible, transferable, dependable, and confirmable.

A number of measures were adopted to enhance the trustworthiness of the study. Firstly, the use of NVivo 10 for Windows, the software package used to analyse text-based information, assisted significantly in organising, storing, structuring and coding the primary and secondary data. Furthermore, the software package enhances the traceability and transparency of the data analysis by recording and storing the codes and associated data electronically.

Secondly, the data analysis evolved over three phases. Each phase progressively deepened the understanding of the analytical categories by approaching the same themes from different perspectives. The First Order analysis established a framework that mapped out the themes and issues relevant to prioritisation in competition agencies. The Second Order analysis focused on identifying the main units of analysis within this framework and that pertains to the processes, practices and dynamic

capabilities. The Third Order analysis enabled the researcher to identify the significance of the main analytical categories identified.

Thirdly, multiple sources of data in the form of documentary content, participant observation and interview data were used to crystallise (rather than triangulate) the subject by way of a "deepened, complex and thoroughly partial understanding of the topic" (Richardson, 2000: 14).

### 3.3. Ethics

The CCSA was formally approached for consent to undertake the study. Furthermore, when inviting all research participants to participate in the study they were formally informed that their participation in the study was voluntary and that they had the right to withdraw from the process should they wish to do so (Wagner et al., 2012). All participants formally agreed to have the interviews audio recorded by signing consent forms. The communication with participants also set out the standards for confidentiality (Bryman, 2004).

### 3.4. Summary

This research is framed by a critical realist ontological perspective in which social phenomena are produced by mechanisms that are real, although these mechanisms are not directly observable and are detected only by their effects. A qualitative and inductive research strategy is adopted with a case study research design focused on the CCSA as the site of study. Data collection comprised a review of secondary data, document analysis and semi-structured interviews. A three-phased approach to the data analysis was adopted. The first phase of analysis focused on a review of internal CCSA documents. The second phase focused on analysing the relevance of prioritisation and the associated processes, practices and capabilities. The final phase focused on analysing the significance of these processes, practices and capabilities.

# Chapter Four: Evolution and Implementation of the Prioritisation Strategy in the Competition Commission South Africa

## 4.1. Introduction

The findings discussed in this chapter flows from the second phase of analysis in which the key themes relevant to the evolution of prioritisation and its implementation as a strategy were mapped. The themes were identified for their relevance to the evolution and implementation of prioritisation. This section commences with a description of the way in which prioritisation evolved in the CCSA with reference to how it is understood and motivated; what criteria are used for prioritising; and the challenges experienced in prioritisation. This sets out the framework for understanding prioritisation from the perspective of the CCSA as the case study for this research. Thereafter, the chapter identifies specific processes and practices that respondents identified as relevant to implementation of the prioritisation strategy. Furthermore, it notes capabilities identified by respondents as key to ensuring that the organisation is able to identify and exploit opportunities.

## 4.2. Setting the scene: understanding prioritisation

The following section explicates prioritisation in the context of completion policy implementation and with reference to how priority setting is defined, the criteria used in the process and the key challenges thereto. Special use is made of international experience documented by international organisations such as the International Competition Network and UNCTAD. International developments provide the context in which the CCSA adopted its prioritisation strategy.

### *4.2.1. Defining prioritisation*

Prioritisation refers to “a process of deciding what type of activities, enforcement actions, advocacy initiatives, or in general competition policy measures a competition agency might pursue in a given period of time” (UNCTAD, 2013: 4). Prioritisation is predicated on competition agencies being able to make choices about what they regard as strategically important or not. The ability to make these choices assumes that competition agencies have discretion to make such choices. This was a concern shared

by CCSA staff at the time when discussions on prioritisation ensued following the strategic planning process in 2006.

> There was some debate around…prosecutorial discretion. Can we do this, you know? Can we say we will focus on this and not do other things you know? We did get to a point where we realised that yes; … there is no conflict between prioritisation and prosecutorial discretion. Then we reconciled there is no internal conflict between prioritisation and prosecutorial discretion. (Senior manager interview).

According to Wils (2011: 353) competition agencies have discretion "whenever the law leaves the authority a certain freedom to choose among different possible courses of action according to the authority's own judgment." Competition agencies have discretion over organisational, procedural and institutional matters (Petit, 2010). Discretion is inferred when the legislature or courts have not laid down any rules or standards that govern the conduct of the competition agency and it has to create its own standards (Wils, 2011).

### *4.2.2. Motivations for prioritisation*

Wils (2011) sets out six motivations for prioritisation. Firstly, rules that set out anti-competitive conduct may be over-inclusive so that it is necessary for competition agencies to have discretion as to which cases they pursue. Secondly, the costs of pursuing a case may exceed the benefits of doing so. Thirdly, the limited resources available to a competition agency may not allow it to investigate and pursue all infringements. Fourthly, it may be prudent not to pursue cases if complaints received only concern a specific type of infringement and pursuing these complaints result in insufficient resources being available to pursue other infringements that may be as important or have greater import. Fifthly, it may be possible to achieve the same level of deterrence by pursuing fewer contraventions rather than all, and punishing these more harshly. Finally, other enforcers of the law may be better placed to deal with a particular case.

The International Competition Network regards prioritisation as important because it provides competition agencies with the mechanism to allocate resources to the most

relevant projects in a resource constrained environment (International Competition Network, 2010). The concern for focusing limited resources on areas in which the CCSA would be able to make the greatest impact as a key motivation for adopting prioritisation was widely shared among the respondents. According to respondents, the logic of prioritisation is one in which setting priorities enables the organisation to focus and concentrate its limited resources on sectors and cases in which its address anti-competitive conduct would make a difference in the economy and to consumers.

> Ja, prioritisation is once again; it's a product of trying to balance you know, the limited resources that you have and still make an impact in the market in terms of what you do, because prioritisation says, identify the sectors that are important, not just important for the sake of being important, but important for the economy at large… (Senior manager interview).

### *4.2.3. Criteria underpinning prioritisation*

The manner in which competition agencies set priorities differs from one jurisdiction to another and may involve criteria set out in the law, the experience of the agency, specific sectors, or public interest (International Competition Network, 2008), That complaints and cases should be economically significant with the potential to yield substantial precedent is a criterion used by a large number of competition agencies (UNCTAD, 2013). Jenny (2013) summarises the criteria used as the gravity of the infringement (such as cartels), high impact, importance of the sector to consumers, high profile (food), low resources required or ease of proof (such as leniency applications), precedent setting, type of practice, availability of remedies, social relevance of the cases, and whether the competition agency is best placed to act.

The adoption of criteria is useful for justifying the prioritisation of specific interventions and contributes to the legitimacy of a competition agency's activities by providing a clear and explicit framework for taking decisions on priorities (International Competition Network, 2010).

### *4.2.4. Challenges to prioritisation*

Prioritisation in competition agencies introduces a number of challenges that organisations should take cognisance of. Agencies run the risk of arbitrary

discrimination in the application of their discretion to pursue matters by using criteria that are unrelated to optimal competition enforcement or efficient resource allocation (Wils, 2011). Prioritisation may introduce availability bias in which those working on priorities focus excessively on whatever is immediate and available, given that their performance is judged on the most readily available output. Prioritising specific sectors or contraventions may encourage those involved in contraventions to conceal evidence of their infringements and in the process make it more difficult to obtain the information required to successfully pursue cases.

## 4.3. The Competition Commission South Africa's approach to prioritisation

The CCSA approach to prioritisation should be viewed against the backdrop of factors that influenced its adoption in the organisation and how it evolved over time, as discussed in this section.

### *4.3.1. Background to prioritisation*

Three key issues create the backdrop to the adoption and implementation of prioritisation as a strategic approach by the CCSA. These include the economic conditions prevailing in South Africa, the adoption of prioritisation among competition authorities in the world, and efforts by the CCSA to shift from being re-active to becoming more pro-active. This section explains how the policy focus to transform the South African economy towards a labour-absorbing growth path provided the economic rationale for prioritisation while the diffusion of priority setting as a strategic planning practice among competition agencies across the world provided the legitimacy needed to justify this approach. Furthermore, it describes how the intention to become more pro-active created the organisational space within the CCSA to embark on prioritisation.

#### 4.3.1.1. Competition policy and the quest for economic transformation

The economy inherited by the democratic government following the demise of Apartheid in 1994 was protected, concentrated and dominated by capital-intensive sectors with strong links to the mining and resource base. State intervention through state-owned enterprises (SOEs) privileged the development of the minerals-energy complex (Fine & Rustomjee, 1996). Prior to the democratic transition, strategic concerns of the Apartheid government related to defense and liquid fuels, together with the needs of the resource

extraction and processing industry, were prioritised and left a deep imprint on the economy through state intervention (Aron, Khan & Kingdon, 2009).

There has been a remarkable degree of path dependence notwithstanding reforms to restructure the South African economy. The present growth path remains dependent on the minerals value chain, is underpinned by bottlenecks and backlogs in infrastructure, particularly energy, and is characterised by continued economic concentration in key sectors, combined with monopoly pricing at the expense of industrial development (Ashman, Fine, Padayachee & Sender, 2014).

The country's economic development strategy, *The New Growth Path* adopted in 2010, aims to shift South Africa's growth path away from an industrial development trajectory that is locked into a developed minerals-energy complex with weak linkages to other industries domestically. It seeks to shift it towards an economy that is labour-absorbing along the agricultural value-chain, light manufacturing and services in the medium term and in the long term, to knowledge and advanced industries (Department of Economic Development, 2010). Competition policy is regarded as an important policy remedy for addressing excessive levels of concentration in the economy. Without competitive discipline, firms are able to use their market power and achieve abnormal returns by means of collusion and rent extraction and by so doing hurt consumers and the economy (Competition Commission, 2008). The strategy to prioritise was adopted to by the CCSA in order to concentrate and leverage minimal resources towards those sectors and markets in which the abuse of market power adversely affects consumers and the South African economy.

#### 4.3.1.2. International legitimacy of prioritisation

The International Competition Network (ICN) has played a key role as a platform for sharing experience and building capacity of young competition agencies. This informal network was launched in 2001 with 16 competition agency members and has since grown its membership to 131 in 15 years (International Competition Network, 2009; www.internationalcompetitionnetwork.org). The network comprises established and newly established competition agencies and aims to improve and advocate sound

competition policy and its enforcement across the world. The work of the organisation takes place in Working Groups (International Competition Network, 2009).

The work undertaken by the Agency Effectiveness Working Group (AEWG) on strategic planning and prioritisation as part of its mission of identifying key elements of well-functioning competition agencies and good practices for strategic planning, operations and enforcement tools and procedures, provided a forum for sharing experience and highlighting the important role of prioritisation in agency effectiveness. The AEWG (previously known as the Competition Policy Implementation Working Group) undertook the first systematic review of how agencies address institutional and operational needs and constraints by carrying out a survey in October 2007 to February 2008, and found that all 20 agencies surveyed indicated that they engage in some form of prioritisation (International Competition Network, 2008). This was followed by the production of a practice manual providing guidance to competition agencies on strategic planning and prioritisation. (International Competition Network, 2010).

The activities and work products of the AEWG raised awareness of the role of prioritisation in enabling strategy implementation and the type of practices adopted by competition agencies in different jurisdictions. The CCSA was an active participant in these processes and benefited from the knowledge and discussion shared in these fora. Prioritisation was increasingly regarded as a legitimate strategy for young competition agencies in developing countries facing significant challenges with meagre resources.

#### 4.3.1.3. Internal shift from reactive to proactive competition regulation

The CCSA focused its attention on establishing its institutional capacity, creating awareness among the legal community, consumers and other stakeholders, and setting up business processes to streamline investigations (Competition Commission South Africa, 2007; Bleazard, 2013), in addition to working on merger regulation (Makhaya & Roberts, 2013). By 2006, the organisation recognised that it was on the verge of a new phase of development influenced by changes such as the adoption of the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), a competition policy review and the appointment of new leadership and it responded to these changes by formulating and implementing a strategic plan (Competition Commission South Africa, 2007a).

A key outcome of the planning process was acknowledgement that the CCSA "should take a more proactive stance in dealing with sectors that have high levels of concentration and anti-competitive market structures and practices" (Competition Commission, 2006a: 3). As such, the organisation set itself the goal of defining and clarifying the CCSA approach and methodology. This was to be achieved by developing a methodology that would enable the organisation to prioritise sectors and cases and become more pro-active in addressing market concentration and anti-competitive conduct. The CCSA regarded prioritisation as a means to become more pro-active, "that is, making appropriate decisions about which sectors and cases the Commission focuses on in pursuit of its mandate" (Competition Commission, 200a7: 1 - 2).

### *4.3.2. Evolution of the prioritisation approach in the Competition Commission South Africa*

The evolution of the CCSA approach to prioritisation is characterised by an increasing level of sophistication in the approaches adopted, criteria used and the recommended instruments for intervention. Three periods of development and implementation are discernible, that is 2006 to 2009, 2010 to 2014, and 2015 onward.

For the period 2006 to 2009 the processes for developing the prioritisation framework involved undertaking an assessment of the relationship between competition policy and government's broader national policy objectives; explaining how prioritising of certain sectors or complaints will improve the effectiveness of the organisation; reviewing experience of other jurisdictions regarding prioritisation; and recommending sectors based on identified prioritisation criteria. The approach set out in the discussion document was formalised in adopted by the CCSA as a *Framework for Prioritising Sectors and Cases* (Competition Commission South Africa, 2007a). The priority sectors were financial services, infrastructure and construction, food, agro-processing and forestry, telecommunications, and intermediate industrial products.

These sectors were identified following the application of criteria set out in the framework. The first criterion focuses on competition concerns and considers the degree of concentration (including barriers to entry; price unrelated to cost of demand factors, irregular price differences; low rate of price switching), and the most harmful

anti-competitive practices including, hard-core cartels and abuse of dominance. The second criterion focuses on alignment of the sector to government economic policy and sector priorities by considering its importance to economic policy; importance to South Africa's competitiveness and the effective working of the economy; extent to which sectors provide essential inputs to other economic sectors; and the extent to which the sector is able to contribute to empowerment, new entry and growth of small, medium and micro enterprises (SMEs) (Competition Commission South Africa, 2007a).

An internal task team reviewed the prioritisation of sectors and cases in 2010 (Ratshisusu & Bonakele, 2010), following the adoption of the strategy for the period 2010 – 2013 (Competition Commission South Africa, 2009a) and the adoption of the strategic goal of achieving demonstrable outcomes in the economy through prioritisation of sectors and cases. The review took account of changing external conditions particularly with regard to government's emphasis on labour-absorbing economic growth aimed at addressing unemployment and poverty. The approach to the prioritisation of sectors and cases recommended by the task team refined the organisation's approach in two material ways.

Firstly, the CCSA sought to bring the full range of available instruments to bear on priority sectors, including investigations, advocacy and market enquiries. In the prioritisation of sectors, it was proposed that different interventions are targeted at specific sectors. Thus, the priority sectors for investigation were identified as infrastructure inputs into construction; mineral resources and intermediate industrial products; food and agro-processing; and telecommunications. Banking, construction services and public transport were earmarked as priority sectors for advocacy while the health care sector was targeted for a market enquiry (Ratshisusu & Bonakele, 2010).

Secondly, the criteria for selecting priority investigations were further refined and described in more detail. For an investigation to be prioritised investigators must consider whether the complaint is in a priority sector, the competition issues involved, the type of infringement, the potential for precedent-setting, extent of harm caused, enforcement capability of the CCSA, and the likely net result considering the nature of the complaint relative to the extent of harm and the enforcement capability of the

organisation. The task team integrated the different criteria into principles referred to as SCREEN (**S**ector, **C**ompetition Issue, **R**esources, **E**xtent of Harm, **E**nforcement Capability, **N**et Result).

The CCSA initiated consultations with stakeholders including Business Unity South Africa, Grain SA, National Consumer Forum, Federation of Unions of South Africa (FEDUSA), Congress of South African Trade Unions (COSATU), National Treasury and others between 2011 and 2012 as part of a comprehensive review of prioritisation. The review included taking into account additional factors from the Income and Expenditure Survey (IES), sector and industry contribution to GDP, and government's Medium Term Expenditure Framework (MTEF) in order to broaden the scope of prioritisation. Furthermore, the review undertook a comprehensive assessment of previous priority sectors highlighting investigations, outcomes and outstanding work that culminated in the development of a Prioritisation Advisory Note (Competition Commission South Africa, 2015c). The advisory note recommends priority sectors that form the focus of various interventions by the organisation, including investigation and enforcement, impact assessment, scoping study, advocacy, monitoring and market inquiry interventions. The sectors in which these interventions are to be implemented are food and agro-processing; intermediate industrial products; financial services; media; energy; and private healthcare. A summary of the evolution of prioritisation within the CCSA is presented in Annexure 2.

As noted earlier, the CCSA focused on merger regulation in the first five years of its establishment. The adoption of the prioritisation strategy in 2006 was a catalyst for the CCSA to strengthen its enforcement activities in sectors and markets with high levels of concentration and competition concerns in a pro-active manner. Enforcement activities focused primarily on cartels and abuse of dominance transgressions. Prioritisation was aimed at increasing enforcement in priority sectors. While the record on anti-cartel enforcement has been robust with the pro-active approach contributing to uncovering wide-spread collusive conduct, the record on abuse of dominance has been less so (Makhaya & Roberts, 2013).

Analysis by Tapia and Roberts (2015) show that the CCSA receive between 100 and 200 complaints annually, but only conducts about twenty in-depth investigations as the overwhelming majority of complaints do not raise substantive competition issues. Their analysis indicate that the CCSA only referred nine-teen abuse cases to the Competition Tribunal between 1999 to December 2012 at an average of 1.5 cases per year. The Competition Tribunal determined that abuse of dominance occurred in only eight of the cases, with two decisions later set aside by higher courts. There are several challenges that account for the poor record of success in abuse of dominance cases, including different interpretations of law between the Competition Tribunal and the Competition Appeal Court, the time it takes conclude cases, and procedural challenges by well-resourced parties (Makhaya, Mkwananzi & Roberts, 2012).

## 4.4. Relevant organisational processes

The study set out to identify the processes that enable the implementation of the prioritisation strategy by asking respondents which organisational processes are oriented towards the enabling its implementation. This approach assumed that while there are many different organisational processes, some were more to relevant the implementation of the prioritisation strategy than others. Respondents identified six processes relevant to enabling the implementation of the prioritisation strategy, as discussed below.

### *4.4.1. Governance processes*

Governance involves the processes and systems by which public organisations “are directed, controlled, and held to account” (Department of Public Enterprises, 2002: 3). The CCSA has established institutional arrangements comprising structures and processes by which it directs, controls and accounts for its performance. The authority to direct and control the affairs of the CCSA is vested in key governance structures and processes, including the Commissioner’s Meeting, Case Management Committee Meeting, Executive Committee (EXCO) and the Management Committee (MANCOM). It is in these governance structures and processes that priorities are examined and key decisions made to endorse specific priorities.

Respondents note that the Commission Meeting performs a critical role in making decisions and endorsing priority cases. The Commission Meeting comprises the

Commissioner and the Deputy Commissioners with relevant Divisional Managers in attendance to provide advice (Competition Commission South Africa, 2015d).

> So that, I think that's one of the big advantages of having things like we have the Commission Meeting. Where you, you know, that is your forum or your platform. Before a case gets initiated or any things like that, you know, it's presented to the Commission Meeting and then we look at it and say is this something you wanna take on? (Senior manager interview)

The Case Management Meeting reviews assesses and provides advice on the strategic direction in regard to cases and in this way, the CCSA is briefed on work undertaken by divisions responsible for cases (Competition Commission South Africa, 2015d). This meeting is important for "dealing with bottlenecks that may be there" (Senior manager interview).

The EXCO is the administrative body of the CCSA and is chaired by the Commissioner. This governance structure advises the Commissioner and his deputies on administrative aspects of their functions. EXCO plays an important role in priority setting through the business planning process and in keeping track of performance through the quarterly meetings in which the quarterly report is reviewed.

> Currently it's Exco that approves the business plans. The discussions at Exco are intense. Largely around where people present draft business plans. Yes and essentially there is a lot of back and forth engagement then around whether something is really, of strategic, a particular case is strategic. Is it winnable? Does it matter? And whether it is even in a priority sector? You know, is it a critical case for the economy? And of course then they would continue to tell us what budget, and what resources they are intending to put there; quarterly milestones … and then what risks they anticipate and how they would mitigate those upfront per case (Senior manager interview).

The MANCOM meeting has been re-constituted as a broader platform to include managers and principals and play an increasingly important role in planning and review in the mid-term review workshop.

> … there is also an organisational-wide planning and review which is done by MANCOM. This is EXCO and basically the broader management of the Commission which includes the Commissioner, Deputy Commissioners, Divisional Managers and Principals. Because it's been re-constituted, re-thought because remember previously it was just middle managers basically. But now it's been re-thought as a primary planning and review. It's a very important management tool. (Senior manager interview)

### *4.4.2. Strategy and business planning processes*

Respondents concur that the organisational strategy and business planning processes followed since 2014 are expected to strengthen prioritisation and embed these across the organisation.

The planning processes of the CCSA are governed by prescripts set out in various guidelines and regulations (National Treasury, 2010). The guidelines set out what needs to be produced and submitted to National Treasury, but do not stipulate how the strategy must be produced. Governmental organisations that are subject to the public sector planning prescripts have the latitude to design and execute their own strategy formulation processes. The CCSA strategy process was initiated with a situational analysis in which the activities of the organisation over the past 15 years were evaluated to determine the performance over this period and the critical priorities that need to be addressed in this strategic plan (Competition Commission South Africa, 2015d).

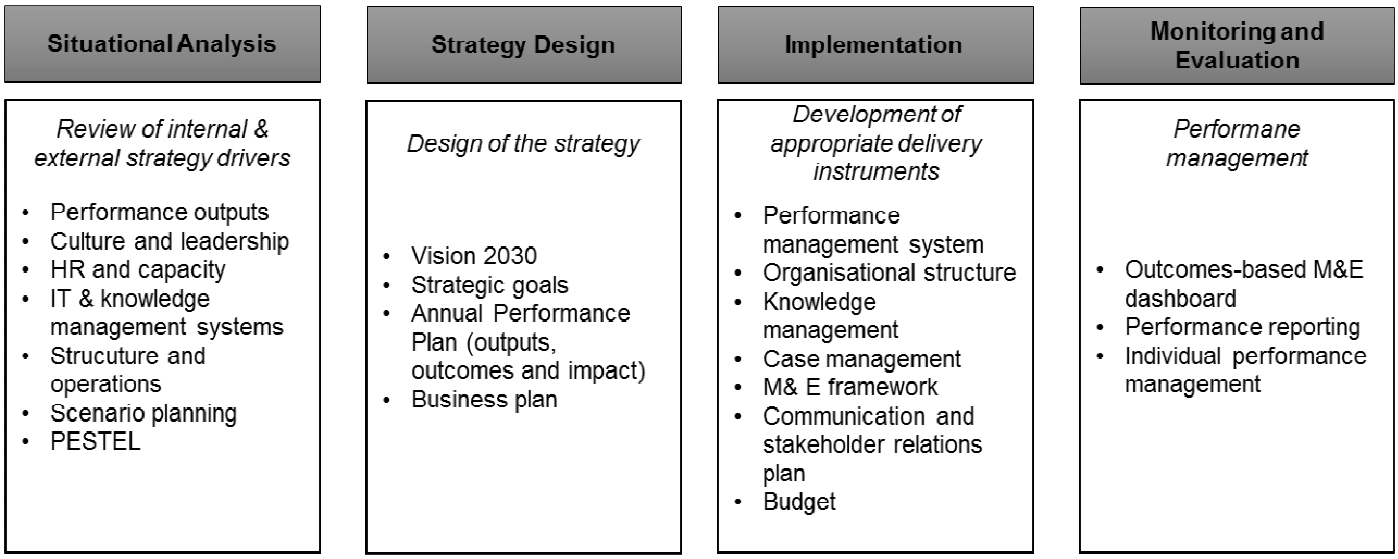



**Diagram 4.1:** Strategic planning process

Source: Competition Commission South Africa, 2015d

The strategy formulation process involved extensive consultation and collaboration with staff at all levels of the organisation through a series of meetings and workshops.

> So I mean it was extensive consultation, on-going conversation even just right from the vision. What do we mean we want a growing and increasing economy? What is an inclusive economy, what does that mean? And so just at each stage of the process if we're defining the vision, then there's some definitions which will stay and some will go. So I think there's a very collaborative process. All staff were involved, every single staff member were part of this process at different levels. There were Exco and Mancom workshops. There were senior manager workshops and then general workshops, even for implementation. (Senior manager interview)

The Annual Performance Plan (APP) of public organisations is required to detail specific performance targets and describe the programmes by which the targets will be achieved in pursuit of the strategic goals of the organisation (National Treasury, 2010). The APP analyses recent developments in the operational environment provides detailed planning information on programmes and considers details of the organisation's budget.

The CCSA has adopted a novel approach to the development of the APP. In essence, the CCSA has developed an APP that meets the compliance requirements in terms of national guidelines. This is a stakeholder-oriented plan with detail relevant to stakeholders outside of the organisation. In addition, the CCSA has developed what is referred to as the 'business plan' or 'non-APP' components. This embeds detailed information about indicators and targets required to produce the formal APP that is submitted to stakeholders. This distinction has become necessary to enable the organisation to track all relevant performance information and manage performance. In this way, the CCSA has moved beyond its formal compliance requirements to using the APP as a management instrument.

> So planning, you have the APP, which is very much externally driven. So, APP is what the AG would look at … what Parliament would look at, and there's a very clear criteria in terms of the APP. So we said, but the APP is not enough as a management tool. Because that's all we had before. We now have a Business Plan. And our Business Plan will contain APP targets, which are largely high level, externally focused, as well as what we call, for lack of a better word, non-APP targets. But for us that's a Business Plan. The key management tool is not APP. If we manage the APP, the, the Business Plan, very well and we deliver on it, we would have delivered on the APP. (Senior manager interview).

Divisions 'own' targets in the APP and are responsible for embedding these targets in granular levels of detail in divisional plans. The ownership of the targets is informed by the different functions performed by divisions.

> So, the Business Plan would then identify - it would identify the case; it will identify the teams that are going to work in, on that case, including team members from other divisions. It will then have milestones. It will say: we have Quarter 1, we've Quarter 2, we've Quarter 3 – we want to achieve X in Quarter 1; we want to achieve Y in Quarter 2, we want to achieve whatever in Quarter 3. (Senior manager interview)

Divisions develop business plans in consultation with other divisions though the degree of consultation varies from division to division. Consultation during business planning also constitutes an effort to address operating in silos due to the limitations imposed by organisational design along functional lines.

> We actually had a meeting with Policy and Research, had a meeting with Legal Services as well and we actually, went through the whole list of cases and we said, we agreed that these are the cases that we want to bump up into being priority cases. So, by the time that the Business Plan goes to Exco, they would have actually had the input, made the input into that Business Plan. (Senior manager interview).

The level of detail provided in embedding of priorities in the business plan was emphasised by several respondents as a key measure that supports prioritisation through the strategy and business planning process.

> This is this business planning process that I'm talking about. I mean the divisions' business plans, I think, are way more useful and helpful now than they used to be. You know they set out the cases specifically, and that filters down to performance contracts with individuals, and I think that is embedding that idea that these are priority cases. These are the cases that will result in delivering against the business plan. (Senior manager interview)

### *4.4.3. Scoping studies processes*

The CCSA is able to gather information and develop knowledge of select markets through the process of undertaking scoping studies. The scoping studies have been instrumental in facilitating a more pro-active approach by the CCSA in that these enable the organisation to identify competition issues in markets. Scoping studies are regarded as a "catalytic agent to the principle of prioritisation – for they enable the Commission to initiate work in the targeted sectors, without undue reliance on public complaints" (Competition Commission South Africa, 2015d: 96). The outcomes of scoping studies could lead to an investigation, a market enquiry, an advocacy intervention or no action at all. The scoping studies examine how markets work and what the competition issues are.

> Informed by prioritisation yes. We get an agreement with the Commissioner that here is priority areas to scope. We then go out and scope those markets. Then report back on the scoping outcomes. First to the Commission by holding a seminar or workshop around the outcomes of scoping, then second to the Commission Meeting to adopt their practice of scoping. The outcomes are meant to inform the choices of cases you take. But they also have a learning opportunity too because then you learn how those markets work. (Senior manager interview)

The generation of knowledge about sectors is an important function of the scoping study. Workshops held with staff around the outcomes of the scoping study further provide an opportunity for knowledge sharing across the organisation.

### *4.4.4. Resource allocation processes*

The allocation of resources towards priorities has become more deliberate, according to respondents. This is to ensure that there is better alignment between available resources and the selected priority sectors and cases.

> If a matter is a priority matter, you then allocate resources accordingly in terms of external counsel, law firm as well as the interim resources. So even the resourcing process is performed by the prioritisation. (Senior manager interview)

Moreover, divisions have become more capable of setting budgets and assembling the required resources by taking into account the level of priority and the funds and people needed to pursue specific priorities.

> So, the same thing because we knew on the big cases, especially the big cases, I mean you're gonna need senior council, you're gonna need this, you're gonna need that. So, you target with your prioritisation, you prioritise your division's budget to be focussed on those cases. (Senior manager interview)

In addition, the responsibility for determining budgets in respect of priorities are increasingly shifting towards divisions. This, in turn, has shifted accountability for the

use of financial resources to divisions so that they have to explain variances that arise in the accomplishment of priorities in quarterly and other meetings that track performance, including expenditure.

> So in this case they had budgeted R500 000.00. They spent zero. Why not? Should we be re-allocating those resources somewhere else because we also monitor and the CFO is part of these discussions as well. He also has an interest that we are spending the budget as we had intended. And, I mean, this is also an important question, the resource one. If we say in a critical case, we've not met a target but yet we're not spending on consultants, in other words on lawyers or the experts. (Senior manager interview)

Assembling the financial resources for cases has made teams more cost-conscious. Previously teams were not required to consider the budget implications of their work. Now, they must estimate the cost of the investigation, including sourcing and assembling additional resources such as legal experts. This process has increased sensitivity and awareness to budgetary implications in the accomplishment of their priorities.

> They have become more … cost-conscious, they've become more budgeting-conscious, like more ... because the fact that they now realise that a budget is not something that's somewhere out there, you know. It's now, actually … they realise that whatever they're doing within their cases, eventually adds up to what the division is ... how the division is spending its budget and eventually, of course, how the Commission is spending its budget. So, it's now conscientised them to see that actually, it's their responsibilities too. It's their responsibility to manage how they're spending money on cases. (Senior manager interview)

### *4.4.5. Case management processes*

A case is managed through various stages, including receiving and screening a complaint; initiating an investigation; taking a decision on whether to refer or non-refer a matter to the Competition Tribunal; and prosecuting the matter. When a complaint is received from the public it is screened in terms of a preliminary investigation. The outcome of the preliminary investigation is a recommendation to EXCO either to launch

a full investigation or to non-refer the matter. The case will be allocated to a team if EXCO approves an investigation. The team will prepare an Investigation Plan for the matter and table a draft report to the Commission Meeting where feedback is obtained towards the finalisation of the report. The Commission Meeting will determine whether the matter should be referred to the Tribunal.

As mentioned earlier, the Commission has developed SCREEN principles to screen cases through a preliminary investigation. A Screening Unit applies the principles for assessing whether a complaint should be recommended for non-referral of further investigation. The application of the SCREEN principles is expected to place prioritisation at the centre of the case selection process "because screening is one of the key ways in which you, you deepen prioritisation" (Senior manager interview). Cases are screened so that only a limited number of cases that meet the criteria make it through the assessment process. These cases, however, should take forward the priorities of the Commission with regard to sectors and priority cases. The assumption is that the organisation cannot afford to spread its limited resources across a large number of cases without the likelihood of these cases making an impact on prioritised sectors and changing anti-competitive conduct. There are concerns about the way in which the SCREEN principles are applied. A common lament by respondents is that the principles are applied inconsistently.

> The screen has been a bit of a pain, in fact it has not been fully implemented, even today. So this is where screening comes in right; had we applied screening very, very carefully we would have selected very few cases ja. (Senior manager interview)

Two key reasons are attributed to the inconsistent application of the SCREEN principles First is the number of leadership changes over the years in the division in which the Screening Unit is located. Secondly, concerns are expressed about the level of experience in the Screening Unit (Competition Commission South Africa, 2012c - evaluation). The senior principal works with junior analysts and graduate trainees. It is argued that more experienced staff should undertake screening, given the importance of the screening process in prioritisation and case selection.

> No in fact, in the beginning there was a lot of resistance, but why should we be addressing this and the reports that teams would do would not be very helpful, but you know, the practise, I think, got embedded for a while and then it fell off again and just basically we're back to now…I think that had a lot to do with it, personnel change both at management level because E&E had a lot of changes. (Senior manager interview)

> …screening is also like a training unit for us. New employees will go to screening, they'll start with all the small reports and then they'll go to their sections (Senior manager interview).

The case load of the CCSA is an important indicator of prioritisation. More cases mean more resources are required, both in terms of people and funding. The organisation's resources are more thinly spread with a higher number of cases under investigation, rather than concentrated on a limited number of priority cases. Significant effort has been invested in rationalising the case load of the organisation since 2010, following the adoption of the revised prioritisation framework. This includes the establishment of a Case Pipeline Meeting, which has subsequently been collapsed into the Commission Meeting. Total complaints and investigations numbered 361 in 2010 and has since reduced by almost half with 188 at the end of the 2014/ 15 financial year (see Figure 4). Furthermore, a deliberate effort has been made in the current APP to limit the number of new cases under investigation to five so as to ensure that the selection of cases for prioritisation is done effectively. This is notwithstanding the fact that there may be other cases that remain important. Rather these cases are re-prioritised for completion over a longer period of time.

> So, there are cases that are important, still, in terms of whether they in the priority sector, etc., but because we are deliberately limiting the number to five, these other cases we then plan on doing over a long period of time. … So, Exco would say: 'Okay, we agree that there's certain cases that are still important for us, but we may finish, not in this coming financial year, but in the next financial

> year, but the five that we are saying we're prioritising, must be done by the current, within the current financial year'. (Senior manager interview)

### *4.4.6. Performance monitoring and evaluation processes*

Government adopted the Outcomes-based Planning Approach in 2010 (The Presidency, 2010). This approach calls for a systemic assessment of what impacts and outcomes are achieved as a result of government intervention. An important aspect of this approach is the need to establish indicators as the basis for monitoring progress and evaluating results. The outcomes approach encompasses a focus on results as it seeks to make explicit the relationship between outcomes, outputs, inputs and resources through the application of a clear logic chain.

The CCSA adopted an approach consistent with the outcomes-based planning approach. The planning approach underpinning the strategy and business planning process involves a hierarchical chain that links the strategic plan to individual performance plans. The strategy is at the apex of the chain and provides the framework and focus that directs the work of the CCSA. An Annual Performance Plan (APP) takes the goals set out in the strategic plan and breaks these down into annual targets and activities. In turn, the targets and activities are embedded in Individual Performance Plans of Commission staff.

> So that chain then right at the top is the Strat Plan. Step two would be the APP and then we would regard the business plan as step three and then individual performance contract then as step four, individual accountability. It was important to us, that that chain is not broken. That it's a linear process that kind of flows from one to the other. (Senior manager interview)

The CCSA has developed a set of 11 outcomes associated with its strategic goals with a number of outputs to achieve the planned outcomes in its strategic plan. Furthermore, each output has key performance indicators and targets. The outputs are further broken down in the APP into quarterly milestones. An important focus has been to ensure that indicators are SMART (**S**pecific, **M**easurable, **A**chievable, **R**ealistic, **T**ime-bound) to improve measurability (Competition Commission South Africa, 2015d). Moreover, this

focus extends to generating and using performance information to assess progress against planned targets.

> One of the most important practices that have emerged out of this new or improved planning framework is actually performance information; keeping track or keeping record of performance information. That has become very critical because it is that performance information that you know, is evidence of how we are doing in terms of business planning and strategy executions. So there's a lot of focus currently on performance information (Senior manager interview).

The performance information is assessed through a number of meetings and workshops, including the Commissioner's Meeting, Case Management Committee Meeting, Executive Committee (EXCO) Meeting, and Divisional Meetings on an ongoing basis. The Mid-term Review Workshop has emerged as a critical meeting to assess performance in the organisation. It provides an opportunity for staff to account for their performance to the CCSA leadership and their colleagues. The workshop provides an opportunity to identify problems, make adjustments to plans and to re-prioritise.

> Okay, so, in terms of the Business Plan, of course, as I said, there are certain milestones that would have been identified. We then have what is called a ... there's a mid-term review. So, six months into the financial year, the report has to be put together about how things are progressing, where things are, what are the challenges, how have we done. For example, if – give you a practical example – if the division had a budget that we'd spend X amount of money on experts for particularly these priority cases, but the budget's not moving – what's the reason for that budget not moving. So, that mid-term review would deal with those things and say: You have to actually, account for the variances in the Business Plan. (Senior manager interview).

Impact assessment plays an increasingly important role in prioritisation through monitoring and evaluation by the CCSA. These studies are aimed at understanding the impact of the organisation's interventions in specific markets and sectors. The studies "demonstrate to stakeholders the harm of anti-competitive conduct and the gains arising

to the public from the Commission's interventions" (Competition Commission, 2015b: 13). Impact assessments are undertaken in three main categories: (1) estimation of the impact of anti-competitive conduct; (2) ex-post evaluation of specific enforcement interventions; and evaluation of the broader economic impact.

> I think that one of the things that we also have now recognised is the, there is a link between our impact assessments and what we do now, because they have a lot of lessons for how we prioritised, and what we prioritise. (Senior manager interview)

## 4.5. Relevant organisational practices

Organisational practices are defined as social routines regarded by organisational members as central to strategy formation and implementation and these routines can be in many different forms including recurrent meetings, traditions, rituals (Matere, 2005). Respondents were asked to identify the key organisational practices associated with the implementation of the prioritisation strategy. The key practices identified by respondents are discussed in this section.

### *4.5.1. 'Cradle-to-grave' case management*

The CCSA has since 2014 adopted an approach whereby teams that lead cases do so from investigation through to litigation – the entire life cycle of the case, known in the organisation as managing a case 'cradle-to-grave'. Before this practice was adopted, cases would be handed over to the Legal Services Division (LSD) for litigation. It was the function and responsibility of LSD to develop the litigation strategy and procure the necessary external legal resources. The CCSA identified this hand-over process from investigation to litigation as a serious bottleneck that contributed to an unmanageable case load. Furthermore, the hand-over process is regarded as creating a gap in case knowledge since the team that managed the investigation and has intimate understanding and knowledge of the case, hands over the management thereof to a team in LSD. As a result of these limitations, the CCSA decided that teams investigating cases would remain responsible for their litigation so that there is not a hand-over of the cases from one team to another. The organisation sought to promote ownership of cases by team members from cradle-to-grave.

> That's the principle that's been introduced that the investigation divisions have to take ownership of the cases from cradle to grave. So even once it's a case at litigation stage, it's still their case. They still have to take responsibility for it. LSD is simply a resource (Senior manager interview).

> Now it goes to the Commission Meeting having already incorporated LSD's legal advice. Well the difference is that previously you will have this report given to you after the, they say go and do referral papers. Then you have to go through or construct referral papers after a decision has been made. Now you are a part of a team and you advise in the process? That is a big difference! (Senior manager interview)

This practice is especially important from the point of view of cartel infringements. "Cartels are hard-core infringements which raise a significant competition issue and, as such, form part of the Commission's strategic focus" (Ratshisusu & Bonakele, 2010). Since the adoption of this practice there, has been an increase in the number of referrals, according to respondents.

> So, it is new in the sense that the silos have been removed and in fact one of the key things to demonstrate is cartels litigating without going to LSD so cartel is saying, we are a group of lawyers, we know our cases better than assigning this to another person. We would want to litigate our cases and that's why you've seen an improvement in the number of referrals that the Commission has done. (Senior management interview)

### *4.5.2. Inter-divisional teams*

The practice of allocating investigations to inter-divisional teams has been identified as an important support for the implementation of the prioritisation strategy. Teams are constituted with staff members from different divisions. The composition of the team is informed by the required sector knowledge and the specific matters of law under investigation. The establishment of inter-divisional teams is motivated by the need to draw on the required capacity from across the organisation depending on where the particular skills are available. This enables the organisation to focus the relevant resources on priority matters.

> Yes. In cases. But, and taking cases to, one of the things is the, so a cradle-to-grave approach with inter-divisional teams. So, the team that starts the investigation is the team that will litigate all that. No handing over, no, it's a practice. So, unity. (Senior manager interview)

Furthermore, teams share responsibility for the success or failure of a case and as such have introduced shared accountability. Shared responsibility and accountability are supported by joint reporting.

> So, for example, if the team has worked on the report, the team will then submit that report as a team to the management of E&E and to the management of Policy & Research. So, once the two management teams have looked at that, they'll have their inputs and so the team will go back and incorporate whatever inputs have come from Policy & Research and would've come from E&E. (Senior manager interview)

### *4.5.3. Mid-term review*

A number of respondents highlighted the workshop held every six months and known as the mid-term review as a key strategy implementation forum. The mid-term review comprises the senior leadership and middle management of the CCSA. This meeting is focused on assessing progress with regard to implementation of the organisation's priorities. The mid-term review performs a special review function that enables the organisation to make adjustments to its plans relative to its priorities, particularly in areas where performance lags behind expectations.

> Well, what came up on the Mid-term Review, like we focus a lot on the areas we are not achieving very well and what we need to do now to ramp up our operation, so that we try to reach hundred percent of our target, so we look at those areas right. In the areas we are doing well, we acknowledge those areas and we obviously encourage people to do better there, but we look critically at areas where we are not doing very well. (Senior manager interview)

The mid-term review also plays a role in ensuring alignment of organisational resources behind priorities.

> So in the final term review because that is when the work would've already started to work towards the business plans for the next financial year. That is where we meet as an organisation and we try to ensure that there is alignment across the organisation in terms of the business plans going forward. (Senior manager interview)

The revision of the business plan during the midpoint of the financial year has become a critical practice to ensure that the organisation is able to take into account changing conditions both in the external and internal environment, consider risks and re-prioritise. This affords the organisation the flexibility needed to respond to a constantly changing environment.

> So we're having a mid-term review which will also look into all of this. At the mid-term we then provide an opportunity for divisions to revise business plans. So a Q1 is really more a corrective behavioural, I suppose intervention, so - 'Please spend more'; 'Oh please watch out for that risk' or 'Please tighten up your system in that area' or 'You need to put more people on that case', or whatever it may be. But I think at Q2 if we see that things are not moving forward accordingly, then it's more wholesale interventions which is why we would provide opportunity for the revision of business plans. (Senior manager interview)

### *4.5.4. Business plan as artefact*

The business plan document is noted as an important artefact of strategy implementation for the way in which it encodes the priorities of the organisation and is used as an instrument to measure and review performance against planned priorities. Divisions are required to use a standard template to capture the priorities for a specific year. The standardisation of the way in which information is presented has improved the comparability of data across divisions.

> So we decided to have a standard template for business plans, which we've never had in the past. It was difficult to compare apples with apples actually and

> to see and to really measure performance in a standard manner, when different people were using different formats and even the elements of the business plans, some might, some divisions would for example, touch on risk, others wouldn't. Others would identify priority sectors, others would not. So we decided to have a standard template that would speak to all the strategic issues we had identified in that process. (Senior manager interview)

The business plan plays a key role in codifying the priorities and the performance expectations related thereto. It highlights specific priority cases, the people associated with the implementation of the priority cases and the resources available for implementation.

> The business plan is part of your cases that are in the business plan is part of the performance agreement as well as other things. So that is the first step in the contracting process. Then in terms of, because the business plan already have set out what the priorities are. And then in terms of resourcing cases, we then take that into account. If a matter is a priority matter, you then allocate resources accordingly in terms of external counsel, law firm as well as the interim resources. (Senior manager interview)

The introduction of colour coding to visually represent priorities has further enhanced the business plan as a communication tool.

> That's right. So essentially then, divisions would identify who the people will be that speak to that target, what the priority level of that target is. Now, it's colour coded as you can see. Green being… yellow being least of a priority. Red being the most of a priority. We colour code those priority cases to the rate and that's the identification of those priority cases is obviously Exco. (Senior manager interview)

### 4.6. Relevant strategic capabilities

Respondents were asked to identify the capabilities that the CCSA developed as a consequence of implementing its priorities and that enable the organisation to sense

and take advantage of opportunities. The main capabilities identified are discussed in this section.

### *4.6.1. Sector expertise*

A common theme from the interviews is that prioritisation has contributed in a significant way to the development of sector expertise in the organisation. Staff have developed specific sector expertise by collecting information and researching specific sectors over time, thus developing knowledge and understanding of the dynamics of specific markets, competitors and competition issues. This is a learning process that is facilitated by scoping studies, impact assessment, case investigations and other formal and non-formal means of research and information gathering by teams.

> … people that are very much experts or know quite a lot when it comes to certain sectors of the economy, you know. I mean, an example is, if you get a steel case, you know that this case has to be given to a certain person because the person knows the industry very well or you get a polymers matter, or whatever, you know. So, from that point of view, I think, it has helped in terms of, you know, having that benefit of having people who are in a way, experts in certain sectors. (Senior manager interview)

### *4.6.2. Project management capability*

Cases and other initiatives such as market enquiries are regarded as projects and as such, planning and organisation of these interventions are done on a project basis. Skills such as planning, budgeting, organising, and reporting are developed in teams. The project organisation of case investigations, market enquiries, and special projects means that “demands for project management are ever growing” (Senior Manager Interview). According to respondents, this capability is not yet fully developed across the organisation and requires further support to enable it to develop into an organisation-wide capability

> … we are becoming a lot more sophisticated in terms of project management. Our investigation plan, our litigation plan is forcing us to become better at project management: budgeting, risk and so on. (Senior manager interview)

Large organisation-wide initiatives such as the Fast Track Construction Settlement Project and the Health Enquiry are cited as examples of large projects that required a project management discipline to implement.

> So we said look, this is something that's never been taken on before. And then we said okay, it's a huge task, it's huge budgets, we've actually gotta split this up and take a project management approach.

### *4.6.3. Priority setting expertise*

Respondents identified the ability to prioritise as a significant capability that the organisation has developed as a consequence of having adopted the strategic approach of prioritisation. Priority setting is a continuous process that has been refined over time through experimentation and learning. Prioritisation happens at various levels in the organisation, including in teams, in divisions and organisation-wide. Prioritisation is undertaken for different purposes and in relation to how the range of interventions is prioritised to address specific competition issues.

> … prioritising for different purposes, you know, … you prioritise for marketing enquiry, you prioritise for enforcement, you prioritise for advocacy, you know there are all these things now that we are able to prioritise for when at the beginning really, it was prioritisation on limited things so, you know … (Senior manager interview)

Prioritisation involves making choices about competing demands within the organisation's prioritisation framework. It involves a continuous process of strategising at different levels within the organisation about the best possible areas of focus and means with which to achieve the desired outcomes.

## 4.7. Summary

This chapter is based on the second phase of analysis involving key themes and specific processes, practices and capabilities associated with implementing the prioritisation strategy in the CCSA. Economic regulators such as the CCSA are able to prioritise by directing minimal resources towards areas in which they can make the most significant impact in terms of executing their mandates. In the case of the CCSA, this

has involved the development of a framework for prioritising sectors and priorities. Implementation of the framework has evolved over time and has become more sophisticated as the organisation incorporated lessons learnt into the process. Greater levels of sophistication can be found in the approach adopted, application of the criteria and the use of instruments directed at identified competition concerns in priority areas.

The study identified six organisational processes most relevant to the implementation of the prioritisation strategy. These six organisational processes are: (1) governance; (2) strategy and business planning; (3) scoping studies; (4) resource allocation; (5) case management; and (6) performance monitoring and evaluation. Furthermore, the study identified four pertinent organisational practices, including cradle-to-grave case management; establishment of inter-divisional teams; conducting a mid-term review and the use of artefacts, particularly the business plan and the colour coding of information contained in the plan. Finally, the study identified sector expertise, project management and priority setting capabilities as those that enable the sensing of opportunities and the re-configuration of the organisational resource base to take advantage of these opportunities.

# Chapter Five: Significance of Prioritisation Implementation Processes, Practices and Capabilities

## 5.1. Introduction

This section analyses the significance of the processes and practices, and emergent dynamic capabilities identified as relevant to the implementation of the prioritisation strategy. In doing so, this section discusses the main categories of strategy implementation processes and the significance thereof; the types of organisational practices associated with prioritisation and the significance of each; and how the identified capabilities contribute to the CCSA's ability to identify and take advantage of opportunities.

## 5.2. Significance of prioritisation strategy implementation processes

The analysis presented here emphasises the dominant orientation of the six organisational processes identified as significant to the implementation of the prioritisation strategy of the CCSA. Organisational processes provide the framework and structure the actions and activities of members, and in this way contribute to the emergence of strategy (Minztberg, 1978). Organisational processes are neither discreet nor separate from the complexity that characterises organisational life. Rather, organisational processes overlap, interact, intersect and reinforce each other in complex ways. This complexity is driven by the inter-connected, inter-temporal and inter-relational character of strategy processes (Shanley & Peteraf, 2006). The analysis presented below must be understood in this context. For instance, while the dominant orientation of a process might be towards enabling priority setting, that is not to say that the same organisational process does not have an evaluative orientation.

Three categories of organisational processes are distinguished. Firstly, there are processes oriented towards priority setting; secondly, processes oriented towards marshalling resources; and finally, processes oriented towards evaluation as shown in Diagram 5.1.

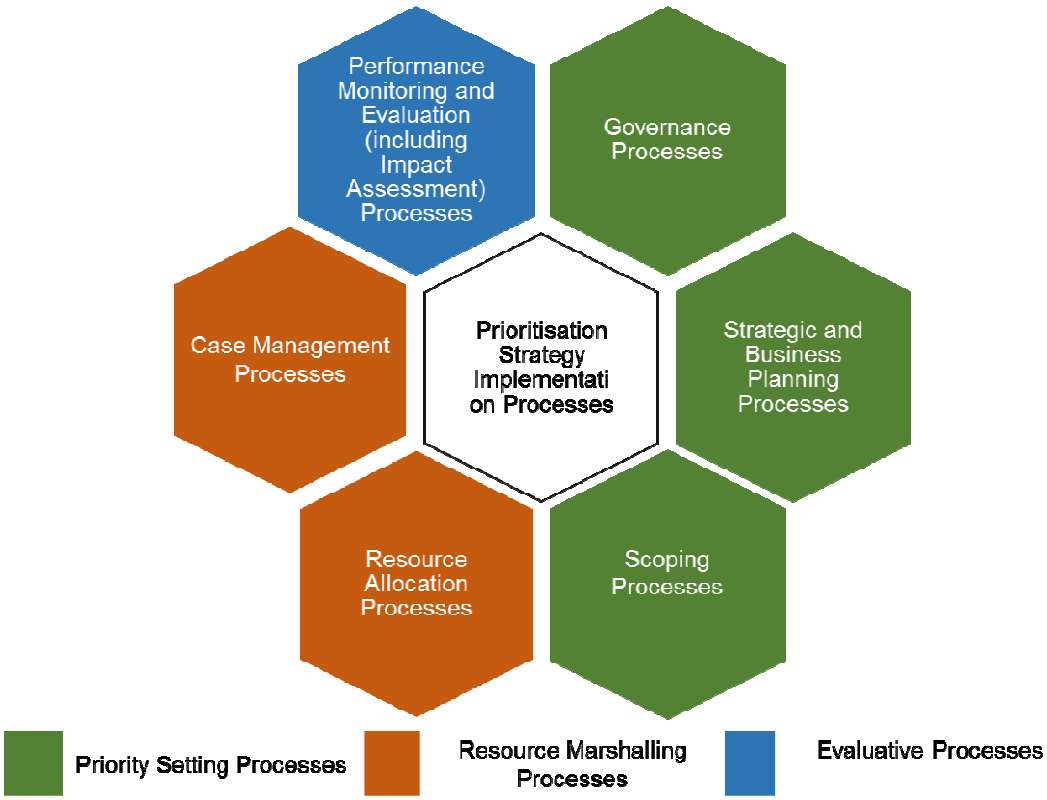



**Diagram 5.1:** Prioritisation strategy implementation processes

Source: Author

### *5.2.1. Priority setting processes*

While priority setting happens at different levels of the organisation and to support different purposes, the study found that there are a number of processes through which organisational priorities related to the implementation of the prioritisation strategy are examined, endorsed and embedded in the organisation. These are the governance, strategy and business planning and the scoping organisational processes.

#### 5.2.1.1. Processes oriented towards examining strategic priorities

These organisational processes are oriented towards the examination of strategic alternatives by interpreting the priorities of the organisation and justifying decisions related prioritisation.

It is useful to draw on the conception of Rumult (1975: 196) who regards formulation of organisational strategy as “problem solving of the most unstructured sort” and describes three dimensions related to this process, namely structuring of problems, generating

tentative solutions and assessing proposed solutions. Similarly, this study found that governance, strategy and business planning, and scoping processes facilitate the structuring of information, generation of solutions and an assessment of proposed solutions. There are key decision-making points embedded in these processes. In order for organisational leaders to take decisions, they require information that is presented in ways that justify the priorities put forward. The information is debated and discussed and bring to light different arguments and possible solutions through the leadership interaction.

For example, in the governance processes conducted through institutional structures such as the Commission Meeting and EXCO provide organisational leaders with the mechanism by which to consider priorities. These processes are structured in such a way that reports on cases are presented, considered, discussed and debated and decisions taken. Reports provide a demonstration of the application of the prioritisation criteria. The leadership examines how the prioritisation criteria have been applied in practice and whether the proposed course of action is in line with the organisational priorities. The interviews indicate that discussions at EXCO are intense and focused on whether an investigation or a case is really of strategic importance. Organisational leaders consider if a case is winnable; whether the outcomes matter to consumers and the economy; and if it is in a priority sector. Importantly the likely impact of a case underpins the examination and assessment of alternatives. A senior manager notes, “[so] yes, there may be something in that priority sector but we say hang on, let’s just wait a bit and see if we can, if there’s something else that will make a bigger impact.” In this way, the governance processes provide a mechanism for structuring the information, filtering what is relevant to the priorities of the organisation by examining alternatives and, based on this examination, proposing specific courses of action.

The strategy and business planning processes perform a similar function. It involves extensive consultation with staff in which priorities are examined. Examination of priorities takes place in discussions at divisional and inter-divisional levels in which cases and associated resources are examined in light of the level of priority and the chances of success. Priorities documented in the business plan, for instance, go through a filtering process whereby the selected priorities need to be justified, not only

within the divisions but also to other divisions and to the decision-making governance structures.

The scoping processes enable the CCSA to proactively identify competition issues in specific markets and sectors generate the requisite information for examining markets and sectors in light of the CCSA's priorities. The outcomes of the scoping studies are recommendations regarding the range of possible interventions by the organisation. Thus, scoping studies structure information on the competition issues in a market, and propose possible solutions or interventions. Proposed interventions are examined in the governance structures to select the most appropriate intervention or propose further research to deepen the understanding of competition issues in the specific market.

The analyses above point to the way in which governance, strategy and business planning and scoping organisational processes are oriented towards examining priorities. Examination of priorities is important because it structures information in ways that generate possible courses of action or intervention and facilitates an assessment of these proposed actions.

#### 5.2.1.2. Endorsing strategic priorities

The processes of governance, strategy and business planning and of scoping provide the framework in which priorities are endorsed. In these processes, organisational leaders confirm the priorities of the organisation by taking decisions that formalise the selected priorities.

The governance processes play an important role in this regard. Decisions taken in governance structures serve as gates that enable further action. Decisions may concern obtaining more detailed information to prioritise an investigation or case; initiating an investigation; referring a case for prosecution or deciding that a matter does not warrant being considered a priority. A record of decisions taken in these governance structures is a record of prioritisation. Should any doubts exist as to which case has been prioritised for investigation the minutes of the Commission Meeting, for example, provide a record of decisions and a source of legitimation of future actions. One respondent confirmed this perception when stating that "even if they say a case has

been non-referred or referred, whatever, I need proof and the proof is in the Commission Meeting minutes."

Business planning processes represent a series of decisions about what the organisation will focus on in a given year. The business plan, as the outcome of the business planning process, encodes the priorities of the organisation and thereby endorses the actions to be taken over that period. Decisions to launch an intervention following the completion a scoping study also serve as an endorsement of priorities as these priorities are then taken up in the business planning process for resourcing and action.

Endorsement of priorities carries with it the legitimation thereof. Legitimatio through endorsement can be achieved in different ways, including by formal authority, rationalisation, and moral persuasion (Van Leeuwen, 2007). In the CCSA, decisions about priorities taken in governance structures carry the formal authority vested in the decision-making structures and in organisational leaders taking the decisions. These decisions are formally noted and become part of the organisational record and serve as a formal endorsement of priorities. In addition, the use of criteria in decision-making serves to rationalise how decisions are arrived at.

The CCSA has adopted prioritisation based on the need to use competition policy in ways that can contribute to the transformation of the South African economy. The CCSA interprets its mandate as making a contribution to a new growth path for the economy that is labour-absorbing and can meet the needs of the country. It has, therefore, cast the need for prioritisation in the light of this higher mission that can address the needs of the economy in particular and the plight of the poor specifically. Decisions on priorities are by extension about a larger purpose beyond merely implementing competition policy and law in a narrow technical fashion. The CCSA invokes this higher mission as intrinsic to decisions regarding priorities and thus, gains legitimacy of its decisions by moral persuasion. By endorsing specific priorities, the CCSA leadership signals to staff what the organisation must focus on to make an impact on the economy and the poor.

Priorities that are endorsed signal to the organisation what are legitimate actions to pursue. The effect of an endorsement of priorities and the associated legitimacy this carries has the effect of promoting ownership of priorities. The combination of formal authority, rationalisation and moral persuasion promotes and encourages the ownership of endorsed priorities. A senior manager concluded, "I think also there's a sense of ownership, a wider, a deeper sense of ownership and understanding across the organisation with staff about why all of this matters and that it actually is not for compliance."

#### 5.2.1.3. Embedding strategic priorities

Embedding of priorities refers to the manner in which the priorities are integrated into the business plan, organisational routines and the day-to-day activities carried out by staff.

The business plan serves as a link between the strategic focus set out in the five-year strategic plan and day-to-day implementation activities. It is through the business planning process that members of the organisation give effect to the priorities set out in the strategy by interrogating, internalising and integrating these into work plans at the individual level. Furthermore, business plan priorities are cascaded into the individual performance contracts of staff. This view is confirmed by a senior manager:

> This is this business planning process that I'm talking about. I mean the divisions' business plans, I think, are way more useful and helpful now than they used to be. You know they set out the cases specifically, and that filters down to performance contracts with individuals, and I think that is embedding that idea that these are priority cases.

The recent incorporation of case information into the business plan further enables this process of embedding the priorities of the organisation at divisional and individual levels. The business plan provides information on case allocation, the importance of a case from a prioritisation perspective, and the staff involved in the investigation into the case.

### *5.2.2. Resource marshalling processes*

According to the Online Oxford Dictionary, the word marshalling means to assemble and arrange in order ("Marshalling", 2015). The findings discussed in the previous chapter indicate that there are specific organisational processes oriented towards assembling, organising and managing organisational resources in a way that privileges endorsed priorities. Resource allocation and case management processes are oriented towards the assembly of resources and the accomplishment of tasks.

#### 5.2.2.1. Assembling resources for priorities

The budgeting processes by means of which resources are allocated and the processes for case management that organise resources around the implementation of organisational priorities both involve continuous evaluation guided by on-going prioritisation. Members of the organisation evaluate their investigations and cases in the light of organisational priorities that have been endorsed. Once a matter has been endorsed as a priority, resources are assembled through the resource allocation processes.

These processes often involve negotiation and trade-offs with matters deemed non-priority getting scaled back or sequenced for implementation at a later stage. In this way, the resource allocation processes ensure that limited resources are directed towards investigations and cases that are the top priority in the organisation.

In the case management processes the teams, including external counsel, and funding resources are assembled to pursue and investigation or a case. The case management processes continuously assess whether the required resources are assembled to successfully conclude an investigation or a case throughout its life-cycle. Bottlenecks and challenges are identified in this process so that the appropriate resources can be assembled to take priority matters forward; whether it is by bringing additional people from other divisions onto the team responsible for the case or shifting funds from cases deemed less of a priority.

5.2.2.2. Accomplishing priority tasks

The case management process plays a pivotal role in enabling the organisation to achieve its priorities. It is one of the core processes within the organisation through which priorities are accomplished. The analysis suggests that the organisation has become increasingly efficient in the time it takes to steward a case through the life-cycle and that prioritisation plays an important role in its ability to do so. According to respondents, the CCSA has been able to significantly increase the number of cases it has finalised in the past two years since 2014.

Completion of cases is also aided by the concentration of resources in respect of such cases. Different strategies have emerged to ensure that resources are not spread out too thinly across a wide number of case investigations including sequencing and delaying case investigation in priority order. The case management processes thus play a pivotal role in ensuring that the CCSA is able to accomplish priority tasks.

### *5.2.3. Evaluative processes*

Performance monitoring and evaluation processes, including impact assessment processes, are oriented towards evaluating progress in achievement of priorities. As such, these processes are evaluative in character as it enables the CCSA to judge its progress through assessment of performance, accounting for deviations and making adjustments.

5.2.3.1. Assessing performance in respect of priorities

The ability to assess performance is aided by setting targets, allocating responsibility, and determining whether targets have been met. The findings indicate that the performance management process in the CCSA has improved significantly since the introduction of clear targets. Setting clear targets and allocating responsibility for the achievement of those targets enable the leadership and management of the organisation to track performance through reporting. Monitoring and reporting provide the feedback mechanism necessary to judge whether targets have been achieved.

There is a growing appreciation for the role that performance information plays in tracking and reporting on performance. Performance information provides the evidence

required to make an assessment of progress. For this reason, there is currently a significant focus on improving the measurability of targets and the quality of information used in reporting. In this regard, the role played by divisional administrators who are responsible for administering performance information and compiling reports have received more attention.

#### 5.2.3.2. Accounting for performance

A further improvement in the performance management system has been the ability to link individual targets and performance to organisational performance. Performance monitoring and evaluation focuses on the individual, divisional and organisational levels.

The CCSA has been able to cascade the priorities in the strategic plan into the business plan. The responsibility for each division is set out in the business plan. This, in turn, enables divisions to cascade divisional targets into the output of individual staff members and teams. In this way, the expected contribution of staff members in the business plan is linked to their individual performance contract. Thus, individual staff members have to account for their performance relative to investigations and cases they work on through the performance monitoring processes.

Similarly, divisions have to report on their performance on a quarterly basis, while the mid-term reviews facilitate discussion on the achievement of targets. Divisions are held to account for deviations from the planned output.

Impact assessments evaluate the effectiveness of CCSA interventions in a given market. The impact assessment produces the necessary evidence and accounts for the impact of the interventions by the CCSA.

#### 5.2.3.3. Adjusting to improve performance

Tracking performance and evaluating the reasons for deviation through the processes for performance monitoring and evaluation provide the information and feedback necessary for the organisational leadership and management to adjust planned performance output. This provides the organisation with the necessary flexibility to make changes in response to changes in the internal and external environment.

Adjustment of plans and priorities is informed by what the organisation learns through the process of doing and reviewing and commissioning specific impact assessment studies to determine whether sectors remain a priority and what measures need to be implemented to bring about the desired outcomes.

## 5.3. Significance of prioritisation strategy implementation practices

Practices refer to "situated recurrent activities of human agents" (Orlikowski, 2002: 253). As such, practices emerge in specific context and conditions. Stripping particular types of practices out of the environment in which they emerge or occur runs the risk of stripping them of their meaning. The practices identified in the previous chapter are, therefore, necessarily unique to the CCSA in terms of the way organisational members go about implementing strategic priorities. Furthermore, practices are diverse and variable (Orlikowski, 2000) and may range from recurrent meetings, workshops, processes, and rituals (Matere, 2005) to common sets of habits, customs, priorities and approaches (Brown & Duguid, 2001). Thus, one can expect to find different types of practices in organisations.

This analysis sought to understand the significance of the identified practices, and what contribution these make to implementation of priorities as situated in the context of the CCSA. The analysis reveals that each of the identified practices support a particular mode of performance. Furthermore, each practice engenders specific values that, in turn, inform and shape the actions of staff members in these practices.

### *5.3.1. Cradle-to-grave as mode of doing*

The CCSA introduced a new practice in regard to conducting its investigations referred to as 'cradle-to-grave'. In this practice teams are pointed to undertake investigations and will be responsible for the case throughout its life-cycle until it is complete. Previously the case management practice involved a handover processes following the completion of the investigation when staff from the LSD took over a case to manage the prosecution thereof. This created a bottleneck where case loads increased within the LSD and created tension in the organisation.

The new practice requires continued involvement of the same team from the start of the case to its conclusion. The introduction of this practice has promoted a sense of ownership by team members of their cases. The logic inferred from this approach is that if team members assume ownership of priority cases, they assume ownership of the priorities of the organisation. A senior manager reflected on this approach and stated, "[t]hat's the principle that's been introduced that the investigating divisions have to take ownership of the cases from cradle to grave."

This practice, as a particular mode of doing case management, promotes the value of ownership. Ownership encourages and fosters commitment. By teams taking ownership and committing to priority investigations and cases it assumed that they are invested in the successful outcome of a case.

### *5.3.2. Inter-divisional teams as mode of organisation*

Promoting the establishment of inter-divisional teams is motivated by a desire to work together beyond the structural constraints and limitations imposed by the functional design that gives rise to the divisional structure of the organisation. A functional design whereby common activities are grouped together has the disadvantage of creating departmental silos and hinder cross-functional collaboration required in complex environments.

The practice of setting up inter-divisional teams is aimed at countering the constraining effects of functional organisation design. Inter-divisional teams are expected to work across divisional boundaries bound together by the successful completion of an investigation and prosecution of a case. The rationale is, therefore, to ensure joint responsibility and shared accountability by team members towards the outcome of their work. In this way, inter-divisional teams serve as an alternative mode of organisation to address the limitations of functional organisation design in which responsibility and accountability are distributed across the different divisions of the organisation.

Joint responsibility and shared accountability are valued because it promotes unity of purpose. In this practices, joint responsibility implies that team members are willing to step in when others are unable to contribute for some or other reasons, since the responsibility for the success of an investigation or case rests with all the team

members, irrespective of the division a team member is deployed from. In this practice, accountability for outcomes is shared by all members of the team.

### *5.3.3. Mid-term review as mode alignment*

The mid-term review is structured as a workshop scheduled every six months and held outside of the work environment, typically over a two-day period during which senior and middle managers review progress and make changes deemed necessary to ramp up delivery or re-prioritise. A key theme that emerged from the analysis is the way in which the mid-term review supports alignment. The mid-term review structures alignment of the organisation behind the priorities of the CCSA.

> We have a, now we have this, it's a mid-term review. It's a meeting in final term. We have those now which we never had before. That is where we meet as an organization and we try to ensure that there is alignment across the organization in terms of the business plans going forward. (Senior manager interview)

This workshop provides an opportunity for re-calibrating organisational alignment by taking into account the performance of the organisation and the changing environment, re-assessing priorities and making changes necessary to remain focused on priorities. Alignment involves arranging, structuring and ordering priority outcomes and resources in a means-end logical fit so that the organisation's efforts are concentrated and directed towards the achievement of planned outcomes. Thus, the mid-term review workshop as a practice constitutes a mode of alignment.

### *5.3.4. Business plan as mode of communication*

As an object of strategising in the CCSA, the business plan plays an important role in strategic conversations in the organisation. The business plan has material and conceptual affordances that shape its use (Jarzabkowski, 2015). In addition, it encodes and thus privileges specific priorities over others. By encoding specific priorities it serves as a communicative device that facilitates, encourages and mediates strategic conversations in the organisation.

In addition, the CCSA has recently introduced colour codes to visually represent priorities in the business plan. This enables instant recognition of priorities at a glance. It

visually represents and embodies agreement reached in the business planning process as to what constitutes strategic priorities. (Paroutis, Franco & Papadopoulos, 2015).

The level of detail and the colour coding of the business plan has enhanced the ability to communicate organisational priorities. Communication is the lifeblood of strategy implementation and has been widely recognised as a critical success factor.

## 5.4. Significance of dynamic capabilities

Capabilities that enable an organisation to sense and seize opportunities and transform organisational resources in a way that enhances performance are regarded as dynamic capabilities (Katlako et al., 2010; Teece, 2007). Dynamic capabilities facilitate organisational change through adapting organisational and strategic routines (Eisenhardt & Martin, 2000). This study identified three dynamic capabilities that enable the CCSA to sense and seize opportunities and to re-configure its resource base in the course of taking advantage of identified opportunities. These are the organisational capability to prioritise, its sector expertise and its growing project management capability. This section discusses the ways in which these capabilities enable the organisation to sense and seize opportunities and to change the resource base accordingly.

### *5.4.1. Sensing opportunities*

The CCSA's focus on a limited number of sectors that have an impact on low-income consumers, have competition concerns and are aligned to government policy and sector priorities has enabled the organisation to build up a knowledge base and expertise in priority sectors. The organisation is able to learn about these sectors through the complaints received from the public, the investigations it initiates, the scoping studies it undertakes and the impact assessments it conducts. The continuous process of learning and knowledge building in regard to dynamics of the prioritised sectors enables the organisation to sense opportunities insofar as addressing competition concerns. Sensing opportunities involves recognising emerging patterns in the environment through interpreting signals, symbols and information (Helfat & Peteraf, 2015). Synthesis of this information yields new knowledge (Desouza & Hensgen, 2005).

The Fast Track Construction Settlement Project initiated by the CCSA in 2011 is a useful illustration of how the organisation's work in the construction sector enabled it to identify patterns of anti-competitive behaviour over time by interpreting and synthesising information obtained. Signs of collusion in the sector were apparent as early as 2007 following a corporate leniency application (CLP) by Rocla, a subsidiary of Murray & Roberts - one of the largest construction firms in the country (Hekima Advisory, 2014). This exposed a hugely profitable cartel that operated from 1973 to 2007 in three provinces in South Africa.

The sector was prioritised following uncovered collusion by top-tier construction firms. It was also influenced by the infrastructure programme that Government was due to embark upon. The CCSA subsequently undertook an in-depth study of the entire value-chain of the construction sector and during this time, more CLPs applications were received. With this information, the CCSA initiated investigations into bid-rigging and collusion that led to the organisation inviting firms involved in these anti-competitive practices to settle their contraventions provided they fully disclose the extent of their involvement and, where applicable, pay an administrative penalty. In 2013, the CCSA concluded settlements for these contraventions between 2006 and 2009 with the majority of firms with administrative penalties from the settlement process totalling R1.46 billion (Hekima Advisory, 2014). The work done in the sector enabled the CCSA progressively to establish patterns of information that were synthesised to build up sector knowledge and expertise. In turn, this contributed to the organisation identifying the opportunity for intervening in the sector to address wide-spread anti-competitive practices by firms.

### *5.4.2. Seizing opportunities*

Seizing an opportunity refers to the mobilisation of resources and organisational infrastructure necessary to take advantage of an opportunity (Katlako, Pitelis & Teece, 2010). It may involve making large investments in funds, and management commitment to developing capabilities under conditions of uncertainty and complexity (Helfat & Peteraf, 2015). The capabilities of priority setting, sector expertise and project management developed over time contributes to the CCSA's ability seize opportunities.

Not only was the CCSA able to sense an opportunity in the construction sector, but it was also able to take advantage thereof through the establishment of the Fast Track Construction Settlement Project. The fast track settlement procedure constituted a new approach to dealing with large volumes of uncovered contraventions of the Competition Act. The CCSA made commitments towards developing the requisite fast track settlement procedures and developed the organisational infrastructure to deal with the process in the form of an inter-divisional team (Competition Commission, undated). Settlements were reached with 15 of the 21 firms under the settlement procedure covering more than 300 instances of bid-rigging (Competition Commission South Africa, 2013a).

The Health Enquiry was cited as another example of how the CCSA was able to draw on its priority setting and project management capabilities, and thereby take advantage of conditions in the external environment to initiate this enquiry. The healthcare system is described by Government as “neither efficient nor fair” with concerns raised about the inequitable nature of the existing system in which “the privileged few hav[e] access to a relative lion's share of general health resources” (Department of Health, 2014: 2). Further, complaints about competition issues have been received in the health care sector over a period of time so that a market inquiry into determine whether or not there are anti-competitive features in the private health care market and what their effects are, was appropriate (Competition Commission South Africa, 2015b).

Formal powers to conduct a market inquiry were granted to the CCSA by virtue of section 6 of the Competition Amendment Act 1 of 2009. The provisions pertaining to market inquiries came into force on 01 April 2013 following intervention by the CCSA.

Furthermore, the Commission recognised that conducting the market inquiry would be costly and additional resources would need to be mobilised. This was achieved partly as a result of alignment between the regulatory framework on competition and the interest of key stakeholders to better understand the competition dynamics, including market power and distortions of competition at various levels, barriers to entry, and factors limiting access by consumers to private healthcare (Competition Commission South

Africa, 2015b). The Health Enquiry thus represented a significant investment of funds and management commitment.

### *5.4.3. Reconfiguring the organisational resource base*

The ability to renew and recreate the organisation's resources is essential for making adjustments and adaptations in order to take advantage of opportunities sensed and seized. The emerging project management capability within the CCSA was identified by respondents as a key ability that enables the organisation to reconfigure its resource base. The project management capability in the organisation has several important features that facilitate the process of renewing and reconfiguring the resources at its disposal.

Firstly, by structuring an initiative as a project, resources from across the organisation can be coordinated in a way that is focused on the needs of the project. For instance, a person with sector expertise that may be required for a specific project can be enlisted as part of the project team irrespective of the division in which that person is employed. In so doing, the CCSA is able to address departmentalism that results from functional organisational structures (Cushway & Lodge, 1999).

Secondly, projects are inherently temporary in nature so that the resources built up in regard to a specific project can be re-deployed elsewhere in the organisation or moved to the next project. For instance, many of the staff recruited to work on the Fast Track Construction Settlement Project were recruited into the Cartels Division subsequent to their project roles coming to an end. Both the ability to coordinate resources across the organisation and the temporal nature of projects provide the CCSA with a level of flexibility it otherwise may not have developed.

Thirdly, projects serve as a useful means to experiment, learn, adapt organisational routines and replicate where required (Teece, Pisano & Shuen, 1997). The Fast Track Construction Settlement Project illustrates this point. The fast track settlement procedure applied in the construction cases has proven its usefulness for dealing with large volumes of cases and the approach and lessons learnt from this project were replicated to deal with cartel investigations in the furniture removal industry involving more than 5 000 tenders (Competition Commission South Africa, 2014a).

## 5.5. Summary

The analysis presented in this chapter unpacks the significance of specific organisational practices and processes in regard to implementing the prioritisation strategy and the capabilities associated with identifying and taking advantage of opportunities.

The analysis found that the six identified organisational processes associated with prioritisation enable three categories of actions. The governance, strategic and business planning, and scoping processes support priority setting in the organisation. Priority setting is made possible as these processes frame and structure actions in which priorities are examined, endorsed and embedded in the organisation. The resource allocation and case management processes support marshalling of resources towards assembling the resourced required for accomplishing organisational priorities. Performance monitoring and evaluation processes are evaluative in that they structure action that assesses and accounts for performance while making adjustments where required.

In the analysis of the four organisational practices associated with prioritisation, it was revealed that each practice constitutes a specific mode of action and promote particular values. The practice of managing cases from cradle-to-grave is a specific way of doing case management that encourages ownership of investigations and cases. The practice of constituting inter-divisional teams is a specific form of organisation that promotes joint responsibility and shared accountability. The mid-term review is a mode of alignment as it provides an opportunity to calibrate organisational alignment to priorities in a structured and periodic fashion. The practice of producing a colour-coded business plan as an object that encodes organisational priorities is a mode of communication that supports the implementation of priorities.

Finally, the analysis demonstrates how the capabilities built up in the organisation's priority setting ability, sector expertise, and fledgling project management capacity enable the identification of opportunities and re-configuration of the resource base to take advantage of those opportunities.

# Chapter Six: Insights into the Relationship between Strategy Implementation and Regulatory Governance

## 6.1. Introduction

Several insights pertaining to the implementation of the prioritisation strategy were brought to the fore in this case study of the CCSA. The study identified specific organisational processes that are relevant to the implementation of prioritisation by virtue of how these frame, structure and enable priority setting, marshalling of organisational resources and evaluating performance. The study uncovered specific forms of organisational practices that engender the development of particular values in support of prioritisation. Finally, the study revealed organisational capabilities deemed strategic by virtue of how these enable the identification and exploitation of opportunities. Key insights and implications are discussed in this section, starting with a review on the relevance application of the conceptual framework used in this study. This is followed by drawing attention to the limitations of the study and concludes by highlighting the significance of process, practices and capabilities in strategy implementation.

## 6.2. Framing and studying processes, practices and dynamic capabilities

The conceptual framework set out in Diagram 2.1 served as an organising device to structure data collection and analysis in terms of specific categories of information in order to study the processes, practices and capabilities associated with prioritisation. The conceptual framework was informed by a review of the literature dealing with these dimensions of strategy implementation.

The conceptual framework identified three types of organisational processes that were associated with strategy implementation in the literature. These were resource allocation, communication and coordination, and monitoring and evaluation processes. This study confirmed the importance of resource allocation (Noda & Bower, 1996) and of monitoring and evaluation (Rumelt, 1975) processes, but did not find that communication and coordination processes were highlighted as relevant and significant. Rather, the study noted the importance of processes that enable priority setting in the

organisation. This is not surprising, given that the focus of the study was on the implementation of the prioritisation strategy which involves continuous priority setting.

The literature highlighted the importance of actors (Floyd & Wooldridge, 1992; Mantere, 2005; Whittington, Cailluet & Yakis-Douglas, 2011), activities (Hoon, 2007) and artefacts (Werle & Seidl, 2015) in organisational practices that enable strategy-making and implementation. This study found four distinct forms of practice including specific modes of doing, organising, aligning and communicating. Although each practice comprises actors, activities and artefacts, respondents did not describe these elements in any detail. Uncovering this level of detail requires more time and in-depth study of each practice.

By using the concepts related to dynamic capabilities, the study was able to identify key capabilities relevant to the sensing and seizing of opportunities by re-configuring the organisational resource base. The literature identifies a broad range of dynamic capabilities including strategic decision-making, transfer processes, resource allocation routines, and alliance and acquisition routines (Esienhardt & Martin, 2000). The study identified priority setting, sector expertise and project management capabilities as dynamic capabilities for the way in which these enable the organisation to sense and seize opportunities.

The conceptual framework provided a useful lens to map out key processes, practices and capabilities associated with the implementation of the prioritisation strategy. However, undertaking an investigation of three major concepts in strategy implementation in the time available to complete the study is an ambitious task. From this perspective, the study sacrificed depth for breadth as it was only possible to map out the key processes, practices and capabilities associated with strategy implementation and describe their relevance and significance. Covering such a broad conceptual terrain meant that the researcher was unable to uncover the dynamics and drivers underpinning each dimension. A key insight gained from the use of this conceptual framework is that gaining an understanding of the dynamics and drivers of processes, practices and capabilities requires in-depth study over time. Nevertheless, the key strategy implementation processes, practices and capabilities mapped in this

study provides a starting point for future researchers to delve deeper into understanding the dynamics driving each of these dimensions. The revised conceptual framework taking into account the findings from the study is presented in Diagram 6.1.

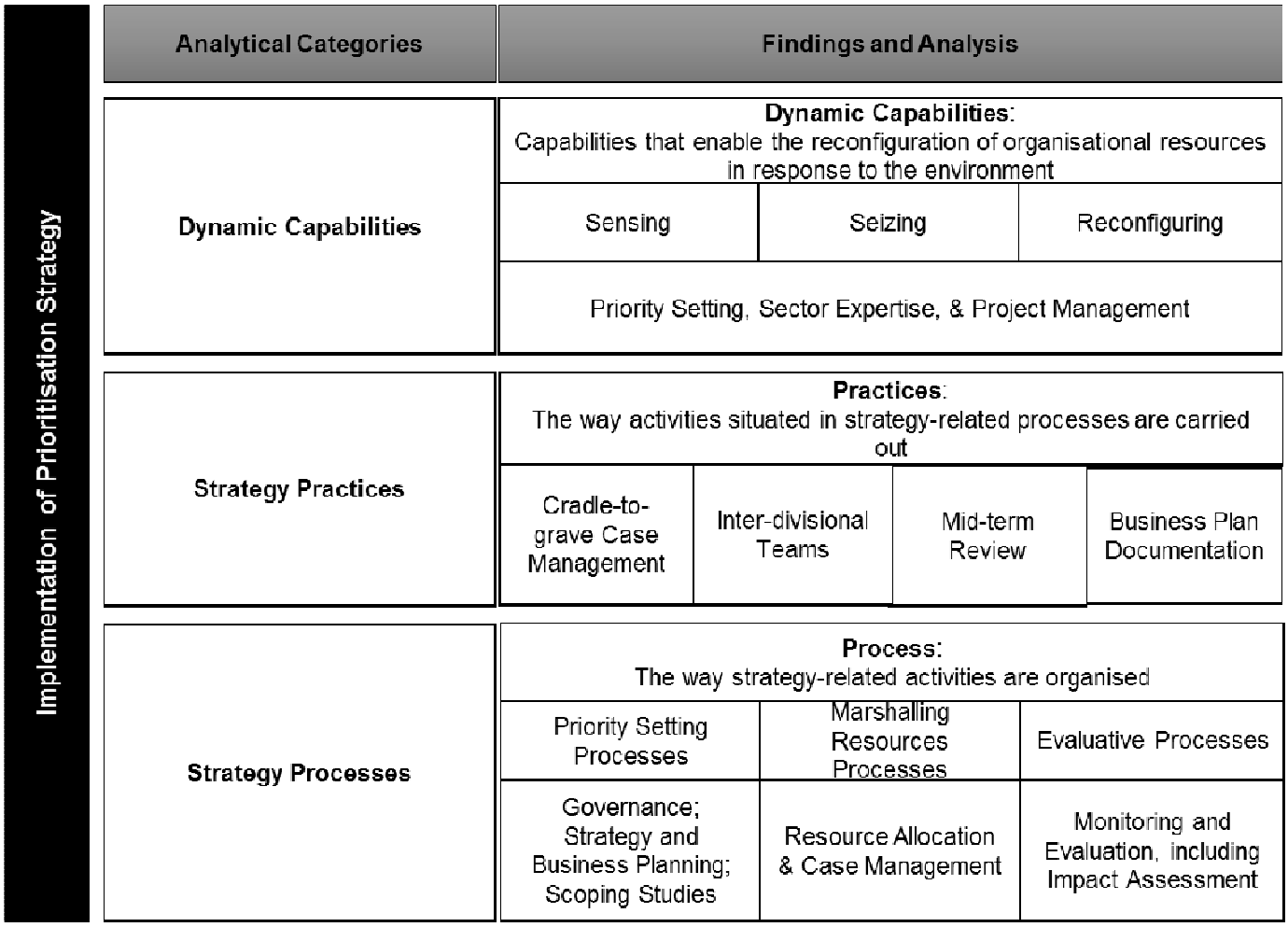



**Diagram 6.1: Revised conceptual framework**

Source: Author

## 6.3. Limitations of the study

There are three important limitations to this study and the generalisability of the results.

Firstly, the research used a case study methodology which produced an in-depth study of a particular case. As such, the findings cannot be generalised as the focus of the research was descriptive, rather than generalisation. The environment, historical development and conditions of other competition agencies will differ in fundamental

ways from the CCSA. Such competition agencies might draw on the insights presented here in terms of mobilising their own internal processes that support priority setting, marshalling resources and support evaluation, and practices that support particular forms of doing, organising, structuring and communicating priorities.

Secondly, the study set out to garner the views of a cross-section of organisational members, but only interviewed predominantly senior managers. The findings privilege their perceptions and experiences and thus do not represent the views of a cross-section of organisational members. Having said this, senior managers play a particularly important role in strategising on account of their positions and the roles they play, and their views should not be taken lightly (Finkelstein et al., 2009; Lyles & Schwenk, 1992).

Thirdly, the conceptual framework used in this study did not make provision for understanding how structure influences strategy implementation. Structure, and how it relates to the question of implementing priorities, was a prominent theme in the interviews. Future research drawing on this conceptual framework would need to consider changing it to incorporate structure as an analytical category.

### 6.4. Enabling organisational processes

From the process perspective, “strategy in organisations is a continuous process”, placing it at the heart of strategy implementation (Pettigrew, 1972: 78). Processes are sequences of events, activities and actions unfolding over time (Pettigrew, 1992). Strategy processes comprise mechanisms consisting of administrative systems and organisational practices (Shanley & Peteraf, 2006).

Organisational processes structure organisational action. These provide the framework, rules, resources and connections that enable and steer action in organisations. As such, this study set out to understand the organisational processes most closely associated with the implementation of prioritisation in the CCSA and their significance. The research six organisational processes identified by respondents identified as key to implementing prioritisation. These are: (1) governance process; (2) strategy and business planning processes; (3) scoping study process; (4) resource allocation processes; (5) case management processes; and (6) performance monitoring and evaluation processes.

In analysing these processes, the researcher found that they perform three important functions.

Firstly, there are processes that structure and enable priority setting in the organisation. These are the governance, strategic and business planning, and scoping processes. Priority setting involves making decisions about what sectors to focus on, what cases to pursue and what resources to dedicate to these priorities, and embedding it in the organisation. These processes facilitate decision-making about what is deemed to be strategically important relative to achieving the outcomes and impact the CCSA seeks to make. They do so by enabling the organisational leadership and management to examine alternative strategic options by producing and filtering relevant information to substantiate and justify such decisions.

Once decisions are made they are legitimised by endorsement. These decisions are endorsed by virtue of the authority vested in decision-makers, moral persuasion based on the expected benefits to consumers and the economy likely to flow from them; and rationalised by the application of a set of criteria.

Furthermore, these processes are oriented towards action that embeds the priorities across the organisation. The strategy and business planning process plays a particularly important role in this regard by linking the priorities of the organisation to the day-to-day actions of divisions and individuals. It facilitates action whereby priorities are interrogated, internalised and integrated into plans as the basis for organisational activities.

Secondly, there are processes that structure actions towards marshalling organisational resources focused on priorities. Resource allocation and case management processes are particularly relevant in this regards and facilitates evaluation, negotiation and trade-offs in assembling the required resources for priorities. These processes further ensure that members of the organisation are able to accomplish their priority tasks. The required resources concentrated and focused on priority cases.

Thirdly, specific processes are oriented towards structuring action that is evaluative in character. The performance monitoring and evaluation processes, including impact assessment, enables organisational leaders and managers to assess performance, account by reporting on performance, and make adjustments deemed necessary. Feedback plays an important role in this regard. These actions are underpinned by clear targets, quality of performance and reports that provide feedback on performance.

An important feature of organisational processes to bear in mind is that they occur in a nested context in which some processes are nested in others, overlap, interact, and intertwine and mutually condition each other (Abbot, 1991; Pettigrew, 1992). It is therefore methodologically problematic to isolate a specific organisational process outside its context (Shanley & Peteraf, 2006). The six organisational processes discussed above and the actions they structure in respect of prioritisation must be understood as a complex phenomenon specific to the circumstances of the CCSA.

This study confirms that organisational processes matter in strategy implementation. Processes structure, frame and enable strategic action. Decisions of strategic importance are taken at various points and are actioned in organisational processes. This study indicates that the processes that are relevant and significant to the implementation of priorities are those that enable priority setting and marshalling of resources, and support evaluation of performance.

### 6.5. Enabling organisational practices

Strategic practices refer to what people do when they implement organisational strategies and how they go about doing it (Jarzabkowski, 2004). While processes frame and structure action, practices emerge from socially-defined and recurrent modes of action (Jarzabkowski, 2003). Practices comprise many different forms of doing, including meetings, workshops, rituals (Matere, 2005); the use of tools and techniques (Whittington, 2007); or specific organisational structures and committees that provide a platform for repetitive strategic action (Hoon, 2007).

This study sought to uncover the practices that enable the implementation of the prioritisation strategy of the CCSA and to understand the significance of these practices. The study found four key organisational practices associated with prioritisation. Each

practice constitutes a different mode of performance and facilitates the emergence of specific strategy implementation values. These values, iteratively produced through good practice, engender performance appropriate to the implementation of prioritisation (Abrahams & FitzGerald, 2012).

The CCSA adopted a 'cradle-to-grave' practice insofar as the investigations and prosecution of cases is concerned. In this practice, teams are appointed to steer a case through its life cycle from investigation to prosecution, whereas the previous practice involved a hand-over between the investigation and prosecution stages of the case. The cradle-to-grave practice constitutes a mode of doing cases. The study found that this practice and mode of doing engenders ownership of the case among team members and by extension ownership of organisational priorities since cases are selected based on their priority status. Ownership implies commitment and this is deemed to be a critical success factor in the implementation of strategy (Shah, 2005).

The practice of constituting inter-divisional teams represents a specific mode of organisation that aims to counter the limitations imposed by functional organisation design in which divisional boundaries limit the organisation and flow of work. This mode of organisation engenders joint responsibilities and shared accountability among team members. While team members are drawn from different divisions in the organisation, their responsibility and accountability are towards the case, before their responsibility towards their divisions.

The mid-term review represents a mode of performance that produces alignment to priorities in the form of a workshop in which the space is created to review progress and performance relative to strategy implementation. The value engendered through this mode of performance is alignment. A specific focus of this workshop is to encourage alignment in which organisational resources are aligned to particular priorities set out in the business plan. Furthermore, this workshop provides an opportunity to make adjustments to plans, taking into account performance and changing environmental conditions, which in turn promotes flexibility. Strategic alignment is critical to strategy implementation (Porter, 1996).

The business plan as an object and outcome of organisational planning serves as coded communication. The business plan encodes the outcomes of planning and prioritisation. As such, it facilitates and mediates conversation and communication about strategic priorities. The use of colour codes enhances the visual representation of priorities. The business plan used as an artefact in the planning practices promotes the value of communication which is crucial to strategy implementation.

A key contribution of this study is the link between practices and values. Organisational values are not determined by a chart hanging on the wall setting out a list of values. Rather, these emerge in practice. Values become visible when the way things are done in organisations are analysed. The values uncovered in the analysis of the identified practices include ownership of priorities; joint responsibility and shared accountability for achieving priorities; alignment to priorities; and effective communication of priorities. Values are not an abstract notion of an organisation's desired system of collective beliefs and standards of behaviour that can be codified on a chart against a wall in an office. Rather, values are lived experiences that emerge from the collective ways of doing, organising, aligning and communicating.

### 6.6. Strategic capabilities

The research found three capabilities associated with the implementation of the prioritisation strategy. These capabilities enable the CCSA to sense and seize opportunities and re-configure its resource base at the same time. The CCSA has built up capabilities in priority setting, sector expertise and project management.

Priority setting has become widely embedded in everyday practice in the organisation. It has become a way of doing things at the CCSA, involving a process of evaluating alternatives, selecting priorities and embedding the priorities in the organisation. Priority setting then aligns organisational resources towards priorities, creating a focus on a limited number of areas of work. In doing so, the organisation is better positioned to sense and seize opportunities.

Priority setting is complemented by the organisation's sector expertise. Over time, the CCSA has developed a knowledge base on the structure of markets, competition issues and the key players in prioritised sectors. Sector expertise enables the organisation to

sense opportunities for intervention in these sectors. Moreover, the scoping and impact assessment studies further contribute to the generation of information and knowledge in these sectors and strengthens the organisation's sector expertise.

The CCSA's emerging project management capability enables the organisation to re-configure its resource base to take advantage of identified opportunities. The study identified numerous examples of interventions that were organised on a project management basis to provide the organisation with the flexibility, coordination and learning capacity to adjust organisational routines in order to take advantage of opportunities.

### 6.7. The significance of strategy and prioritisation to competition agencies

Strategy has grown in significance in the public sector over the past sixty years (Bryson, 2010). There are a number of factors that influence the dynamics of strategy in the public sector. Strategy is enabled and constrained by constitutional government in which public accountability and control, competing expectations from stakeholders, and contested goals create ambiguity and uncertainty (Boyne & Walker, 2004). Strategy implementation is partly motivated by the need to establish rational order over ambiguity and uncertainty through a hierarchy of goals, means and ends. Moreover, strategic thought and action are closely associated with the viability and effectiveness of governments and public agencies (Bryson, 1998).

Leaders in the community of competition agencies also view strategic planning and implementation as critical to the effectiveness of these institutions. It is regarded as a pre-requisite to achieving effectiveness (International Competition Network, 2009). International and multi-lateral agencies such as the International Competition Network (ICN), United Nations Conference on Trade and Development (UNCTAD), Organisation for Economic Development and Cooperation (OECD) have played a prominent role in promoting agency effectiveness through strategic planning on the assumption that it will contribute to their effectiveness. Notwithstanding these efforts, the processes and practices that make possible the implementation of strategy in competition authorities remain poorly understood. This study was an attempt to shed light on how the CCSA implemented its strategy, with specific reference to prioritisation as a strategic approach.

Competition agencies in developing countries face a broad range of challenges in the execution of their mandates to regulate competition in ways that produce competitive and efficient economies while at the same time ensuring public interest outcomes such as participation in the economy by previously marginalised groups. Agencies in many developing countries must execute their mandates in economic environments characterised by high levels of concentration and market power and thus must contend with distributive politics in addition to efficiency concern (Dubash & Morgan, 2012). Navigating, balancing and integrating efficiency and public interest concerns in the execution of their mandates shape the context and inform the content of the competition agency strategies. Moreover, competition agencies must do this with meagre resources compared to those agencies in developed countries with a much longer tradition and institutional track record of regulating competition.

If a fundamental focus of strategy is allocating resources between competing claims on scarce resources (Daniell, 2004), then prioritisation is an inherent concern of strategy implementation. The ability to determine priorities and to action those priorities in practice is, therefore, an integral part of strategy-making and implementation. In this sense, prioritisation enables strategy implementation.

In developing country environments characterised by limited resources, the ability to make choices about how those priorities will be allocated and then ensure delivery to those priorities assumes even greater significance. What effective prioritisation enables competition agencies to do is to focus on competition issues that matter most and then to align organisational resource behind that focus. It is the alignment of organisational resources towards a specific focus that enables competition agencies to have a greater impact than would be possible without it.

Using a magnifying glass to start a fire is a useful metaphor to describe the concept. The magnifying glass concentrates the sun's energy on one spot. The lens uses light from directions focused onto one spot thereby intensifying the energy and creating heat. Similarly, when competition agencies make choices about what to focus on, and align and channel their resources towards that focus, there is greater potential to make an

impact. However, it begs the question whether strategy implementation translates into effective regulatory governance.

## 6.8. The relationship between strategy implementation and regulatory governance

Support for strategic planning and implementation in competition agencies is premised on the conviction and assumption that it contributes to effective regulatory governance. In essence, effective regulatory governance in competition policy concerns how the rules of the game are set up, how compliance with the rules are enforced and whether the consequences are such that it deters others from not complying.

Competition policy and law establish the framework and the rules in which institutions set up to enforce the rules must operate. Such rules comprise the formal and informal constraints that shape the set of choices economic actors make and specify the limits of legitimate action in the same way that rules of the game specify the structure within which players are free to pursue their strategies (Nee, 1998). Regulators, such as competition agencies, are part of the institutional framework by which economic activity is regulated. However, regulatory governance consists of more that the formally designated agencies. It consists of the combination of institutions, laws and processes by which the conduct of economic actors is governed.

In order for strategy implementation in competition agencies to contribute to effective regulatory governance, it has to strengthen the internal capability of regulatory agencies to execute their mandates effectively. Furthermore, this capability has to be used to achieve the expected policy outcomes in a given jurisdiction. In answering the question on whether strategy implementation contributes to effective regulatory governance, it is necessary to determine if strategy implementation strengthens the capability of competition agencies and if, in the execution of their mandates, agencies are able to achieve the expected policy outcomes. The case of the CCSA is instructive in this regard.

This study indicates that prioritisation, as a strategic approach to competition regulation in the CCSA, has become widely institutionalised, deeply embedded, and permeates the way things are done in the organisation. Moreover, the implementation of the

prioritisation approach has contributed to the development of specific capabilities by which the organisation is able to identify opportunities for proactive competition regulation. The CCSA has been able to develop sector expertise over time by focusing on prioritised sectors. This has led to the development of a knowledge base that enables it to sense opportunities for competition enforcement. The CCSA is able to direct a broad range of regulatory instruments at efforts to promote competition in priority sectors and markets, including market inquiries and advocacy. The ability of the organisation to detect competition transgression has been strengthened by means of scoping studies and impact assessments.

Furthermore, its project management capacity has provided the organisation with the flexibility and responsiveness to re-configure the organisational resource base to take advantage of identified opportunities for expanding and deepening competition regulation and enforcement. The Fast Track Construction Settlement Project is a case in points. The Corporate Leniency Programme enabled the CCSA to uncover collusion in the prioritised construction sector. This follows several years of investigations into various competition issues in the sector. The CCSA was able to set up the Fast Track Construction Settlement Project and managed the intervention as a project drawing on resources from across the organisation.

The development of the CCSA's sector expertise and capabilities in priority setting and project management flowed from the strategic decision to prioritise. The ability to prioritise developed over time with processes and practices gradually emerging to implement this approach. This study highlighted how specific organisational processes were oriented to frame, structure and action decisions relevant to priorities. These processes support priority setting, marshal organisational resources towards priorities and then enable continuous review and evaluation of progress in respect thereof. Specific practices have emerged in these processes. These practices represent different modes of performing prioritisation, including doing prioritisation, organising around priorities, aligning to priorities, and communicating priorities. These modes of performance engender values the organisation deem relevant to the delivery of its priorities, including ownership, joint responsibilities and shared accountability, and alignment and communication. The implementation of the prioritisation strategy has

strengthened the internal capability of the CCSA to execute its mandate by developing dynamic capabilities and implementation processes and practices. Has this internal capability contributed to effective regulatory governance with reference to the policy outcomes the CCSA seeks to achieve?

South African competition policy reflects the realities of the country and seeks to promote economic efficiency, adaptability and development while advancing the social and economic welfare of South Africans. The objectives of the Competition Act explicitly focuses on the participation of previously excluded groups such as historically disadvantaged persons and small and medium enterprises. Broadening participation is dependent on addressing the high levels of concentrated ownership and control in the South African economy. Former state ownership and support have contributed to the entrenched position of dominance by incumbents through licences, regulatory provisions and privileged energy and transport infrastructure provision (Roberts, 2012). Incumbents are able to protect their dominance by raising barriers to new entrants which are exacerbated by the difficulties of achieving scale economies relative to market size in South Africa.

The CCSA has a solid track record in merger regulation and anti-cartel enforcement, as discussed in chapter 4. However, the record on abuse of dominance has been less than expected considering the high levels of concentration and marker power in the South African economy (Fedderke, 2012). The CCSA has strengthened its internal regulatory capabilities through prioritisation, but this has not translated into effective enforcement of abuse of dominance and promotion of competitive rivalry. Thus, institutional performance alone cannot account for the outcomes of regulatory governance. Internal capability may be a necessary condition for effectively regulating competition, but is not a sufficient condition for achieving the expected policy outcomes. External factors and challenges such as the legislation that define and frame abuse of dominance provisions, the judicial process and the institutional design underpinning competition regulation in the country should also be taken into account.

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## Annexure 1: Interview Guide

### Key Informant Interview Guide: Prioritisation

**Name of Interviewee:** _____
**Date:** _____
**Time:** _____
**Location:** _____

**Introduction**

Thank you for agreeing to do this interview. As you know, this research study is part of my dissertation for my Master in Management course at the University of the Witwatersrand. The purpose of the research is to explore how competition authorities in developing economies implement their strategies. A case study approach will be adopted to review and analyse the strategy implementation processes and practices related to prioritisation and knowledge management in the CCSA during the period 2012 – 2015. The research study will use key informant interviews as the main information collection method, in addition to a review of the literature and document analysis. Interviews will be approximately 45 – 60 minutes in length.

The purpose of this interview is to understand the process and practices associated with the implementation of the prioritisation approach of the Competition Commission South Africa (CCSA).

Did you read the consent form I sent you? Did you have any questions?

Please take not of the following ground rules for this interview:

- Everything we discuss is confidential. To protect your privacy, we won't connect your name with anything that you say.
- At any time during our conversation, please feel free to let me know if you have any questions or if you would rather not answer any specific question. You can also stop the interview at any time for any reason.
- Please remember that we want to know what you think and feel and that there are no right or wrong answers.

## Background

1. When did you join the CCSA? What is your position, role and what do you do? Are you involved/ how are you involved in prioritisation in the organisation?

## Prioritisation

2. Prioritisation has been an integral part of the CCSA's strategy since 2006. Can you please describe what the Commission has done to implement the prioritisation approach since then, and in particular since 2012?
3. What in your view, motivated the Commission to adopt prioritisation approach? What were the main factors that contributed to the adoption of the prioritisation approach?
4. What gets prioritised, by who and where in the organisation does this happen? How are priorities legitimised inside the organisation and its external stakeholders?

## Implementation Process[1]

5. Can you describe how the Commission went about implementing the prioritisation approach? What processes were adopted/ developed to implement the prioritisation approach? Can you please describe these processes? How were they developed? Are these processes formalised?
6. How are resources allocated (financial and human) towards supporting the processes by which the organisation prioritises?
7. How are these processes coordinated across the organisation and how are they communicated?
8. How are these processes monitored, reviewed and evaluated for effectiveness in implementing the prioritisation approach?

## Implementation Practices[2]

9. Who are the key players involved in the prioritisation processes across the organisation?
10. What do these players do and how do they go about prioritising in practice? What are the main practices that have emerged as a result thereof?
11. What tools (frameworks, techniques, models and methods) do you/ they use to prioritise in practice?

[1] Note that a process in this instance is defined as the way in which tasks are organised; it is the organisational activities that coordinate actions of implementation across the entire organisation.
[2] Note that a practice is defined as the way in which tasks are done; are frequently repeated acts, habits or customs associated with uncodified know-how resulting from experience, improvisation and innovation.

12. How do they generate/ create knowledge about prioritising in practice, how is this knowledge shared and how is it applied? What type of knowledge is produced in practice?

## Dynamic Capabilities[3]

13. In your view, do you think that the organisation has developed specific capabilities as a result of prioritisation? What are these capabilities?
14. Do you think these capabilities enhance the Commission's ability to sense and shape opportunities? Please provide an explanation and if you can, provide an example.
15. Do you think these capabilities enhance the Commission's ability to take advantage of opportunities and to change its international resources? Please provide and explanation, and if you can, provide an example.

[3] Note that dynamic capabilities refer to those capabilities that enable organisations to adapt their resource base.

## Annexure 2: Evolution of Prioritisation

| 2006 - 2009 | 2010 - 2014 | 2015 Onward |
|---|---|---|
| **Process** | | |
| • Undertook an analysis of the CCSA's experience and observations in dealing with complaints since 1999<br>• Undertook an assessment of economic policy developments<br>• Review of global trends relative to prioritisation<br>• Produced framework to guide selection of priority sectors and cases | • Internal prioritisation review on progress in priority sector in line with new organisational strategy introduced in 2010 | • Views of stakeholders consulted between March 2011 and April 2012<br>• Internal studies and impact assessments into CCSA's interventions<br>• Comprehensive review of previous priority sectors highlighting investigations, outcomes and outstanding work<br>• Annual reviews from 2015 |
| **Criteria** | | |
| Selection of sectors involved two-step process to determine competition concerns and alignment to government policy and priority sectors:<br>• Competition concerns included degree of concentration, barriers to entry, price unrelated to cost and demand factors, most harmful anti-competitive prices such as hardcore cartels and abuse of dominance<br>• Alignment to government policy and priority sectors took into account the sector's importance to growth and development objectives; importance to competitiveness and working of the economy; extent to which sector provides essential inputs to other economic sectors; extent to which sector is able to contribute to empowerment, and entry and growth of SMMEs<br>• Prioritising cases involved and | Selection of sectors based on:<br>• Impact on low-income consumers<br>• Competition concerns<br>• Alignment to government's economic policy and sector priorities<br>Criteria for prioritising investigations include (SCREEN):<br>• **S**ector,<br>• **C**ompetition issue,<br>• **R**esources,<br>• **E**xtent of harm,<br>• **E**nforcement capability<br>• **N**et result | Selection of sectors based on:<br>• Impact on low-income consumers<br>• Competition concerns<br>• Alignment to government's economic policy and sector priorities<br>In order to broaden scope of prioritisation the CCSA took into account<br>• Income and Expenditure Survey (IES)<br>• Sector and Industry contribution to GDP<br>• Government's Medium Term Expenditure Framework (MTEF) |

| | | |
|---|---|---|
| assessment of competition issues, priority sector, and additional criteria if complaint is outside of priority sector (including extent of harm; nature, gravity and harm of conduct; deterrent effect; resource requirements, etc.) | | |
| **Sectors** | | |
| • Financial services<br>• Infrastructure and construction<br>• Food, agro-processing and forestry<br>• Telecommunications<br>• Intermediate industrial products | Priority for investigation:<br>• Infrastructure inputs into construction<br>• Mineral resources and inter-mediate industrial products<br>• Food and agro-processing<br>• Telecommunications<br>Priority for advocacy<br>• Banking<br>• Construction services<br>• Public transport<br>Priority for market enquiries<br>• Healthcare | • Food and agro-processing for investigation include: poultry, red meat, dairy, fats and oils; for impact assessment: eggs, white maize milling, poultry; for scoping: fresh produce; and or advocacy: fisheries<br>• Intermediate industrial products for enforcement: forestry, steel, polymers, glass; for impact assessments: fertiliser, scrap metals; for monitoring: fuel; for advocacy: pulp and paper<br>• Financial services for investigation and enforcement: Forex Trading Banking Cartel; for scoping: impact of mobile money on the economy, insurance industry; continued monitoring: banking enquiry<br>• Media for enforcement: broadcasting; for monitoring: print media and publishing<br>• Energy (Renewable Energy and Industrial Gases) for scoping/research brief: renewable energy; for monitoring and impact assessment: natural gas<br>• Prioritised for market inquiry: private healthcare, liquefied petroleum gas, and supermarkets |

## Annexure 3: Ethics Clearance Certificate

Research Office

**HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)**
R14/49 Burke

| | |
|---|---|
| **CLEARANCE CERTIFICATE** | **PROTOCOL NUMBER: H15/11/2** |
| **PROJECT TITLE** | Strategy implementation insights from the competition commission South Africa |
| **INVESTIGATOR(S)** | Mr M Burke |
| **SCHOOL/DEPARTMENT** | School of Governance/ |
| **DATE CONSIDERED** | 23 October 2015 |
| **DECISION OF THE COMMITTEE** | Approved unconditionally |
| **EXPIRY DATE** | 19 January 2019 |

**DATE** 20 January 2016 **CHAIRPERSON** (Professor J Knight)

cc: Supervisor : Ms L Abrahams

# STRATEGY IMPLEMENTATION INSIGHTS FROM THE COMPETITION COMMISSION SOUTH AFRICA

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**Master of Management (in the field of Public and Development Management)**

**June 2016**

# DECLARATION

I, Mark Burke, hereby declare that this research report is submitted in partial fulfilment of the degree of Masters in Public and Development Management at the Wits School of Governance, University of the Witwatersrand. Apart from where recognised, this research is my own unaided work and has not been formerly submitted for any degree to any other university.

_____

**Mark Burke**

_____

**Date**

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Firstly, I would like to thank Patrick for getting me started and Luci for your stewardship over the completion of the research report. I hope I have been able to do justice to the question: “so what?”

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Thank you Appā for keeping me company while working in December.

Towards the end of the writing process, my young sons would often run into the office asking, “Dad, is it done yet?” Well, it is done! Thank you for your patience, Noa and Rahl!

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## ABSTRACT

Knowledge on strategy implementation in the public sector is limited. A deeper understanding of how public sector economic regulators such as competition agencies implement strategies is required to ensure that these organisations are able to reap the benefits of strategy-making and implementation. The purpose of this research was to explore how competition agencies with the mandate to regulate competition implement their strategies by examining the Competition Commission South Africa (CCSA). The research aimed to uncover how the organisation's processes and practices enable the implementation of its prioritisation strategy and how this contributes to the development of dynamic capabilities.

The study identified six organisational processes associated with prioritisation that enable three categories of actions. Firstly, the governance, strategic and business planning, and scoping processes support priority setting in the organisation. Secondly, the resource allocation and case management processes support the marshalling of resources towards assembling the resources required for accomplishing organisational priorities. Thirdly, performance monitoring and evaluation processes are evaluative in that they structure actions that assess progress and account for performance, while making adjustments where required.

In the analysis of the four organisational practices associated with prioritisation, it was revealed that each practice constitutes a specific mode of action and promotes specific values. The practice of managing cases from 'cradle-to-grave' is an approach that encourages ownership of investigations and cases. The practice of constituting inter-divisional teams is a specific form of organisation that promotes joint responsibility and shared accountability. The mid-term review is a mode of alignment as it provides an opportunity to calibrate organisational alignment to priorities in a structured and periodic fashion. The practice of colour-coding the business plan according to organisational priorities is a mode of communication that supports the implementation of priorities.

Finally, the research demonstrates how the capabilities built up in the organisation's priority setting processes, sector expertise, and fledgling project management capacity enable the identification of opportunities and re-configuration of the CCSA resource base to take advantage of those opportunities The study concludes that the implementation of the prioritisation strategy has strengthened the internal capabilities of the CCSA, but that external factors should also be taken into account when evaluating effective regulatory governance.

# Table of Contents

**Chapter 1: Exploring Strategy Implementation in Competition Authorities in the Context of Regulatory Governance ..... 1**

**1.1. Introduction ..... 1**
**1.2. Background ..... 2**
1.2.1. Proliferation of competition regimes in the wake of globalisation ..... 2
1.2.2. Economic regulation and competition policy ..... 3
1.2.3. Global markets, regulatory governance and institutions ..... 4
1.2.4. Competition policy and agencies ..... 6
1.2.5. The Competition Commission South Africa ..... 8
1.2.6. Competition agency effectiveness and strategic planning ..... 13
1.2.7. Strategic planning in the Competition Commission South Africa ..... 14
1.2.8. Implementing prioritisation as strategy ..... 16
**1.3. Strategy implementation challenges ..... 17**
**1.4. Research problem statement ..... 18**
**1.5. Purpose statement ..... 19**
**1.6. Research questions ..... 19**
**1.7. Summary ..... 19**

**Chapter 2: A Review of Strategy Implementation Issues, Processes, Practices and Capabilities ..... 21**

**2.1. Approach ..... 21**
**2.2. Evolution of strategy ..... 21**
**2.3. The dynamics of strategy in the public sector ..... 24**
**2.4. Strategy implementation ..... 26**
2.4.1. Barriers and success factors ..... 27
2.4.2. Learning and change ..... 28
2.4.3. Organisational routines, adaptation and dynamic capabilities ..... 29
2.4.4. Communication, language and participation ..... 30
2.4.5. Discourse and power ..... 31
**2.5. Strategy process and practice ..... 32**
2.5.1. Actors ..... 35
2.5.2. Activities ..... 37
2.5.3. Artefacts ..... 39
**2.6. Summary and conceptual framework ..... 40**

**Chapter Three: Research Design and Approach ..... 42**

**3.1. Introduction ..... 42**
**3.2. Research paradigm ..... 42**
3.2.1. Research strategy ..... 43
3.2.2. Research design ..... 43
3.2.3. Data collection and sampling ..... 45
3.2.4. Analysis ..... 47
3.2.5. Reliability and validity ..... 49
**3.3. Ethics ..... 50**
**3.4. Summary ..... 50**

**Chapter Four: Evolution and Implementation of the Prioritisation Strategy in the Competition Commission South Africa ..... 51**

**4.1. Introduction ..... 51**
**4.2. Setting the scene: understanding prioritisation ..... 51**
4.2.1. Defining prioritisation ..... 51
4.2.2. Motivations for prioritisation ..... 52
4.2.3. Criteria underpinning prioritisation ..... 53
4.2.4. Challenges to prioritisation ..... 53
**4.3. The Competition Commission South Africa's approach to prioritisation ..... 54**
4.3.1. Background to prioritisation ..... 54
4.3.1.1. Competition policy and the quest for economic transformation ..... 54
4.3.1.2. International legitimacy of prioritisation ..... 55
4.3.1.3. Internal shift from reactive to proactive competition regulation ..... 56
4.3.2. Evolution of the prioritisation approach in the Competition Commission South Africa ..... 57
**4.4. Relevant organisational processes ..... 60**
4.4.1. Governance processes ..... 60
4.4.2. Strategy and business planning processes ..... 62
4.4.3. Scoping studies processes ..... 65
4.4.4. Resource allocation processes ..... 66
4.4.5. Case management processes ..... 67
4.4.6. Performance monitoring and evaluation processes ..... 70
**4.5. Relevant organisational practices ..... 72**
4.5.1. 'Cradle-to-grave' case management ..... 72
4.5.2. Inter-divisional teams ..... 73
4.5.3. Mid-term review ..... 74
4.5.4. Business plan as artefact ..... 75
**4.6. Relevant strategic capabilities ..... 76**

4.6.1. Sector expertise ....77
4.6.2. Project management capability ....77
4.6.3. Priority setting expertise ....78
**4.7. Summary ....78**

**Chapter Five: Significance of Prioritisation Implementation Processes, Practices and Capabilities ....80**

**5.1. Introduction ....80**
**5.2. Significance of prioritisation strategy implementation processes ....80**
5.2.1. Priority setting processes ....81
5.2.1.1. Processes oriented towards examining strategic priorities ....81
5.2.1.2. Endorsing strategic priorities ....83
5.2.1.3. Embedding strategic priorities ....85
5.2.2. Resource marshalling processes ....86
5.2.2.1. Assembling resources for priorities ....86
5.2.2.2. Accomplishing priority tasks ....87
5.2.3. Evaluative processes ....87
5.2.3.1. Assessing performance in respect of priorities ....87
5.2.3.2. Accounting for performance ....88
5.2.3.3. Adjusting to improve performance ....88
**5.3. Significance of prioritisation strategy implementation practices ....89**
5.3.1. Cradle-to-grave as mode of doing ....89
5.3.2. Inter-divisional teams as mode of organisation ....90
5.3.3. Mid-term review as mode alignment ....91
5.3.4. Business plan as mode of communication ....91
**5.4. Significance of dynamic capabilities ....92**
5.4.1. Sensing opportunities ....92
5.4.2. Seizing opportunities ....93
5.4.3. Reconfiguring the organisational resource base ....95
**5.5. Summary ....96**

**Chapter Six: Insights into the Relationship between Strategy Implementation and Regulatory Governance ....97**

**6.1. Introduction ....97**
**6.2. Framing and studying processes, practices and dynamic capabilities ....97**
**6.3. Limitations of the study ....99**
**6.4. Enabling organisational processes ....100**
**6.5. Enabling organisational practices ....102**
**6.6. Strategic capabilities ....104**

6.7. The significance of strategy and prioritisation to competition agencies .....105
6.8. The relationship between strategy implementation and regulatory governance .....107

References .....110
List of Competition Commission Documents .....125
Annexure 1: Interview Guide .....129
Annexure 2: Evolution of Prioritisation .....132
Annexure 3: Ethics Clearance Certificate.....134

# Abbreviations and Acronyms

| | | |
|---|---|---|
| AEWG | - | Agency Effectiveness Working Group |
| APP | - | Annual Performance Plan |
| ASGISA | - | Accelerated and Shared Growth Initiative – South Africa |
| CCSA | - | Competition Commission South Africa |
| CLP | - | Corporate Leniency Programme |
| COSATU | - | Congress of South African Trade Unions |
| CSO | - | Chief Strategy Officer |
| E&E | - | Exemptions and Enforcement. |
| FEDUSA | - | Federation of Unions of South Africa |
| EXCO | - | Executive Committee |
| GDP | - | Gross Domestic Product |
| GEAR | - | Growth, Employment and Redistribution Strategy |
| ICN | - | International Competition Network |
| IES | - | Income and Expenditure Survey |
| LSD | - | Legal Services Division |
| MANCOM | - | Management Committee |
| M&A | - | Mergers and Acquisitions |
| MTEF | - | Medium Term Expenditure Framework |
| NIPF | - | National Industrial Policy Framework |
| NPM | - | New Public Management |
| OECD | - | Organisation for Economic Cooperation and Development |
| SOEs | - | State-owned Enterprises |
| UNCTAD | - | United Nations Conference on Trade and Development |
| UK | - | United Kingdom |
| USA | - | United States of America |

# Chapter 1: Exploring Strategy Implementation in Competition Authorities in the Context of Regulatory Governance

## 1.1. Introduction

This research explored how strategy is implemented in public agencies mandated to regulate competition in developing economies. The study focused on the strategy implementation processes and practices in the Competition Commission South Africa (CCSA), with specific reference to the implementation of its prioritisation strategy. Furthermore, the study examined how the implementation of strategy in the CCSA contributed to the development of dynamic capabilities in the organisation. The research focused on the implementation of the prioritisation strategy during the period 2012 – 2015.

The research was underpinned by a critical realist ontological orientation in which a qualitative research design was employed to explore, elaborate and explain the strategy implementation processes, practices and resultant capabilities in the CCSA. The main data collection methods used were document reviews and key informant interviews. The study is situated at the intersection of a number of theoretical and conceptual developments that have emerged over the past twenty years, especially the conceptions of regulatory governance and strategy-as-practice.

This chapter provides a brief description of the conditions that drive the emergence of regulation as a form of governance and the particular role played by competition authorities in the process of regulation. It highlights a number of key issues and developments pertaining to strategy implementation in competition authorities with reference to the CCSA, which is the site of study. Finally, this chapter draws attention to the gaps in available knowledge regarding strategy implementation in public organisations in general and competition regulators in particular as the research problem this study aims to address, elaborated in section 1.4.

## 1.2. Background

This section discusses the proliferation of competition regimes globally as a part of the emergence of a particular form of economic governance referred to as regulatory governance. It highlights the connection between the effectiveness of competition authorities and strategic planning. The section concludes by highlighting the strategy process of the CCSA, located in the context of a poor track record of strategy implementation in both public and private organisations and the limited knowledge available on strategy execution.

### *1.2.1. Proliferation of competition regimes in the wake of globalisation*

The proliferation of competition laws and authorities set up to implement and enforce these laws has been nothing short of remarkable. Nine jurisdictions had a competition law in place and only six had established a competition agency in 1990. By October 2013, there were 127 jurisdictions with a competition law and 120 with an operational competition agency (OECD, 2014).

The growth of competition laws and institutions over this period must be understood in the context of the globalisation of economic activity and the associated arrangements that enable and govern these processes. Technological advances and falling costs of transport and communication have reduced the barriers of distance and time to cross-border flows of trade, investment and finance (Perraton, Goldblatt & Mcgrew, 1997). The opening-up, increasing integration and interdependence of national economies have given rise to global markets in which multi-national corporations compete (Nayyar, 2002), and in which competition has become a key mechanism for allocating resources and structuring economic exchange (Gerber, 2010).

The diffusion of ideas about the role of competition in promoting economic development is closely tied in with ideas, ideologies and discourses on the centrality of the market as the most effective and efficient mechanism for structuring economic relations. The dominance and spread of market principles across the globe following the collapse of the Soviet Union, and with it the communist alternative in which the state plays the dominant role in the economic domain, has been central to the diffusion of competition law globally. Gerber (2010: 84) argues that the turn towards the market “generated

patterns of thought and rhetoric that called for the abandonment of policies based on a significant economic role for government." It follows that if the market is such an important mechanism then protecting it from distortion through competition policy should be a high priority. It is this association that positions competition policy as complementary to and a key component of policies supporting market economies to the extent that "competition law has been enlisted *in the service of* economic development" (Gerber, 2010: 210 italics in original).

Competition policy is thought to be desirable where the state has loosened its grip on economies following the turn to the market in order to open up space for greater private participation by firms. Competition policies are intended to promote rivalry among such firms through regulating activities such as mergers and acquisitions, abuse of dominance, cartels, conspiracies in restraint of trade and other economic offences deemed to be anti-competitive (Doern & Wilks, 1996). Accordingly, the overall purpose of competition policies, laws and institutions is to protect competition as a means of allocating scarce resources in order to produce allocative efficiency that leads to broader economic and social welfare gains. In theory and in practice, "competitive pressures on individual firms must be strong enough not only to dissipate monopolistic rents but, more importantly, to induce firms to adopt active competitive strategies instead of profiting from incentives provided by industrial and technology policies" (Possas & Borges, 2009: 450).

### *1.2.2. Economic regulation and competition policy*

Competition policy is an important instrument of economic regulation (Robb & Roberts, 2014). Economic regulation has gained prominence over the last several decades as a consequence of the liberalisation, privatisation and corporatisation of infrastructure sectors. Private sector participation in these monopoly industries that provide utility services such as energy, gas, telecommunication, rail and ports have induced the need for regulatory reforms (Cook, Kirkpatrick, Minogue & Parker, 2004).

Economic regulation concerns the rules determined by government and its agencies to control the operation of firms in these industries in order to prevent abuse of their monopoly power such as excessive pricing in search of excess profits. Economic

regulators impose limitations on the behaviour of firms in monopoly markets in terms of price, quantity, entry and exit into the market (Robb & Roberts, 2014). This desire to move towards competitive markets by protecting and promoting competition provides the basis for understanding economic regulation broadly "as the set of rules within which businesses make investment, production and supply decisions" (Robb & Roberts, 2014: 501). From this perspective, competition policy is part of economic regulation.

The rationale for establishment of economic regulators draws on the principal-agent framework of transaction cost economics (Levy & Spiller, 1994). Regulation is required to address contracting problems that arise from the unique characteristics of utilities in natural monopoly markets, including economies of scale and scope, information asymmetries, and sunk costs. Regulation is necessary to address contracting problems that undercut the ability of market mechanisms to achieve the best results.

### *1.2.3. Global markets, regulatory governance and institutions*

The development of global markets, in which multi-national corporations and other economic players facilitate cross-border investment, production and trade, is part of a broader process of economic and political transformation and change taking place across the globe. The emergence of global markets has been interwoven and underpinned by new patterns of international and domestic governance arrangements and institutions that govern and regulate economic activity. The co-evolution of global markets and the associated governance arrangements is a prominent feature that enables and constitutes the framework of rules and institutions that facilitate and regulate cross-border economic activity (Gerber, 2010).

Perspectives on the role of the state in promoting economic development have had a significant impact on the nature and type of the governance arrangements and institutions that have emerged, particularly at the domestic level. The dominance of the market as the mechanism to structure economic relations and the private sector principles that influence policies and behaviours crowded out any significant role for government following the introduction of public sector reforms after the economic and fiscal crisis of the 1970s. Public and development management reforms were initiated in response to the quest for efficiency and effectiveness in the public sector. These

reforms were geared towards introducing market mechanisms and private sector management principles under the aegis of the New Public Management (NPM) discourse informed by concepts such as public choice, transaction costs and principal-agent theories emphasising markets, competition, contracting and incentive structures (Larbi, 1999). Accordingly, the range of strategies and techniques employed to achieve these goals included decentralised management; devolution of budgets and financial control; organisational unbundling, downsizing, separating production and provision functions; and new forms of corporate governance. With the reduction of direct government controls, regulation emerged as a new form of governance and control over the social sphere in general and in the economic sphere specifically.

"Governance through regulation" constitutes a new division of labour between state and society in which there is an "increase in delegation, proliferation of new technologies of regulation, formalisation of inter-institutional and intra-institutional relations and the proliferation of mechanisms of self-regulation in the shadow of the state" (Levi-Faur, 2005: 13). It signals a move away from direct intervention by government through nationalisation and macro-economic planning towards more arm's length control (Bach & Newman, 2007). Governance through regulation implies a greater reliance on institutions operating at arm's length from government through the establishment of regulatory agencies that adopt technocratic and judicial approaches in the way they exercise their regulatory mandate.

The emphasis on the role of institutions in social and economic development processes has been given a boost by the resurgence in research on 'institutionalism' across the disciplines of economics, political science and sociology, motivated by a "common conviction that institutional arrangements and social processes matter" (Powell & DiMaggio, 1991: 3). North (1998) argues that institutions form the incentive structure of society and that political and economic institutions determine economic performance. Institutions are the rules of the game that are "humanly devised constraints that structure human interaction" and "are made up of formal constraints, informal constraints, and their enforcement characteristics" (North, 1998: 248).

Regulatory agencies form part of the institutional framework by which economic activity is regulated. The establishment of these regulatory agencies, it is argued, is linked to reforms that promote liberalisation and privatisation since these institutions are seen to be insulated from political interference in day-to-day decision-making by virtue of the rule-based and technocratic mode of operation (Dubash & Morgan, 2012). Levi-Faur (2013, 235) asserts that reforms privilege regulatory actors, institutions and instruments and constitute an additional administrative layer of the capitalist state that serves "partly as a substitute, partly as an extension and partly as a refinement of older administrative systems."

### *1.2.4. Competition policy and agencies*

Competition policies can be defined as "the set of policies and laws which ensure that competition in the marketplace is not restricted in such a way as to reduce economic welfare" (Motta, 2004: 30). Definitions of competition policies imply that competition is of value to society and, as such, it needs to be protected. This, in turn, assumes that private enterprises operate under competitive market conditions.

According to neoclassical economic theory, competitive markets provide consumers with wider choice and lower prices and provide sellers with stronger incentives to minimise cost, innovate and adapt to changing market conditions (UNCTAD, 2004). Firms search for and adopt improved production methods in order to develop the capabilities that advance their products and services. Firms are able to achieve abnormal returns through collusion and rent extraction hurting consumers in the process when there is an absence of the competitive discipline (Competition Commission, 2008a). Graham and Richardson (1997) assert that competition policy determines the institutional mix of competition and cooperation that gives rise to the market system; regulates the intensity of competition and the scope of cooperation and defines the legal boundaries for both; seeks a blend of efficiency and fairness in markets; and ultimately aims to make markets work better.

Competition law is a specific instrument of competition regulation. It involves the adoption of legislation to regulate anti-competitive conduct. The firm conduct and structural conditions that competition law aims to regulate include (Doern & Wilks, 1996:

15) cartels, trusts, or horizontal arrangements among competitors to fix prices or allocate markets; abuse of dominant position or monopoly or market power; mergers that significantly reduce competition; vertical arrangements between producers and various sellers, such as resale price maintenance, exclusive dealing, exclusive territories, and tying arrangements; and arrangements and practices that mislead consumers.

The goals of competition laws can be categorised into economic and equity goals. Economic goals include efficiency, such as static and dynamic, allocative, productive and dynamic efficiency; consumer welfare sometimes including consumer choice; total welfare; or protecting the competition process from the creation of private artificial barriers. Equity goals concern protecting small and middle sized businesses from abuses; safeguarding economic opportunity for all, in some cases especially for historically excluded segments of society (Fox & Gal, 2014). Competition laws are enforceable legal rules that prohibit firms from attaining or exercising substantial market power obtained through improper means. It is concerned with eliminating abusive monopoly conduct, price fixing and other cartels. It prohibits mergers that limit competition and addresses artificial barriers to entry, and in so doing facilitates market access to enhance competition (Aldaba & Geronimo, 2014). While competition laws exhibit a high degree of similarity at their core they do vary widely in respect to the goals they emphasise, the substantive aspects of the law and the institutional arrangements they set out (Fox & Gal, 2014).

Competition agencies are an integral part of the institutional arrangements set out to operationalise competition policy and law. As Kovacic (2013, 5) states, “To be adapted successfully to practice, theory cannot be suspended in air. Unless grounded in engineering of effective institutions, theory will not work in practice. The engineering of policy making involves basic questions of policy implementation.” Competition agencies are economy-wide in their scope of coverage and administer the laws aimed at protecting consumer interests by prohibiting firms from reducing competition through colluding or merging with their rivals, or seeking to eliminate competitors by means other than offering superior products to consumers (OECD, 1998).

### *1.2.5. The Competition Commission South Africa*

Competition policy was a key element in the Reconstruction and Development Programme of the first democratically elected government in South Africa in 1994 (Makhaya, Mkwananzi & Roberts, 2012), foreshadowing the adoption of the Competition Act of 1998 (Competition Commission South Africa & Competition Tribunal South Africa, 2009). The purpose of the Competition Act is to promote and maintain competition in the South Africa by: promoting the efficiency, adaptability and development of the economy; providing consumers with competitive prices and product choices; promote employment and advance the social and economic welfare of South Africans; expanding opportunities for South African participation in world markets and to recognise the role of foreign competition in the Republic; ensuring that small and medium-sized enterprises have an equitable opportunity to participate in the economy; and promoting a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged persons.

The Act further aims to open the economy to greater participation by more South Africans by addressing high levels of concentrated ownership and control in the South African economy. After the demise of Apartheid, four main conglomerate groupings (Anglo American Corporation, Sanlam, Liberty Life and Rembrandt/Remgro) dominated economic activity in South Africa, notwithstanding the process of liberalisation in many sectors (Makhaya and Roberts, 2013; Roberts, 2004). The objectives of the Act are explicit about promoting the participation of previously excluded groups (small and medium enterprises and historically disadvantaged persons) in the economy and addressing the legacy of concentrated ownership and control (Makhaya, Mkwananzi & Roberts, 2012).

The Competition Act makes provision for the establishment of a triumvirate of institutions to implement the policy. According to the Act, the Competition Commission is responsible for the investigation, control and evaluation of restrictive practices, abuse of dominant position, and mergers. The Competition Tribunal, and administrative decision-making body is responsible for adjudicating matters brought before it by the Competition Commission. Finally, the Act establishes the Competition Appeal Court as

a special division of the High Court dedicated to hearing appeals from the Competition Tribunal.

The Competition Commission South Africa (CCSA) was established in 1999 and has since then developed and refined its mode of operation concerned principally with investigating mergers and anti-competitive conduct and referring outcomes to the Competition Tribunal to decide on the cases placed before it. The Act empowers the CCSA to implement measures to increase market transparency and develop public awareness of the provisions of the law; collaborate with regulatory authorities to coordinate and harmonise the exercise of jurisdiction over competition matters; investigate and evaluate alleged anti-competitive conduct, grant or refuse applications for exemption from the application of the Act, and negotiate and conclude consent orders; authorise, prohibit or refer mergers of which it receives notice; refer matters to the Competition Tribunal, and appear before the Tribunal when required; and review legislation and public regulations over time, and report to the Minister (Competition Commission, 2005).

In addition to the Office of the Commissioner, the institution is organised into main divisions dealing with mergers, enforcement, cartels, legal services, policy and research and advocacy and stakeholder relations, supported by corporate services and finance divisions. The organisation is headed by a commissioner and deputy commissioner(s) and supported by a team of divisional managers that make up the executive management team of the CCSA. In the last decade, the CCSA has grown its staff compliment from 81 to 182 at an average annual growth rate of 12%. The CCSA ramped up its staff by a considerable 45% in the 2007/08 financial year and has since then maintained steady growth to cope with the increase in the volume and complexity of its work as shown in Figure 1.1. The CCSA's capacity is bolstered by external council and expert economists for major cases.

A similar pattern of growth can be observed in the expenditure of the CCSA when it increased by more than a third in the 2007/08 financial year compared to the previous year. Over the ten year, period the CCSA's budget has grown by 31% annually (see Figure 1.3). In the 2014/15 financial year, the organisation had revenue of R248 million

derived primarily from a budget allocation from government and fees for merger filings, exemption applications and advisory opinions (Competition Commission South Africa, 2014a; Makhaya, Mkwananzi & Roberts, 2012).

The first five to eight years of the CCSA's work was dominated by merger regulation (Competition Commission South Africa & Competition Tribunal South Africa, 2009; Makhaya, Mkwananzi & Roberts, 2012; Makhaya & Roberts, 2013). The Competition Act compels firms to notify the CCSA of mergers above specific thresholds of asset and combined turnover values as these transactions require approval by the competition authorities (Competition Commission South Africa, 2007). Merger notifications peaked in the 2007/08 and 2008/09 financial years when 513 and 415 notifications were received. Notifications fell sharply the next year following the introduction of new thresholds to take into account the effects of inflation and growth in equity evaluations, as shown in Figure 1.4.

The CCSA has since 2006 stepped up its enforcement activity and in the 2007/08 financial year the number of investigations initiated reached double digits for the first time as shown in Figure 1.2. The Competition Act empowers the Competition Commission to investigate three classes of anti-competitive conduct, namely, restrictive horizontal practices, restrictive vertical practices, and abuse of a dominant position. The CCSA signaled its intent to improve its enforcement capacity in its 2006/07 annual report, with a specific focus on detecting and prosecuting cartels (Competition Commission, 2007). Following international practice, the CCSA introduced a corporate leniency policy (CLP) in 2004 and revised it in 2008 that gives cartel members immunity from prosecution should they be the first to come forward with information on cartel activities. Cartel arrangement involves competitors meeting to agree on keeping prices to customers high and thereby ensuring an easier environment for themselves and higher profits at the expense of consumers. The unit responsible for investigating cartels was formally established in 2011.

An additional instrument to promote competition in markets is market inquiries for which the CCSA was granted formal powers in terms of the amendments to the Competition Act that came into force on 1 April 2009. Section 21 of the Act requires the CCSA to

implement measures to increase market transparency and can do so through conducting market inquiries into the general state of competition in a market for particular goods and services, without necessarily referring to the conduct or activities of any particular firm. The CCSA has recently launched market inquiries into the healthcare, supermarkets and liquefied petroleum gas markets following complaints over several years related to these sectors.

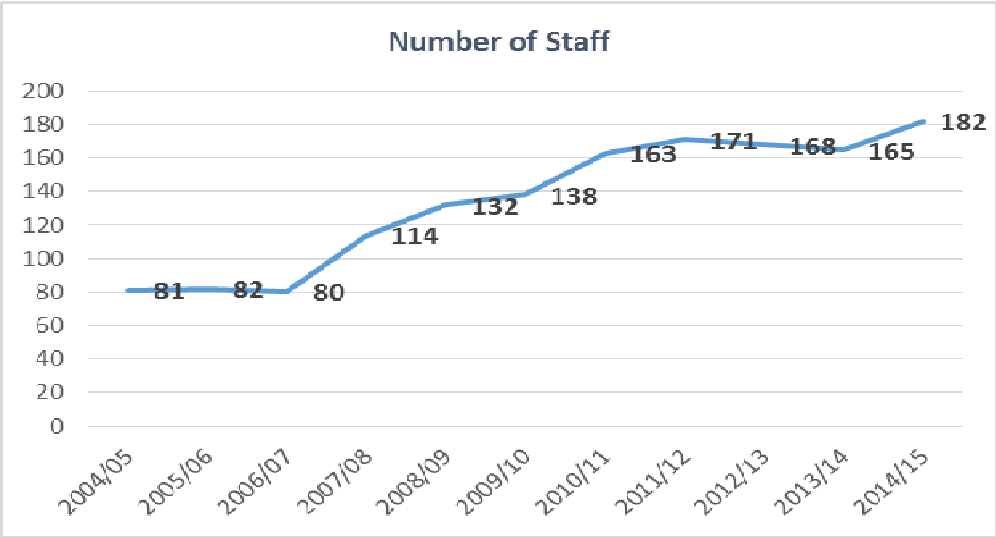



**Figure 1.1:** Growth in the number of Competition Commission staff, 2004/05 - 2014/15 (Compiled from annual report data)

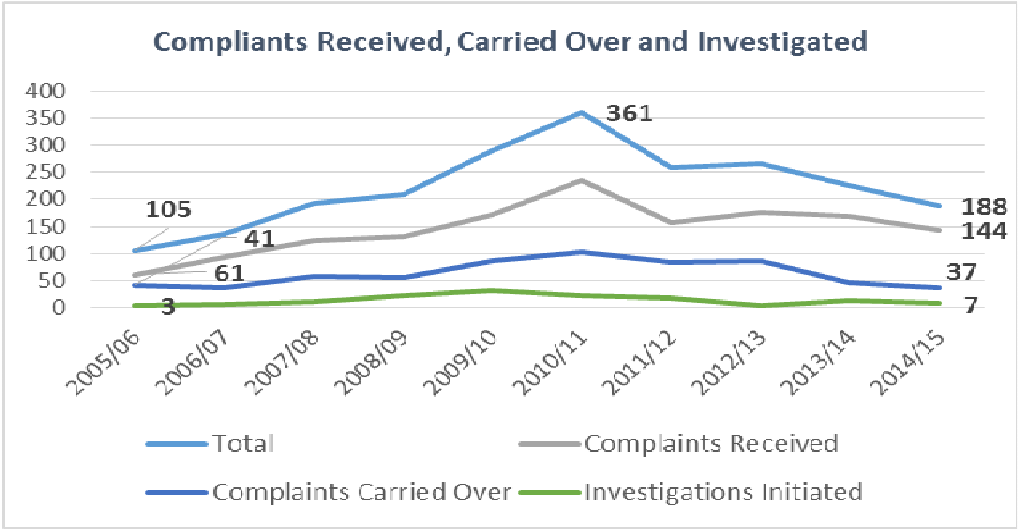



**Figure 1.2:** Complaints received, carried over and investigated, 2005/06 - 2014/15 (Compiled from annual report data)

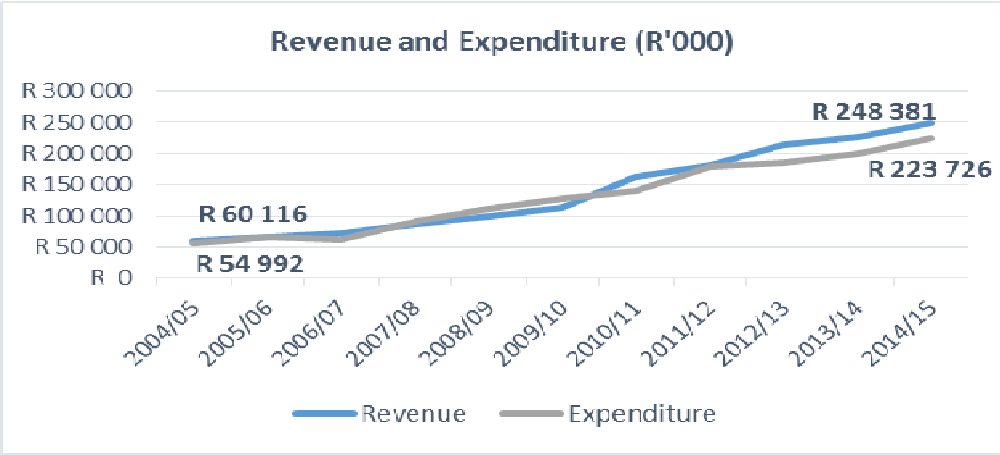



**Figure 1.3:** Growth in the Competition Commission revenue and expenditure, 2014/15 - 2013/14 (Compiled from annual report data)

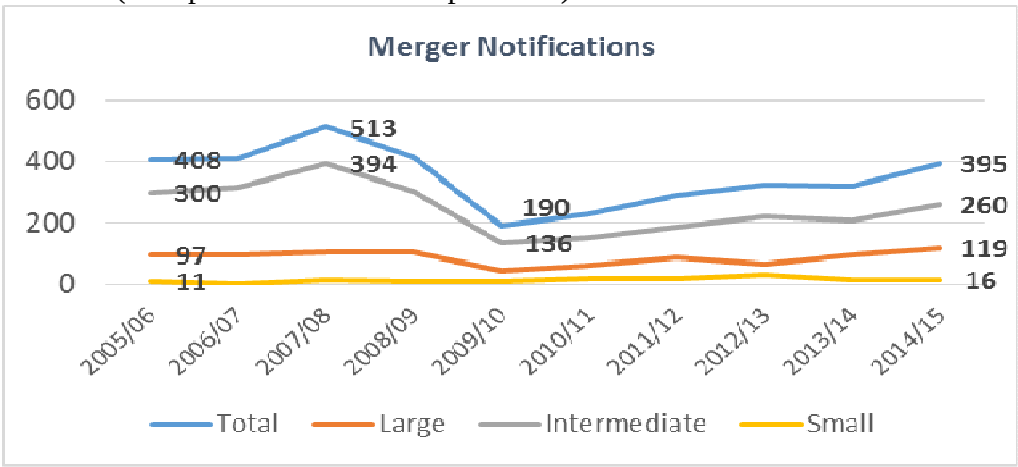



**Figure 1.4:** Merger notifications, 2005/06 – 2014/15 (Compiled from Annual Report data)

### *1.2.6. Competition agency effectiveness and strategic planning*

There is widespread recognition that the quality of a nation's competition policy depends on the effectiveness of the institutions responsible for the formulation and implementation of that policy and law (Kovacic & Hyman, 2012). The effectiveness of competition agencies has been a central concern for many governments around the world and international agencies such as the Organisation for Economic Cooperation and Development (OECD), United National Conference on Trade and Development (UNCTAD) and global voluntary network organisations such as the International Competition Network (ICN).

Effectiveness refers to the ability of an agency to achieve its objectives by the appropriate use of its resources. Effectiveness of competition agencies is influenced by a number of factors in its design, including elements related to its legal status, its standing within the broader governmental machinery and the business and consumer stakeholders, and the design of its internal processes to maintain high-quality work output (UNCTAD, 2011). According to the International Competition Network (2009), there are a number of pre-requisites to achieving effectiveness including: good planning and prioritisation (both strategic and operational); efficiency in use of resources and project management; evaluation of activity in order to assess its impact; and good communication as a large part of the impact of a competition agency comes via perceptions and awareness of the value of competition by various economic actors.

A large focus of the work of international organisations has been on prioritisation within competition agencies in the face of constraints related to scarce resources relative to the requirements for effectively achieving the mandates of these agencies. The assumption is that it is necessary to decide what must be achieved over a period of time, establish a plan to achieve this and provide a framework for prioritisation. Setting strategy and developing a plan to implement it must enable an agency's limited resources to be focused on high-impact cases and markets with great significance in terms of direct economic impact on the market in question or by virtue of deterrence value or value in setting precedent or policy (International Competition Network, 2009). The focus on strategy and prioritisation is in direct response to the recognition that competition agencies all over the world, but especially in developing countries, simply

do not have the resources to deal with every complaint brought before them. Setting strategy has been identified as one of the main characteristics of good competition agencies and, perhaps, the most important responsibility of agency leadership (Kovacic, 2013).

### *1.2.7. Strategic planning in the Competition Commission South Africa*

Strategic planning in the South African public sector has become a key feature of a reformed system of public management and governance. Strategic planning has been formalised and encoded in a set of guidelines and regulations and is now an integral part of the government's planning, performance monitoring and evaluation system (National Treasury, 2010).

As a public entity established by an act of Parliament, the CCSA embarked on its journey of strategic planning and implementation in 2006 when it sought to consolidate its experience into a strategic plan and respond appropriately to developments and changes in its environment (Competition Commission, 2007). This was before any formal regulations were introduced to guide the strategic planning processes in public organisations in the country. The plan's main strategic thrusts were to increase staff morale and motivation; align organisational structure and work processes to the CCSA's strategic priorities; define and clarify the Commission's approach and methodology; establish the CCSA as a centre of information, knowledge and expertise; and ensure effective advocacy and communication (Competition Commission, 2006a).

The time horizon for the implementation of the first generation strategy was three years into 2009. An internal review of the implementation process found that the execution of the strategy was a learning experience for all involved, which provided an opportunity to gain valuable insights into the process of strategic planning and implementation (Competition Commission, 2009a). A key finding of the review was that the time frames for the implementation of activities were very ambitious and that the implementation of some components of the strategy was only commencing at the time of the review. Furthermore, the review found that the structures established and processes set in motion to support the strategy implementation process did not function as intended.

The implementation of the second generation strategy commenced in 2010 and focused on achieving demonstrable competitive outcomes in the economy through prioritisation; enhancing the competitive environment for economic activity through partnership, engagement, dialogue and advocacy; and realising a high-performance regulatory agency (Competition Commission, 2009a). This strategy was implemented through to 2013/14 financial year before a third generation strategy was developed covering the period 2015 to 2020 (Competition Commission South Africa, 2015d). The internal review of this strategy found that coordination of strategy activities, integration into the day-to-day operational activities and ownership of the strategy remained a challenge (Competition Commission, 2012c). This strategy remained in force until the commencement of the third generation strategy for the period 2015 – 2020. The focus of the current strategic priorities is effective competition enforcement and merger regulation; strategic collaboration and advocacy; and developing a high-performing agency. The strategic priorities for the first, second and third generation strategies are set out below in Table 1.1.

| **2006 – 2009 (1st Generation Strategy)** | **2009 – 2014 (2nd Generation Strategy)** | **2015 – 2020 (3rd Generation Strategy)** |
|---|---|---|
| **External Environment** | **External Environment** | **External Environment** |
| • Expanding economic activity<br>• Competition policy review<br>• Increasing sophistication<br>• Impact assessment<br>• Increasing profile | • Global economic crisis<br>• Implementation of changes to the Competition Act<br>• Strategic engagement opportunities<br>• Increasing expectations | • Re-alignment of regulatory institutions to promote efficiency<br>• Growing importance of BRICS nations<br>• Infrastructure-led growth<br>• Implementation of changes to the Competition Act |
| **Internal Environment** | **Internal Environment** | **Internal Environment** |
| • Sound governance arrangements<br>• Structure<br>• Human resource | • Continued organisational growth and expansion<br>• Empowering middle management | • Streamlining business processes<br>• Human capital development and |

| | | |
|---|---|---|
| • Culture and climate<br>• Information and knowledge management | • Leading and managing change<br>• Information and knowledge management | management<br>• Effective leadership and management<br>• Improving resource management |
| **Strategic Priorities** | **Strategic Priorities** | **Strategic Priorities** |
| • Increase staff morale and motivation<br>• Align organisational structure and work processes to the Strategy<br>• Defining and clarifying the Commission's approach and methodology<br>• Establish the Commission as a centre of information, knowledge and expertise<br>• Ensure effective advocacy and communication | • Achieve demonstrable competitive outcomes in the economy<br>• Improve competitive environment for economic activity<br>• Realise a high-performance competition regulatory agency | • Effective competition enforcement and merger regulation<br>• Strategic collaboration and advocacy<br>• A high-performance agency |

**Table 1.1:** Strategy cycles and strategic priorities

Source: Compiled from Competition Commission Strategic Plans 2006 – 2009; 2009 – 2012; 2012 – 2015; and 2015 – 2020.

### *1.2.8. Implementing prioritisation as strategy*

A consistent feature of the strategic plans of the CCSA over the past fifteen years has been the adoption and implementation of a strategy to prioritise its work. According to the organisation's first generation strategy (2006 – 2009) this approach involves prioritisation based on appropriate criteria and guiding principles, together with greater proactivity in initiating and selecting cases (Competition Commission, 2006a). The second generation strategy noted that prioritisation has been established as a strategic necessity in the CCSA, as it recognises that limited resources should be directed at high-impact industry sectors, markets and cases. Prioritisation is also a key feature of

the organisation's third generation strategy for the period 2015 – 2020 (Competition Commission South Africa, 2015d). According to Commissioner, "The challenges are so enormous and the resources so limited that you have to constantly prioritise. In the past ten years or so, we have really institutionalised strategic planning, prioritisation of sectors, and so on" (Krisztian, 2015: 1).

### 1.3. Strategy implementation challenges

Making the transition from strategy formulation to implementation remains a major challenge for many organisations, both in the private and public sectors. Following a study of 104 firms across multiple sectors, Shah (2005) concluded that organisations understand the need for effective strategy implementation, but that execution in most firms falls short of the set goals.

A survey by Bridges Business Consultancy (2013) of multi-national and local companies as well as government organisations in the United States and Singapore found that 80% of leaders feel that their organisation is good at crafting strategy with only 44% feeling that their organisations are good at its implementation. It is, therefore, not surprising that only 2% of all managers in the study are confident that they will achieve 80% or more of their strategy's objectives.

A global survey of 587 executives by The Economist (2013) found that 61% of respondents admit that their firms struggle to bridge the gap between strategy formulation and implementation and that on average 56% of strategic initiatives have been successfully implemented in the last three years. Organisations in the public sector are no less subject to strategy implementation failure. A review of the literature on strategic management in the public sector indicate that the real challenge lies in implementation as agencies vary widely in how purposeful and effective they are in fully executing their strategies (Poister, Pitts, & Edwards, 2010).

The increasing focus on strategy processes (Farjoun, 2002) and practices (Jarzabkowski, 2004; Whittington, 2007) as key units of analysing strategy in organisations has potential to shift attention beyond formulation towards implementation as the focus of research. This is critically important in view of the high rates of failure in strategy implementation (Poister et al., 2010; Shah, 2005). Furthermore, recent

research into dynamic capabilities that enable organisations to re-configure their resource base in response to changing environments could enhance our knowledge of how strategy implementation contributes to the capacity of organisations to adapt to their environments (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997).

### 1.4. Research problem statement

The effectiveness of economic regulators, in particular, competition authorities, is closely associated with strategic planning (International Competition Network, 2009; UNCTAD, 2011). It is contended that strategy supports the process of prioritisation in regulators, which in turn enables these organisations to focus their resources on high impact areas that create precedent in order to deter firms from transgressing competition laws. The focus of international organisations that contribute to the building of institutional capacity had been on formulating strategic plans, rather than their implementation. The available literature also suggests that knowledge of strategy implementation in public organisations is limited and the phenomenon is poorly understood (Bryson et al., 2010). The limited knowledge on strategy implementation in public organisations is the main research problem this study seeks to address.

Without a deeper understanding of how economic regulators such as competition agencies implement their strategy, it will not be possible for such organisations to benefit optimally from the perceived benefits of strategy implementation. This is especially important in the developing countries of southern Africa, considering the number of recently established competition authorities in the region where financial, technical and other resources are scarce. The CCSA is implementing its third successive strategy and the experience it has gained in practice, whether successful or not, can provide valuable insights from which newly established authorities can learn. By exploring the processes and practices by which the CCSA has implemented its prioritisation strategy over the past few years, this study responds to the explicit call made by Poister et al. (2010) for case studies to help understand how strategy implementation processes work.

This research focused on how strategy is implemented in public agencies mandated to regulate competition in developing economies with specific reference to the CCSA as the site of study. In order to do so, the study explored the key strategy implementation

processes and practices associated with prioritisation in the CCSA. Furthermore, the study examined how the implementation of the prioritisation strategy contributed to the development of dynamic capabilities in the organisation.

## 1.5. Purpose statement

The purpose of the research was to explore how competition authorities mandated to regulate competition in developing economies implement their strategies. The study sought to understand the processes and practices by which the CCSA, as an institutional case of competition authorities, implements its prioritisation strategy. In addition, the research set out to examine how the implementation of the organisation's prioritisation strategy contributed to the development of dynamic capabilities. The research set out uncover insights from this case study that may be of value to other competition agencies in developing countries embarking on prioritisation.

## 1.6. Research questions

The main research question that guided the study is: How do the organisation's processes and practices enable the implementation of its strategy and contribute to the development of dynamic capabilities. Three specific lines of enquiry were pursued in addressing this research question:

- Which organisational processes are oriented towards the implementation of the prioritisation strategy and what is the significance of these processes?
- What practices are associated with the implementation of the prioritisation strategy and what is the significance of these practices?
- How does the implementation of the prioritisation strategy contribute to the development of dynamic capabilities in the organisation?

## 1.7. Summary

Knowledge on strategy implementation in the public sector is limited. A deeper understanding of how public sector economic regulators such as competition agencies implement strategies is required to ensure that these organisations are able to reap the benefits of strategy-making and implementation. Therefore, the purpose of this research was to explore how competition agencies with the mandate to regulate competition implement their strategies by examining the case of the CCSA. The research aimed to uncover how the organisation's processes and practices enable the implementation of

its prioritisation strategy and how this contributes to the development of dynamic capabilities. This study is located in the context of the global proliferation of competition regimes and their roles in regulating competition as part of the emerging governance arrangements of a restructuring global economy.

# Chapter 2: A Review of Strategy Implementation Issues, Processes, Practices and Capabilities

## 2.1. Approach

The literature review specifically draws on research into strategic planning and implementation within the broader management field of strategic management. Two key multi-disciplinary cross-searchable collections of full text databases (ProQuest Central and EBSCOHost) and a number of single collection databases (Oxford Journals Online, SAGE Premier Online, ScienceDirect, Taylor & Francis, SpringerLINK, and Wiley Online Library) were searched with the key words: “strategy”; “strategy AND planning”; “strategy AND implementation”; and “strategy AND public sector”. Eighty articles were selected for review following an assessment of the titles and abstracts of journal articles retrieved from the databases based on relevance to strategy implementation.

NVivo 10, a software programme for analysing unstructured qualitative data, was used to organise, explore and review the articles. An initial set of five articles was reviewed to develop a preliminary list of codes used to analyse the papers. A definition was developed for each code to ensure that the review and interpretation of the qualitative content was consistent. The literature review was developed by drawing on the qualitative data in the codes. The literature provides a high level overview of the evolution of strategy over the past fifty years, describes the dynamics of strategy in the public sector, highlights key issues pertaining to strategy implementation, and discusses developments in strategy process, practice and capabilities.

## 2.2. Evolution of strategy

“Everyone needs a strategy”, claims Freedman (2013: vi) in the preface to his book on the history of strategy. He asserts that having a strategic approach is preferred to a tactical or random method since it implies an ability to grasp a view of the long-term and of that which is essential rather than the short-term and the trivial, while enabling a focus on the causes, rather than the symptoms. These assertions are a reflection of the influence of strategy and represent the prominent position strategy has come to occupy since the 1960s in the field of management not only in academia but also in the popular imagination and culture.

The word strategy, in its modern meaning, did not appear in the literature until the 1770s, notwithstanding the use of strategic reasoning by polities before then (Gray, 2010). Traditionally, strategy has been an instrument of the military to achieve policy outcomes by way of purposefully connecting ends, ways, and means (Gray, 2013). The military successes of the United States of America (USA) in the Second World War and the prestige this earned, together with the association of strategy as a central strut in this achievement, contributed to the spread of ideas on, and application of strategy in the private sector (Knights & Morgan, 1991). References to business strategy increased in the 1970s and became more frequent than military strategy by the turn of this century (Freedman, 2013).

Knights and Morgan (1991) draw attention to three key developments in the post-war period that opened up space for the emergence and growth of corporate strategy. Firstly, corporations were expected to explain to their owners what they were doing and why, due to the restructuring of ownership relations in which institutional separation of ownership from direct managerial control had taken place. Secondly, market conditions became increasingly complex by virtue of heightened competition fueled by technological innovation, price and quality. Thirdly, new developments in the structure and management of organisations, including multi-plant corporations, the geographical dispersal of multi-national organisations and changes in production and communication, formed part of the process that propelled strategy to its dominant position in the wider field of management.

The theoretical lens through which strategy has been studied has developed and shifted over time. Whereas planning in the 1950s and 1960s focused on the practical internal problems of coordinating decisions and maintaining control in firms, the focus in the 1970s and 1980s shifted externally towards increasingly dynamic markets and business environments in which it was necessary to position firms relative to competitors in order to maximise profits (Grant, 2005). This perspective on strategy came to be known as the industry-based view of strategy and was influenced in no small measure by the work of Porter (1985) on industry structure, factor conditions and demand conditions. In the 1990s, the focus shifted once more towards strategies that exploit the internal resources

of firms as the source competitive advantage in what is now considered as the resource-based view of strategy (Barney, 1991). The focus in the 2000s shifted to knowledge and innovation as the source of competitive advantage (Stewart, 2001) known as the knowledge-based view of strategy (Choo & Bontis, 2002).

An important issue to note at this juncture is that this study of strategy implementation in the Competition Commission South Africa (CCSA) takes place in a developing country environment. Much of what is known of institutional development of economic regulation is gleaned from developed countries such as the United States of America (USA) and countries in Western Europe. In these countries, there is a much longer history of implementing competition regimes and their relative positions in the global economy, and cooperation and coordination between their respective regulatory systems have "shaped the global arena and domestic regulatory regimes" (Levi-Faur, 2005: 15). Regulatory regimes developed in relatively resource-rich environments in the USA and Western Europe are transplanted to relatively resource-poor environments of developing countries, "without common understandings across political actors of [their] purpose or of the viability of implementation" (Dubash & Morgan, 2012: 267). For instance, whereas the concern of regulators in developed countries is efficiency, the pressure on regulators in the developing world is for redistribution due to widespread poverty, low levels of access to services and weak legitimacy of the executives in these countries. Thus, institutional context and the institutions that constitute regulatory regimes matter.

The emergence of the institution-based view of strategy (Peng, 2002) is in acknowledgement of the importance of institutions in economic (Powell & DiMaggio, 1991) and social analysis (Brinton & Nee, 1998). According to Peng (2002), a firm needs to take into account wider influences from sources such as the state and society when formulating and implementing strategy. Institutions are defined "as a set of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed and constrained, what aggregate rules will be used, what procedures must be followed, what information must or must not be provided, and what pay-offs will be assigned to individuals dependent on their actions" (Ostrom, 1990: 51). Institutions are the "webs of interrelated rules and norms that govern social

relationships," and comprise "the formal and informal social constraints that shape the choice-set of actors" (Nee, 1998: 8). Since strategy is fundamentally concerned with choices, an appreciation of the formal and informal constraints that influence decision-making due to a given institutional framework is important in strategy development and implementation (Peng, 2002). This perspective on strategy focuses on the dynamic interaction between institutions and organisations and considers strategic choices as the outcome of such interaction (Peng, Sun, Pinkham & Chen, 2009).

### 2.3. The dynamics of strategy in the public sector

The uptake and diffusion of strategy in the public sector took much longer than in the private sector. According to Bryson (2010) strategy in the public sector has evolved over the second half of the twentieth century and has been incorporated into urban planning, regional planning, advocacy planning, and programme planning. Kaufman and Jacobs (1987) identify the 1980s as the period in which academics and planners concluded that strategic planning is applicable to the public sector.

Llewellyn and Tappin (2003) argue that three factors account for keeping strategic planning off the public sector agenda. Firstly, strategies that attempt to secure competitive advantage in the public sector have no relevance since public service organisations have a monopoly on service provision. Secondly, the need for strategy is minimised due to remarkably stable conditions in the public sector, coupled with a traditionally custodial approach to management. Finally, inconsistent demands by stakeholders and the need to address insoluble problems make the articulation of strategy difficult and problematic. Differences in the focus of strategy and the conditions in which it is implemented in the public sector influence the way strategy has been adopted and the problems that are encountered, compared to the private sector.

The focus of strategy in the private and public sectors are different. In the private sector strategy is concerned with achieving a competitive position that leads to superior and sustainable financial performance (Porter, 1991). In the private sector environment, a firm's strategy can be defined as "the planned or actual coordination of the firm's major goals and actions, in time and space, that continuously align the firm with its environment" (Farjoun, 2002: 570). Firms are concerned with using strategy to achieve

competitive advantage over their rivals in the industries in which they operate (Porter, 1985).

In contrast, strategy in the public sector is concerned with an organisation's actions, behaviour and performance and with service delivery (Walker, 2013). The use of strategy in the public sector context is aimed at "increasing organisational performance, maximising organisational well-being, ensuring the organisation's survival and other goals that are not yet clearly understood, captured by existing performance measures, or vary widely" (Bryson, Berry, & Kaifeng Yang, 2010: 510).

Furthermore, there are differences in the public sector environment which have significant implications for strategy (Boyne & Walker, 2004). The strategies carried out by public organisations are the result of complex processes and interactions that take place in the context of constitutional government, rather than responses to market conditions as is the case in the private sector (Wechsler & Backoff, 1997). Public organisations have reporting and accountability processes that are closely tied to agreed performance targets (Stewart, 2004), for which they must account to their political sponsors through instruments such as performance indicators, audits, budget controls and annual reports (Boyne & Walker, 2004). This takes place in the context of competing expectations from stakeholders, political coalitions, and plural and ambiguous goals (Bryson et al., 2010).

Additional considerations should be taken into account when analysing economic regulators such as the CCSA. Economic regulators are specific forms of public entities although their institutional form may vary widely across different jurisdictions. Authority is delegated to regulatory entities to make, monitor and enforce rules through oversight. They are "law-backed specialised agencies operating through administrative means" (Dubash & Morgan, 2012: 263). Specific factors are deemed critical to their effectiveness, including independence to make decisions in the scope of their authority; accountability by which they can be held to account through right of appeal, reporting and oversight; rule clarity and completeness of principles, guidelines and consequences of misbehavior (Brown, Stern & Tenenbaum, 2006);

Nevertheless, Bryson (2010) argues that the benefits of strategic planning in the public sector are manifold and include promoting strategic thinking, acting and learning; improving decision-making; enhancing organisational effectiveness, responsiveness and resilience; and improving organisational legitimacy. It has the potential to enhance organisational capacity and improve organisational performance (Poister et al., 2010). Strategic planning in the public sector context is thus defined as "a deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation (or other entity) *is* (its identity), what it *does* (its strategies) and *why* it does it (mandates, mission, goals and the creation of public value)" (Bryson, 2010: 257 [emphasis in original]).

Strategic planning is a component of strategic management which is a broader management process for maintaining and improving an organisation's performance through enabling, formulating and realising its strategies (Farjoun, 2002). It involves continuously managing an organisation in a strategic manner (Poister et al., 2010). Strategy implementation is an integral component of the strategic management process that translates the strategy into a series of actions that enable the achievement of planned strategic objectives (Thompson & Strickland, 2003). Noble (1999: 120) defines strategy implementation as the "communication, interpretation, adoption and enactment of strategic plans." Translating strategic plans into reality is a dynamic, iterative and complex process that consists of a series of decisions and activities that are influenced by a range of interrelated internal and external factors (Li, Guohui, & Eppler, 2010).

## 2.4. Strategy implementation

Cohen and Cyert (1973: 362) assert that strategy implementation is one of nine steps in the strategy process and that it is necessary in this step to "decompose the broadly stated strategy into a time-sequence of plans" in order to operationalise the agreed-upon strategy. Traditionally, the strategy formulation and strategy implementation processes have been viewed as distinct sub-processes in which formulation concerns analysis of the internal and external environment and choice of strategy, while implementation consists of a series of administrative activities (Farjoun, 2002). This distinction is increasingly questioned.

For instance, the study by Lê and Jarzabkowski (2014) found that task and process conflict in the strategy implementation process contribute to clarifying strategic content. In addition, Leonardi (2015) argues that separating 'making' (formulation) from 'doing' (implementation) limits our understanding of how and why strategies come into existence and work and that a longer-term view is necessary in which strategy making includes the ways in which strategy is animated in practice. From this perspective, strategy is an emergent process in which "content emerges through implementation and, hence, is inimically entwined with the process that produces it" (Lê & Jarzabkowski, 2014: 2).

A survey of 225 South African small and medium manufacturing organisations conducted by Oosthuizen (2005) on strategy process dimensions and organisational output performance found that implementation of strategy was considered to be the most important dimension of the strategic management process. Following a study of 104 firms across multiple sectors, Shah (2005) concluded that organisations understand the need for effective strategy implementation but that execution in most firms falls short of the set goals. A review of the literature on strategic management in the public sector indicates that the real challenge lies in implementation as agencies vary widely in how purposeful and effective they are in fully executing their strategies (Poister et al., 2010).

The following section introduces a number of issues that enable or constrain strategy development and influence strategy implementation in practice.

### *2.4.1. Barriers and success factors*

Empirical studies reveal that there is a broad range of barriers that account for strategy implementation failure, including poor understanding and communication of the strategy (Jooste & Fourie, 2009), inadequate leadership and direction, inadequate management skills, poor comprehension of roles, ill-defined implementation tasks, and a lack of employee commitment (Shah, 2005).

The literature review suggests that there are a number of factors crucial to the success of strategy implementation that can overcome the aforementioned barriers. According to Bryson (1988), a process sponsor in a position of power is necessary to legitimise the process; a strategic planning team must be in place; there must be ability to pull

information and people together at key points for important discussions and decisions; and disruptions and delays should be expected. The role and important contribution of organisational leaders to successful strategy implementation is a recurring theme in the literature (Cohen & Cyert, 1973; Poister et al., 2010; Shah, 2005;). Commenting on the literature that informed early business practice, Porter (1991) identified three conditions for strategy success. The first is an internally consistent set of goals and policies that define the position of the organisation in the market. The second is the alignment of the firm's strengths and weaknesses with industry opportunities and threats. The third is the exploitation of the firm's unique strengths or competences.

### *2.4.2. Learning and change*

Strategy implies change. Accordingly, "[a]n organisation's strategy can be found in the pattern of major, non-routine decisions, choices and actions that sets its direction into the future" (Wechsler & Backoff, 1987: 34). Since the organisation uses strategy to deal with the changing environment, the "substance of strategy remains unstructured, un-programmed, non-routine and non-repetitive" (Chaffe, 1985: 89). It is the non-routine decisions, choices and actions that impact the organisation in ways that enable the development of new processes, products, services and capabilities. Drawing on an ecological perspective on strategy-making to illuminate the evolution of Intel Corporation's strategy, Burgelman (1991: 255) suggests that organisational "survival depends to a significant extent on the adjustment and renewal capacities of strategy-making processes." The study found that the strategic process facilitates the development, appropriation and retention of new learning through a process of internal experimentation and selection that enables the organisation to adapt to its environment.

In their review of the literature on strategic management in the public sector, Bryson et al. (2010) conclude that the future directions in strategy implementation should include a focus on incorporating ideas and practices that enable organisational learning and knowledge management in order to take advantage of the learning and communications in this process. Teece et al. (1997) identify learning as one of three key roles (the others being coordination and reconfiguration) of organisational processes fundamental to the capacity of organisations to change and adapt their organisational resources in dynamic ways. They note that it is a process by which repetition and experimentation enable improved performance. Knowledge at the organisational level is considered to be

learning that is institutionalised and embedded in the non-human elements such as structures, systems, procedures, routines and strategy (Crossan & Hulland, 2000). Integrating learning and new knowledge into organisational routines is challenging since routines are by their nature patterns of activity (Teece et al., 1997) and "an organisational routine is, by definition, durable" (Pluye, Potvin & Denis, 2004: 124).

### *2.4.3. Organisational routines, adaptation and dynamic capabilities*

An organisational routine refers to a "repetitive pattern of activity" (Nelson & Winter, 1982: 97) that is process oriented, provides a degree of stability, is embedded in the organisation and its structures, stores knowledge and represents a collective phenomenon involving multiple actors (Becker, 2004). Routines serve as the memory of actions in the organisation, reflect values, beliefs and codes, and adhere to rules that govern action and decision-making (Pluye et al., 2004).

An organisation's repertoire of routines constrains its future behaviour (Teece et al., 1997). The codification of repeated experience into technology and formal procedures supports repeated practice and accelerates the building of routines (Eisenhardt & Martin, 2000). The combination of stability provided by routines and the successful practices that may result from it places the organisation on a trajectory of increasingly recursive behaviours that limits its ability to adapt (Jarzabkowski, 2004).

Although counter-intuitive, it is the very stable, recursive and procedural nature of routines that afford organisations the opportunity to detect and make incremental changes and adjustments (Becker, 2004). The challenge is to understand 'how the continuity of routinised behaviour operates to channel organisational change" (Nelson and Winter, 1982: 135). The dynamic capabilities perspective regards the "capacity of an organisation to purposefully create, extend or modify its resource base" as a key resource for channelling organisational change (Helfat et al., 2007: 4). It is the ability of an organisation to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece at al., 1997). Dynamic capabilities are the organisational and strategic routines by which managers change the resource base of the organisation to achieve their strategic goals (Eisenhardt & Martin, 2000). Sensing and shaping opportunities and threats, seizing opportunities and transforming

organisational resources to enhance performance are regarded as dynamic capabilities (Katkalo, Pitelis & Teece, 2010; Teece, 2007).

### *2.4.4. Communication, language and participation*

The literature reviewed emphasises the critical importance of communication and participation in strategy implementation. Castell (2013: 54) defines communication as "the sharing of meaning through the exchange of information", while the process of communication is defined by the technology used, the characteristics of the senders and receivers, their cultural codes of reference and protocols, and the scope of the communication. In their review of the literature on the factors influencing strategy implementation, Li et al. (2010) found that studies emphasise the important role communication plays in training, knowledge dissemination and learning in the process of strategy implementation. The importance of communication relates to how it is integrated into every aspect of organisational process, context and implementation objectives.

The perspective that the "actual doing of strategy in organisations takes place in the form of talk, text and conversation" (Fenton & Langley, 2011: 1172) has increased the focus by researchers and practitioners on communication and discursive practices. Although not the only form of communication, it is through talking that organisational members negotiate and establish meanings, articulate perceptions of their environment, share knowledge and make sense of the possibilities for their organisations (Samra-Fredericks, 2003). In her fine-grained analysis of strategists' real-time deployment of relational-rhetorical skills, Samra-Fredericks (2003: 150) found that consensus was developed on strategy proposals through "negotiation, argument, appraising, blaming, etc. – in other words, through everyday talk."

The construction of shared views and meaning in the strategy implementation process is created through linguistically mediated social interaction (Bürgi, Jacobs & Roos, 2005). Thus, language constitutes and roots us in reality (Mantere, 2013). The role of language in constituting shared meaning and understanding the discursive strategies and linguistic devices used in strategising has become a major focus of research into strategy implementation over the past decade (Bürgi, et al. 2005; Fenton & Langly,

2011; Kwon, Clark & Wodak, 2014; Mantere, 2013; Mantere & Vaara, 2008; Samra-Fredericks, 2003).

This research builds on the work of Knights and Morgan (1991) who framed the analysis of strategy in terms of a set of discourses and practices. They argued that a discourse, as a set of ideas and practices that condition the way of relating to and acting upon a phenomenon, is embedded in social practices which reproduce that way of seeing. In this way the discourse has disciplinary force with power and truth effects structured around a whole set of power and knowledge relations that are written, spoken, communicated and embedded in social relations. Strategy discourse, in terms of how it is understood and practised in the organisation, can impede or promote participation in strategy work (Mantere & Vaara, 2008).

Nutt (1986) identified participation as one of four implementation tactics employed in 91 case studies of planned change initiatives. He distinguished between token participation, delegated participation, complete participation and comprehensive participation by virtue of the extent of involvement and role in the implementation of the change initiative. Stensaker, Falkenberg and Grønhaug (2008) argue that participation and communication contribute to developing an understanding and commitment to change since participation has the potential for creating motivation-based ownership and results in a deeper understanding of the rationale behind the change. In their study on a planned change initiative in four business units of a large organisation, they found that participation in planning activities facilitates sense-making at the individual level, but does not necessarily ensure organisational sense-making or lead to collective action. In an analysis of strategy work in 12 organisations, Mantere and Vaara (2008) found the type of discourses through which organisational actors make sense and give sense to strategy can constrain or enable participation. They found that the discourses of mystification, disciplining, and technologising were systematically associated with non-participatory approaches, while self-actualising, dialogising, and concretising discourses tended to promote participation.

### *2.4.5. Discourse and power*

Through their discourse analysis of corporate strategy, Knights and Morgan (1991) argue that strategy aids in securing the exercise of power and the management of

identity for managers, and at the same time, facilitates the development of a corporate image and rationalisations of success and failure for organisations. According to Castells (2013:10), "[p]ower is the relational capacity that enables a social actor to influence asymmetrically the decisions of other social actor(s) in ways that favour the empowered actor's will, interests and values." However, managers and staff are not merely passive victims of the power of strategy discourse. Rather, individuals and groups exercise power to elaborate some and resist other elements of the discourse and through this process of engagement are at least partially constituted by its content (Knights & Morgan, 1991).

In their case study on a multinational firm seeking to achieve greater strategic integration across Europe, Jarzabkowski and Balogun (2009) found that resistance is likely to occur where actors are allocated subordinate positions within the strategy process, especially when it involves a change of position such as moving from strategy formulators to strategy implementers. More powerful units in the integration process experienced the implementation as dominant and exclusive and sought to resist the process and at the same time, to modify the planning process so as to reduce its subordinating effects. On the other hand, less powerful units experienced the process as inclusive and accepted their sub-ordinate role. Hardy and Thomas (2014) considered discourses associated with the strategy of a global telecommunications company and found that the power effects of discourses are intensified through specific discursive and material practices. This leads to the production of objects and subjects that are aligned to the strategy. They identified the following six categories of intensification practices: tailoring, packaging, scheduling, bulking up, holding to account, and associating.

## 2.5. Strategy process and practice

Traditional mechanistic models of strategy that are premised on assumptions that industry, organisational structure and resources are the key determinants of strategy and performance, have been critiqued as perspectives that may be suited to explain strategy in a stable and predictable world, rather than one that is more complex as a result of constantly changing behaviour of individuals, organisations and their environments (Farjoun, 2002). In addition, there is a growing conviction that strategy research has ignored the messy day-to-day realities of organisational life (Campbell-Hunt, 2007).

This conviction has contributed to a much greater focus by researchers on examining and understanding the processes and practices that emerge in strategy implementation (Jarzabkowski, 2004; Vaara & Whittington, 2012; Whittington, 2007). Process and practice approaches to strategy emphasise the dynamics and consequences of strategic action, enable a richer understanding of the multiple factors that influence strategic processes, accommodate the existence of competing histories and perspectives, and facilitate a rich description of organisational strategising based on actors' own accounts and their actions (Maitlis & Lawrance, 2003).

Process perspectives shift the focus from what determines strategy and performance to how they are determined (Farjoun, 2002). From the process perspective, strategy formulation and implementation can be viewed as constantly co-evolving through a process of strategic learning and control, rather than being seen as distinct processes. Following Andersen (2004), strategy implementation processes can be defined as organisational activities that coordinate actions across the entire organisation related to the advancement of its mission and goals. These processes include resource allocation activities (Noda & Bower, 1996), communication (Jarzabkowski & Balogun, 2009), and the monitoring and evaluation feedback processes (Rumelt, 1975).

A practice perspective shifts the focus to examining strategy "not as something a firm has, but something a firm does" (Jarzabkowski, 2004: 529). Strategic practices refer to routines and norms of strategy work and can be stand-alone activities or embedded in analytical techniques used in strategy making (Whittington, 2007). Following Jarzabkowski (2004), the term 'practice' implies repetitive performance that enables one to attain recurrent, habitual, or routinised accomplishment of particular actions. Strategy practices are those coherent clusters of activities that reflect a specific strategic disposition (Rasche & Chia, 2009). It incorporates those socially-defined modes of acting through which micro-strategy and strategising occur and thereby generate an ongoing stream of strategic activity in practice (Jarzabkowski, 2003). Strategising emphasises what people do when they do strategy, giving importance to day-to-day activities happening at the micro-level which relates to strategic outcomes (Lê &

Jarzabkowski, 2014). Accordingly, “[s]trategic practices structure the flow of everyday strategy work” (Mantere, 2005: 158).

The relationship between strategy processes and practices appears to be an ambiguous one, but one that nevertheless requires clarification if it is to be the focus of this study. The ambiguity, at least in part, stems from the way in which strategy practices are defined. One of the main critiques levelled at practices as a focus of strategy analysis is that it is defined in a contradictory and confusing way (Carter, Clegg & Kornberger, 2008). It can mean anything from social routine (Whittington, 2007), to coherent cluster of activities (Rasche & Chia, 2009), to socially defined modes of acting (Jarzabkowski, 2003), and meetings, workshops and rituals (Mantere, 2005).

Strategising and micro-activities related to strategic outcomes incorporate a broad range of organisational practices. It refers to the social routines such as recurrent meetings, workshops, processes and rituals that are central to strategy formation and implementation, and involves the concepts, tools and techniques without which strategy making would hardly be possible (Mantere, 2005; Whittington, 2007). Furthermore, strategy is connected with particular practices such as strategic planning, annual reviews and strategy workshops (Jarzabkowski & Seidl, 2008). Strategic practices produce structures such as committees (Hoon, 2007) that form the collective systems that constrain and enable strategy implementation (Jarzabkowski, 2004).

The approach adopted by Brown and Duguid (2000; 2000a) provides a useful way of resolving this ambiguity. They argue that processes are the way in which activities are organised, whereas practices are the way tasks are carried out or done. Processes are the vertical structures that emphasise hierarchy, command and control while practices emphasise lateral connection through which activities are coordinated and explored. This view is supported by Lee (2005) who argues that a process is definable, describable, and repeatable; is a linear and logical sequence; and has a predictable outcome. On the other hand, a practice is seen as a frequently repeated act, habit or custom that is associated with the uncodified ‘‘know-how’’ resulting from human experience, improvisation and innovation. According to Brown and Duguid (2000), organisational processes coordinate diverse practices in the organisation. In this sense,

strategic practices are nested in organisational processes. The differences between organisational processes and practices are set out in Table 2.1.

| Processes | Practices |
|---|---|
| The way tasks are organised | The way tasks are done |
| Routine | Spontaneous |
| Orchestrated | Improvised |
| Assumes predictable environment | Responds to a changing unpredictable environment |
| Relies on explicit knowledge | Relies on tacit knowledge |
| Linear | Network or web-like |

**Table 2.1:** Differences between processes and practices
Source: Adapted from Brown & Duguid, 2000 and Lee, 2005

Individuals and groups embedded in social structures of the organisation make strategic choices and act on these choices (Bryson et al., 2010). The following section provides a brief discussion on the actors, activities and artifacts involved in organisational strategy implementation.

### *2.5.1. Actors*

Actors who influence strategy are from diverse groups including managers at the top and below and can be internal and external to the organisation (Whittington, 2007). These include top managers, middle managers, strategists and champions.

Traditionally, strategy has been regarded as the terrain of the organisational leader and the top management team (Finkelstein, Hambrick, & Cannella, 2009). For instance, Horovitz (1981: 89) claims that the use of techniques and tools has nothing to do with the success or failure of strategy, but it “has to do primarily with the commitment, personal involvement, attitude, and style of the chief executive officer toward strategy.” This view of the dominant role of top management in the strategy process can be ascribed to the view that these management teams exert influence over the members of the organisation through their shared perspective of environmental events and organisational capabilities (Lyles & Schwenk, 1992). According to Bass (2007) strategy emerges as a result of the interaction of the individual leader and the organisation’s

internal and external environment. In doing so, the top management sets policies for acquiring and integrating resources; reduces uncertainty, and reduces competition; creates favourable public images and opinions of the organisation and its products and services; and oversees the management, production and services systems.

Increasingly however, the role played by middle managers in the strategy implementation process is being recognised. Middle management can be defined as the coordination of the day-to-day activities of a business unit with those of vertically related groups (Floyd & Wooldridge, 1992). As such, they play the role of 'linking pins' that enable them to take action that has both upwards and downwards influences on strategy. Upward influence concerns affecting top management's view of organisational circumstances and alternative strategies under review while downward influence concerns the alignment of organisational arrangements with the strategic context.

Floyd and Wooldridge (1992) further identify four types of middle management involvement in strategy, including synthesising information, championing alternatives, facilitating adaptability; and implementing deliberate strategy. Middle managers gather input, identify and recognise new ideas, negotiate activities intended to coordinate divergent aims and interests, and convince others of the merit of new ideas (Hoon, 2007). In this way, the strategic context emerging from the formal and informal interaction between senior and middle managers goes beyond the dichotomy of senior managers providing the strategic direction while middle managers gather strategic input. The middle managers' place in strategising has evolved into one where they are at the centre of knowledge creation and the development of core competence – two processes that have become the basis for strategy formation (Wooldridge, Schmid & Floyd, 2008)

A practice perspective on strategy provides room for the emergence of champions whose role and contribution in strategising may otherwise not have been visible or perceived. Champions are "individuals trying to influence strategic issues larger than their own immediate operational responsibility" (Mantere, 2005: 157). Such individuals seek to influence strategic issues by affecting the opinions or actions of others, change the organisation or system, or secure resources for this purpose. In addition, strategists from inside and outside the organisation play a role in strategising. Strategists are

deemed to be professionals who apply distinct bodies of knowledge to problems involving risk and uncertainty and who depend on close collaboration with a wide range of other executives throughout the business to perform their work as credible strategists (Whittington, Cailluet, & Yakis-Douglas, 2011). There has been a considerable increase in the number of firms with a chief strategy officer (CSO) over the last several years who has the responsibility for managing the firm's strategy process and execution (Menz & Scheef, 2014).

It should be noted that individual behaviour is embedded in a web of social practices so that social structures and human agency link together to explain strategic action (Vaara & Whittington, 2012). They draw on collective knowledge schemes that provide shared understanding and common ground (Rasche & Chia 2009). Furthermore, Mantere (2013) argues that actors who control the proper use of concepts, and thereby the language games enabling strategising, are the ones who influence the practice of strategy.

### *2.5.2. Activities*

Strategy practices are a particular kind of recurrent strategising activities (Hoon, 2007). Key activities are those formal operating procedures involved in direction setting, resource allocation and monitoring and control (Jarzabkowski, 2003). A number of activities have been identified that enable strategy formulation and implementation, including organising, control and sense-giving (Mantere, 2005). Organising leads to the legitimation of activities and is concerned with what actions are agreed to, how they correspond to the strategy and who is allowed to act; control determines how resources are distributed; sense-giving involves communication activities at various organisational levels in which shared understanding of strategy is created.

In a study of further education college principals aiming to implement a collaboration strategy involving a proposal to co-locate their respective colleges, Iszatt-White (2010) identified a number of practices of strategic leadership in action including clarifying, rehearsing, upholding, adapting, and elaborating. Iszatt-White (2010: 422) found that the strategy "was observed to be: (1) clarified on the back of the perceptions of others to whom it is outlined; (2) refined and internalised by being rehearsed by the central protagonists; (3) upheld in spirit whilst incorporating unanticipated events which may

change the detail of what has been planned; (4) adapted in the manner in which it is pursued in order to keep its progress on track; and (5) elaborated or furnished with more detail and developed into practically implementable actions, as the process continues."

Hendry and Seidl (2003) invoke the concept of 'episode' as a sequence of communications structured in terms of its beginning and ending. They suggest that organisations are able to create opportunities for reflexive strategic practice through episodes during which they are able to routinely suspend their normal routine structures of discourse, communication and hierarchy. The temporal nature of an episode enables the communication process to develop differently and is oriented to the achievement of a specific goal and (or) on a time limit. Hendry and Seidl (2003: 184) argue that episodes afford an organisation the opportunity to "distance itself from itself in such a way as to allow it to observe itself and from that position initiate a change in its structures."

Jarzabkowski and Seidl (2008) extend this framework in a study that examines how strategy meetings stabilise existing strategic orientations or propose variations that cumulatively generate change in strategic orientation. They define meetings as planned gatherings of three or more people who assemble for a purpose. Meetings consist of the three phases of initiation, conduct, and termination. Their study identified a typology of meeting structures that explains three typical evolutionary paths through which variations emerge, are maintained and developed, and are selected or de-selected. Thus, meetings are particularly important mechanisms in strategy implementation with stabilising and de-stabilising effects (Suddaby et al., 2013).

Strategy workshops are also important episodes in the strategy process. Strategy workshops are often part of a wider strategy process where executives set aside one or two days, frequently off-site, often employing specialist facilitators, and using strategy concepts and analytical tools to consider strategic issues (Johnson, Prashantham, Floyd & Bourque, 2010). Johnson et al. (2010) draw on theories of ritual and ritualisation to explain how behavioural dynamics in workshops, and thereby the extent to which their purpose is achieved, are influenced by the degree of removal, the use of

liturgy and the role of specialists. Removal refers to being removed from the everyday in terms of geographic distance, symbolic change, activity differentiation or cognitive contextualisation. Liturgy refers to the prescribed form of ritual that leads participants to think and act in ways that are distinct from the everyday. The involvement of a specialist is important for their engagement with liturgy and their role in legitimising it.

Often, organisations establish specific structures to facilitate the implementation of strategy. Structures are defined as the collective systems within which human actors carry out their daily activities (Jarzabkowski, 2004). It is a generic concept that manifests in the structural properties of social systems and is constituted by rules and resources (Herepath, 2014). Actors draw on social structure in order to act and at the same time are constrained and enabled thereby (Jarzabkowski, 2004). A committee is a particular kind of structure in which a particular group of people work together in formally constituted meetings to explore and review strategic issues, make recommendations or implement an initiative (Hoon, 2007). The committee formally organises the interaction of strategic actors and its work is framed by the various informal interactions of exchange and information sharing of those involved. In her study on the role of committees as strategic practice during the implementation of personnel development in a public administration, Hoon (2007) identified gathering strategic input, negotiating activities and making decisions as strategising activity patterns in respect of the work of the committee.

### *2.5.3. Artefacts*

Material artifacts in this context are “those ‘things’ that are part of the everyday doing of strategy” (Jarzabkowski et al., 2013: 41), and include a range of tools and objects such as whiteboards, flipcharts, post-it notes, pens, note-books, graphs, tables, graphic figures, PowerPoint and so on (Werle & Seidl, 2015). These tools include frameworks, concepts, techniques, models and methods (Jarzabkowski & Kaplan, 2015). These tools represent formalised ways to structure analysis and guide decision-making (Suddaby et al., 2013). It can be used to describe methods of simplifying and representing a complex situation (Jarzabkowski, 2003). The use of strategy tools is situated in specific social contexts and comes with affordances that enable and constrain its use (Jarzabkowski & Kaplan, 2015). Strategy tools have proliferated across large populations of organisations (Whittington, 2015). In a survey on the use of

strategic tools in the United Kingdom (UK), Gunn and Williams (2007) found that academically trained managers use tools that are heavily reliant on theoretical frameworks such as the value chain, while professionally trained managers tend to use tools that are associated with industry such as Benchmarking and the Balanced Scorecard.

## 2.6. Summary and conceptual framework

The literature review points to a number of key developments, issues and shifts that frame this research study and that have been integrated into its design and conceptual framework.

The theoretical building blocks on which the foundations of this study rest are a combination of the institution-based, resource-based and knowledge-based views of strategy in organisations. According to Peng (2002), the different theoretical dispositions to studying strategy in organisations are complementary as they extend the scope and focus of analysis. This study primarily draws on the institution-based view (Brinton & Nee, 1998; Ostrom, 1990: 51; Peng, 2002, 2009; Powell & DiMaggio, 1991), which dictated that the research had to be sensitive to the institutional environment that constrains and enables the strategic decisions and actions of the Commission. In addition, it was complemented by the knowledge-based view on strategy in organisations, given the importance of learning and knowledge in the process of change and adaptation to the organisational environment (Choo & Bontis 2002; Grant, 2005; Stewart, 2001). Furthermore, the resource-based view of the firm is used to consider how the internal resources of the organisation contributes to the development of its strategic capabilities (Barney, 1991; Eisenhardt & Martin, 2000; Teece et al., 1997).

The conceptual lens used in the study drew on key concepts used in the emerging strategy-as-practice approach to researching strategy in organisations. Accordingly, the study sought to understand how strategy is implemented in the CCSA through strategy processes (Campbell-Hunt, 2007; Farjoun, 2002; Noda & Bower, 1996; Rumelt, 1975) and practices (Hoon, 2007; Hendry & Seidl, 2003; Jarzabkowski, 2003, 2004; Jarzabkowski & Balogun, 2009; Jarzabkowski & Seidl, 2008; Mantere, 2005, 2013; Vaara & Whittington, 2012; Whittington, 2007), and how these are influenced by factors such as the actors involved (Floyd & Wooldridge, 1992; Hoon, 2007; Mantere, 2005;

Whittington et al., 2011), the activities they engage in (Iszatt-White, 2010; Suddaby et al., 2013), the artifacts they use (Gunn & Williams, 2007; Jarzabkowski & Kaplan, 2015; Werle and Seidl, 2015; Whittington, 2015). The study also took into account the role of communication and language in encouraging or limiting participation (Fenton & Lengley, 2011; Li et al., 2010; Mantere, 2013; Samra-Fredericks, 2003), and how power influences strategy implementation (Hardy & Thomas, 2014; Jarzabkowski & Balogun, 2009).

A key focus of the study was to determine whether strategy implementation contributed to the development of dynamic capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997). This required assessing whether strategic processes and practices enabled the organisation to develop capabilities that could be used to change its resource configurations as a way of strategically adapting to the demands of its environment. The conceptual framework is set out in Diagram 2.1.

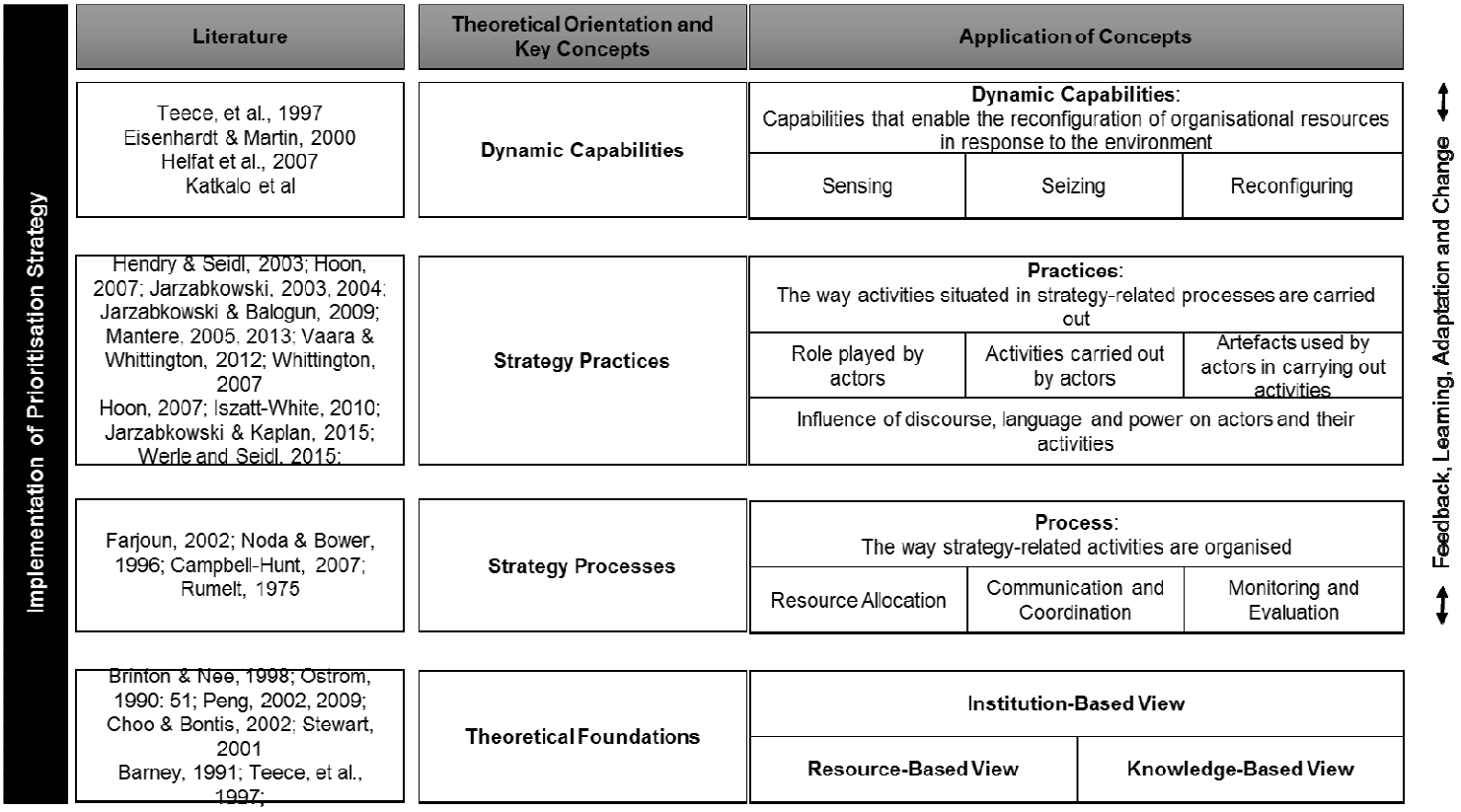



**Diagram 2.1:** Conceptual framework

Source: Author

# Chapter Three: Research Design and Approach

## 3.1. Introduction

The methodology sets out the research paradigm, strategy and design, together with the data collection methods that will guide the investigation. It does so informed by the research problem, purpose and research questions discussed in the first chapter. First, attention is drawn to the key shift away from the orthodox rational economic models of strategy towards an ontology that recognises strategy as socially constructed and the methodological implications thereof.

## 3.2. Research paradigm

The research was underpinned by a critical realist ontological orientation that enables not only a rich description of the phenomenon under review, but also explores explanation of what is described. The critical realist paradigm assumes that social phenomena are produced by mechanisms that are real, but these mechanisms are not directly accessible by observation and are detected only by their effects (Bryman, 2004). Critical social realism holds that real social structures and systems exist that are emergent entities and that they operate independently of our conception of them (Wikgren, 2005). In terms of ontological realism, our knowledge of these phenomena are partial, incomplete and fallible since the real world exists independently of our perceptions, theories and constructions (Bhaskar, 1975; Maxwell, 2010). Thus, critical realism has at its centre the goal of explaining outcomes through a focus on causation, mechanisms and contexts (Clark, MacIntyre & Cruickshank, 2007). Adopting this ontological approach takes into account the complexity and emergent nature of organisations (Marion, 1999). This ontological orientation recognises that processes and practices provide only a partial explanation and that there are structures and constraints that are not visible to researchers and that influence how organisations develop.

A feature of critical realism is that a distinction is made between the ontological and epistemological levels (Wilgren, 2005). While researchers hold a realist perspective at the ontological level, they adopt an interpretive approach at the epistemological level since knowledge of the real world is inevitably a construction based on their own

experience (Maxwell, 2010). Critical realism recognises the interpretative nature of our understanding of reality, highlights the explanatory importance of the context of the phenomena studied, and relies on understanding particular processes, situations and events (Easton, 2010; Maxwell, 2004). Critical realism at the epistemological level is therefore, well-suited to gain an understanding of strategy implementation processes, practices and capabilities in the CCSA through a qualitative research strategy.

### *3.2.1. Research strategy*

Whilst the body of knowledge on strategic management, in general, has grown over the past three decades, research on strategy in the public sector is described as shallow pools of knowledge, rather than a deep reservoir of theory (Poiser, et al. 2010). There has been progress in understanding how to integrate strategic planning into the management process, but the extent and effectiveness of strategy implementation in practice have received limited attention (Bryson et al., 2010). Given the paucity of knowledge and literature on strategy implementation, it is was feasible to adopt a qualitative research strategy fit to explore strategic processes and practices in the CCSA (Monette, Sullivan, & DeJong, 2002). A qualitative research strategy effectively supported the collection of "open-ended, emerging data with the primary intent of developing themes from the data" (Creswell, 2003: 18).

Such an approach further facilitated an inductive enquiry that enabled the researcher to draw inferences out of observations (Bryman, 2004) and it works well with describing and exploring single cases (Wagner, Kawulich, & Garner, 2012). The conceptual framework provided a broad guide to the investigation while the inductive approach enabled the specific dimensions for analysis to emerge within the framework (Patton, 1997).

### *3.2.2. Research design*

A case study approach was adopted to undertake this study. A case study is defined as an empirical inquiry that investigates "a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident"; and "relies on multiple sources of evidence, with data needing to converge in a triangulation fashion" (Yin, 2009: 18). It involves a detailed descriptive account of part of a particular situation, event or initiative with the goal of

gaining understanding through depth and richness of the description of the case (Monette et al., 2002).

Multiple sources of data were used in order to strengthen triangulation by which the researcher searched for convergence from different sources such as interviews, documentary analysis and review of archival research (Monette et al., 2002):

There are various types of case studies, including (Yin, 2009):

- ***Exploratory*** case studies that aim to establish patterns in the data and information collected. The information is collected first and then assessed to discover the patterns and meaning contained therein.
- ***Descriptive*** case studies obtain information on particular features of an issue. It relies on theory to frame the study and point the data collection in the appropriate direction.
- ***Explanatory*** case studies seek to analyse or explain why or how a specific situation or event happens in the way that it does.

The case approach adopted in this study consisted of a combination of these case approaches. It was prudent to adopt an exploratory approach during the initial research phase, given the paucity of information and knowledge on strategy implementation in competition authorities. Information collected in this phase through interviews and document analysis provided the basis for identifying preliminary concepts, categories and elements that were used to deepen the enquiry and analysis in the study.

A descriptive approach was then adopted to develop rich descriptions of the organisation and its institutional environment. At the same time, the conceptual framework assisted in refining the questions that were used in the key informant interviews. As more descriptive data and information became available the case study increasingly sought to adopt an explanatory stance by way of searching for patterns and explanations. In this way, the case study approach adopted here was iterative as it moved from exploratory during the initial research phase, through to descriptive and eventually, into an explanatory case approach.

### *3.2.3. Data collection and sampling*

The study drew on both primary and secondary data to review, assess and analyse the processes and practices of strategy implementation in the Commission.

The secondary data included a literature review and document analysis. The literature review covered eighty articles on the subject of strategy and strategy implementation with a particular focus on the public sector. Moreover, an in-depth assessment was done on the issues and themes relate to strategy implementation processes and practices, and dynamic capabilities as discussed in chapter two.

A total of thirty-five documents produced by the CCSA were reviewed and analysed. The sources included planning documents, reports, guidelines, policies, strategy review documentation and submissions. NVivo 10 was used to organise, code and analyse the document sources. Documents produced in the course of the strategy implementation in the CCSA were analysed as objects of the approaches, decisions and plans resulting from the organisational strategy implementation processes and practices.

| Type | Number |
|---|---|
| Planning (strategic plans, annual performance plans, | 9 |
| Reporting (annual reports, project reports) | 13 |
| Review (periodic reviews on competition developments, strategy reviews, internal reviews) | 5 |
| Guidelines (advisory notes, policies, laws) | 3 |
| Submissions (funding submissions) | 2 |
| **Total** | **35** |

**Table 3.1:** Type and number of documents analysed

Source: Author

Primary data collection consisted of semi-structured interviews in which an interview schedule that defined the lines of enquiry was used to guide the interview process (Wagner et al., 2012). The purpose of the qualitative research interview "is to understand themes of the lived daily world from the subjects' own perspectives" (Kvale, 1996: 27).

The researcher initially set out to interview staff in different positions and levels in the organisation, including senior managers, middle managers and administrators. This strategy was based on the assumption that senior management sets direction, creates enabling conditions and mobilises resources for strategy implementation (Finkelstein et al., 2009); middle managers have specific responsibility for implementing the decisions taken by senior management (Floyd & Wooldridge, 1992); and administrators have the responsibility for providing organisational, administrative and logistical support for the implementation process. Given their different roles, their insights and perspectives were expected to be different thus providing information that could enrich the outcome of the case study. The researcher was able to interview all the senior managers in the organisation, but could unfortunately only interview one middle manager and one administrator. Eleven interviews were completed, as shown in Table 3.2.

| Categories of Respondents | Number of Respondents |
|---|---|
| Senior Managers (including Commissioner, Deputy Commissioners and Divisional Managers) | 9 |
| Middle Managers | 1 |
| Administrators | 1 |
| **Total** | **11** |

**Table 3.2:** Categories and number of respondents
Source: Author

Each respondent was invited to participate voluntarily in the interview process and was provided with an information letter explaining the research process and requirements. Each respondent was required to provide consent to participate in the research process once they understood fully what the process entailed. An interview guide following the structure of the conceptual framework discussed on chapter two (see Annexure 1) was prepared. Following an introduction, respondents were asked to consider the processes that enable the implementation of prioritisation, the organisational practices that support it and the dynamic capabilities that arise from the implementation thereof.

### *3.2.4. Analysis*

A three-phase approach was adopted in the analysis of the data. NVivo was used to organise, structure, code and analyse the data and information. The analysis moved through a series of analysis episodes in which data was condensed into an increasingly coherent understanding of what, how and why (Miles & Huberman, 1994).

The first phase of analysis focused on analysing the internal documents of the CCSA, documents relevant to competition and the economy in South Africa, and a number of documents pertaining to prioritisation in competition agencies. Eighty-six documents were reviewed, including CCSA internal documents. The review of existing secondary data sources provided an opportunity to develop an initial set of themes and questions arising from this process (Wagner et al., 2012). These themes were used to develop a coding structure for the process of analysis.

Coding refers to the process of breaking down the data into component parts or categories which are given names (Bryman, 2004). Each of the codes in the coding structure has been defined and served as the basis for developing a full coding structure for use in the content and data analysis in this phase. Fifty-four codes were developed in this phase and these codes are regarded as First Order codes.

These codes have been created as nodes on NVivo 10 for Windows, a qualitative data analysis software package designed to assist researchers working with rich text-based information. NVivo supports coding by applying nodes to segments of text that can be retrieved in report format. The codes provide the basis for the key themes and issues relevant to prioritisation in competition agencies, the approach adopted by the CCSA, the criteria used in deciding priorities, and challenges faced in prioritising.

Codes identified in the first phase that are relevant to the questions pertaining to processes, practices and dynamic capabilities provided the starting point for the development of Second Order codes. These codes were constructed around the main themes emerging from the key informant interviews. Each interview was transcribed and the transcripts uploaded to NVivo for coding purposes. An initial review of the transcripts

resulted in a number of additional themes being coded to form the Second Order analytical categories (in total 64 codes were developed).

The second phase of the analysis focused on the themes relevant to the evolution of prioritisation, strategy processes and practices associated with prioritisation and dynamic capabilities. Detailed analysis of the themes revealed specific processes and practices, as well as capabilities relevant to the implementation of prioritisation. In this phase of the analysis, the focus was on establishing and identifying the cited processes deemed relevant to implementing the prioritisation strategy. Furthermore, this phase was concentrated on determining the types of organisational practices most relevant to and closely associated with prioritisation. Also, it focused on identifying the capabilities that emerge from implementing prioritisation, particularly those capabilities that enable the CCSA so identify and take advantage of opportunities while reconfiguring its resource base.

The third phase of analysis was focused on establishing the significance of the processes, practices and dynamic capabilities identified in phase two. A third set of themes emerged when the interview data was interrogated from the perspective of the significance of the processes, practices and capabilities identified in phase two.

In this phase, key themes related to how the organisational processes were able to facilitate the implementation of priorities were analysed. A two-step process was used in the analysis to determine the significance of identified organisational processes in the third phase of analysis. Processes were grouped together by virtue of how these enabled prioritisation in the organisation. Three categories emerged that describe the dominant orientation of these processes relevant to implementing priorities. Thereafter, the three categories were analysed to discover what actions each made possible, relative to implementing priorities.

This phase focused on analysing the major themes related to the ways in which organisational practices enable the implementation of prioritisation. A similar two-step process was involved in the analysis of the identified practices. Firstly, each practice was analysed to determine its type and character. Thereafter the analysis focused on

what the purpose of each practice is, and its significance to the implementation of the prioritisation strategy.

Finally, this phase of analysis focused on the way in which capabilities enabled the organisation to identify and take advantage of opportunities and to re-configure its internal resource base in response to the external environment. The analysis of dynamic capabilities that arise from the implementation of priorities was focused on drawing out the significance of each by analysing examples and how these work in the organisational environment.

This phase involved another review of the transcripts to answer the question of how the identified processes, practices and dynamic capabilities enable the implementation of the prioritisation strategy. Twenty-two Third Order codes were developed in the final phase.

### *3.2.5. Reliability and validity*

This study followed Bryman's (2004) alternative approach to establishing reliability and validity by focusing on building the trustworthiness of the study. This entailed ensuring that the study is credible, transferable, dependable, and confirmable.

A number of measures were adopted to enhance the trustworthiness of the study. Firstly, the use of NVivo 10 for Windows, the software package used to analyse text-based information, assisted significantly in organising, storing, structuring and coding the primary and secondary data. Furthermore, the software package enhances the traceability and transparency of the data analysis by recording and storing the codes and associated data electronically.

Secondly, the data analysis evolved over three phases. Each phase progressively deepened the understanding of the analytical categories by approaching the same themes from different perspectives. The First Order analysis established a framework that mapped out the themes and issues relevant to prioritisation in competition agencies. The Second Order analysis focused on identifying the main units of analysis within this framework and that pertains to the processes, practices and dynamic

capabilities. The Third Order analysis enabled the researcher to identify the significance of the main analytical categories identified.

Thirdly, multiple sources of data in the form of documentary content, participant observation and interview data were used to crystallise (rather than triangulate) the subject by way of a "deepened, complex and thoroughly partial understanding of the topic" (Richardson, 2000: 14).

### 3.3. Ethics

The CCSA was formally approached for consent to undertake the study. Furthermore, when inviting all research participants to participate in the study they were formally informed that their participation in the study was voluntary and that they had the right to withdraw from the process should they wish to do so (Wagner et al., 2012). All participants formally agreed to have the interviews audio recorded by signing consent forms. The communication with participants also set out the standards for confidentiality (Bryman, 2004).

### 3.4. Summary

This research is framed by a critical realist ontological perspective in which social phenomena are produced by mechanisms that are real, although these mechanisms are not directly observable and are detected only by their effects. A qualitative and inductive research strategy is adopted with a case study research design focused on the CCSA as the site of study. Data collection comprised a review of secondary data, document analysis and semi-structured interviews. A three-phased approach to the data analysis was adopted. The first phase of analysis focused on a review of internal CCSA documents. The second phase focused on analysing the relevance of prioritisation and the associated processes, practices and capabilities. The final phase focused on analysing the significance of these processes, practices and capabilities.

# Chapter Four: Evolution and Implementation of the Prioritisation Strategy in the Competition Commission South Africa

## 4.1. Introduction

The findings discussed in this chapter flows from the second phase of analysis in which the key themes relevant to the evolution of prioritisation and its implementation as a strategy were mapped. The themes were identified for their relevance to the evolution and implementation of prioritisation. This section commences with a description of the way in which prioritisation evolved in the CCSA with reference to how it is understood and motivated; what criteria are used for prioritising; and the challenges experienced in prioritisation. This sets out the framework for understanding prioritisation from the perspective of the CCSA as the case study for this research. Thereafter, the chapter identifies specific processes and practices that respondents identified as relevant to implementation of the prioritisation strategy. Furthermore, it notes capabilities identified by respondents as key to ensuring that the organisation is able to identify and exploit opportunities.

## 4.2. Setting the scene: understanding prioritisation

The following section explicates prioritisation in the context of completion policy implementation and with reference to how priority setting is defined, the criteria used in the process and the key challenges thereto. Special use is made of international experience documented by international organisations such as the International Competition Network and UNCTAD. International developments provide the context in which the CCSA adopted its prioritisation strategy.

### *4.2.1. Defining prioritisation*

Prioritisation refers to “a process of deciding what type of activities, enforcement actions, advocacy initiatives, or in general competition policy measures a competition agency might pursue in a given period of time” (UNCTAD, 2013: 4). Prioritisation is predicated on competition agencies being able to make choices about what they regard as strategically important or not. The ability to make these choices assumes that competition agencies have discretion to make such choices. This was a concern shared

by CCSA staff at the time when discussions on prioritisation ensued following the strategic planning process in 2006.

> There was some debate around…prosecutorial discretion. Can we do this, you know? Can we say we will focus on this and not do other things you know? We did get to a point where we realised that yes; … there is no conflict between prioritisation and prosecutorial discretion. Then we reconciled there is no internal conflict between prioritisation and prosecutorial discretion. (Senior manager interview).

According to Wils (2011: 353) competition agencies have discretion "whenever the law leaves the authority a certain freedom to choose among different possible courses of action according to the authority's own judgment." Competition agencies have discretion over organisational, procedural and institutional matters (Petit, 2010). Discretion is inferred when the legislature or courts have not laid down any rules or standards that govern the conduct of the competition agency and it has to create its own standards (Wils, 2011).

### *4.2.2. Motivations for prioritisation*

Wils (2011) sets out six motivations for prioritisation. Firstly, rules that set out anti-competitive conduct may be over-inclusive so that it is necessary for competition agencies to have discretion as to which cases they pursue. Secondly, the costs of pursuing a case may exceed the benefits of doing so. Thirdly, the limited resources available to a competition agency may not allow it to investigate and pursue all infringements. Fourthly, it may be prudent not to pursue cases if complaints received only concern a specific type of infringement and pursuing these complaints result in insufficient resources being available to pursue other infringements that may be as important or have greater import. Fifthly, it may be possible to achieve the same level of deterrence by pursuing fewer contraventions rather than all, and punishing these more harshly. Finally, other enforcers of the law may be better placed to deal with a particular case.

The International Competition Network regards prioritisation as important because it provides competition agencies with the mechanism to allocate resources to the most

relevant projects in a resource constrained environment (International Competition Network, 2010). The concern for focusing limited resources on areas in which the CCSA would be able to make the greatest impact as a key motivation for adopting prioritisation was widely shared among the respondents. According to respondents, the logic of prioritisation is one in which setting priorities enables the organisation to focus and concentrate its limited resources on sectors and cases in which its address anti-competitive conduct would make a difference in the economy and to consumers.

> Ja, prioritisation is once again; it's a product of trying to balance you know, the limited resources that you have and still make an impact in the market in terms of what you do, because prioritisation says, identify the sectors that are important, not just important for the sake of being important, but important for the economy at large… (Senior manager interview).

### *4.2.3. Criteria underpinning prioritisation*

The manner in which competition agencies set priorities differs from one jurisdiction to another and may involve criteria set out in the law, the experience of the agency, specific sectors, or public interest (International Competition Network, 2008), That complaints and cases should be economically significant with the potential to yield substantial precedent is a criterion used by a large number of competition agencies (UNCTAD, 2013). Jenny (2013) summarises the criteria used as the gravity of the infringement (such as cartels), high impact, importance of the sector to consumers, high profile (food), low resources required or ease of proof (such as leniency applications), precedent setting, type of practice, availability of remedies, social relevance of the cases, and whether the competition agency is best placed to act.

The adoption of criteria is useful for justifying the prioritisation of specific interventions and contributes to the legitimacy of a competition agency's activities by providing a clear and explicit framework for taking decisions on priorities (International Competition Network, 2010).

### *4.2.4. Challenges to prioritisation*

Prioritisation in competition agencies introduces a number of challenges that organisations should take cognisance of. Agencies run the risk of arbitrary

discrimination in the application of their discretion to pursue matters by using criteria that are unrelated to optimal competition enforcement or efficient resource allocation (Wils, 2011). Prioritisation may introduce availability bias in which those working on priorities focus excessively on whatever is immediate and available, given that their performance is judged on the most readily available output. Prioritising specific sectors or contraventions may encourage those involved in contraventions to conceal evidence of their infringements and in the process make it more difficult to obtain the information required to successfully pursue cases.

## 4.3. The Competition Commission South Africa's approach to prioritisation

The CCSA approach to prioritisation should be viewed against the backdrop of factors that influenced its adoption in the organisation and how it evolved over time, as discussed in this section.

### *4.3.1. Background to prioritisation*

Three key issues create the backdrop to the adoption and implementation of prioritisation as a strategic approach by the CCSA. These include the economic conditions prevailing in South Africa, the adoption of prioritisation among competition authorities in the world, and efforts by the CCSA to shift from being re-active to becoming more pro-active. This section explains how the policy focus to transform the South African economy towards a labour-absorbing growth path provided the economic rationale for prioritisation while the diffusion of priority setting as a strategic planning practice among competition agencies across the world provided the legitimacy needed to justify this approach. Furthermore, it describes how the intention to become more pro-active created the organisational space within the CCSA to embark on prioritisation.

#### 4.3.1.1. Competition policy and the quest for economic transformation

The economy inherited by the democratic government following the demise of Apartheid in 1994 was protected, concentrated and dominated by capital-intensive sectors with strong links to the mining and resource base. State intervention through state-owned enterprises (SOEs) privileged the development of the minerals-energy complex (Fine & Rustomjee, 1996). Prior to the democratic transition, strategic concerns of the Apartheid government related to defense and liquid fuels, together with the needs of the resource

extraction and processing industry, were prioritised and left a deep imprint on the economy through state intervention (Aron, Khan & Kingdon, 2009).

There has been a remarkable degree of path dependence notwithstanding reforms to restructure the South African economy. The present growth path remains dependent on the minerals value chain, is underpinned by bottlenecks and backlogs in infrastructure, particularly energy, and is characterised by continued economic concentration in key sectors, combined with monopoly pricing at the expense of industrial development (Ashman, Fine, Padayachee & Sender, 2014).

The country's economic development strategy, *The New Growth Path* adopted in 2010, aims to shift South Africa's growth path away from an industrial development trajectory that is locked into a developed minerals-energy complex with weak linkages to other industries domestically. It seeks to shift it towards an economy that is labour-absorbing along the agricultural value-chain, light manufacturing and services in the medium term and in the long term, to knowledge and advanced industries (Department of Economic Development, 2010). Competition policy is regarded as an important policy remedy for addressing excessive levels of concentration in the economy. Without competitive discipline, firms are able to use their market power and achieve abnormal returns by means of collusion and rent extraction and by so doing hurt consumers and the economy (Competition Commission, 2008). The strategy to prioritise was adopted to by the CCSA in order to concentrate and leverage minimal resources towards those sectors and markets in which the abuse of market power adversely affects consumers and the South African economy.

#### 4.3.1.2. International legitimacy of prioritisation

The International Competition Network (ICN) has played a key role as a platform for sharing experience and building capacity of young competition agencies. This informal network was launched in 2001 with 16 competition agency members and has since grown its membership to 131 in 15 years (International Competition Network, 2009; www.internationalcompetitionnetwork.org). The network comprises established and newly established competition agencies and aims to improve and advocate sound

competition policy and its enforcement across the world. The work of the organisation takes place in Working Groups (International Competition Network, 2009).

The work undertaken by the Agency Effectiveness Working Group (AEWG) on strategic planning and prioritisation as part of its mission of identifying key elements of well-functioning competition agencies and good practices for strategic planning, operations and enforcement tools and procedures, provided a forum for sharing experience and highlighting the important role of prioritisation in agency effectiveness. The AEWG (previously known as the Competition Policy Implementation Working Group) undertook the first systematic review of how agencies address institutional and operational needs and constraints by carrying out a survey in October 2007 to February 2008, and found that all 20 agencies surveyed indicated that they engage in some form of prioritisation (International Competition Network, 2008). This was followed by the production of a practice manual providing guidance to competition agencies on strategic planning and prioritisation. (International Competition Network, 2010).

The activities and work products of the AEWG raised awareness of the role of prioritisation in enabling strategy implementation and the type of practices adopted by competition agencies in different jurisdictions. The CCSA was an active participant in these processes and benefited from the knowledge and discussion shared in these fora. Prioritisation was increasingly regarded as a legitimate strategy for young competition agencies in developing countries facing significant challenges with meagre resources.

#### 4.3.1.3. Internal shift from reactive to proactive competition regulation

The CCSA focused its attention on establishing its institutional capacity, creating awareness among the legal community, consumers and other stakeholders, and setting up business processes to streamline investigations (Competition Commission South Africa, 2007; Bleazard, 2013), in addition to working on merger regulation (Makhaya & Roberts, 2013). By 2006, the organisation recognised that it was on the verge of a new phase of development influenced by changes such as the adoption of the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), a competition policy review and the appointment of new leadership and it responded to these changes by formulating and implementing a strategic plan (Competition Commission South Africa, 2007a).

A key outcome of the planning process was acknowledgement that the CCSA "should take a more proactive stance in dealing with sectors that have high levels of concentration and anti-competitive market structures and practices" (Competition Commission, 2006a: 3). As such, the organisation set itself the goal of defining and clarifying the CCSA approach and methodology. This was to be achieved by developing a methodology that would enable the organisation to prioritise sectors and cases and become more pro-active in addressing market concentration and anti-competitive conduct. The CCSA regarded prioritisation as a means to become more pro-active, "that is, making appropriate decisions about which sectors and cases the Commission focuses on in pursuit of its mandate" (Competition Commission, 200a7: 1 - 2).

### *4.3.2. Evolution of the prioritisation approach in the Competition Commission South Africa*

The evolution of the CCSA approach to prioritisation is characterised by an increasing level of sophistication in the approaches adopted, criteria used and the recommended instruments for intervention. Three periods of development and implementation are discernible, that is 2006 to 2009, 2010 to 2014, and 2015 onward.

For the period 2006 to 2009 the processes for developing the prioritisation framework involved undertaking an assessment of the relationship between competition policy and government's broader national policy objectives; explaining how prioritising of certain sectors or complaints will improve the effectiveness of the organisation; reviewing experience of other jurisdictions regarding prioritisation; and recommending sectors based on identified prioritisation criteria. The approach set out in the discussion document was formalised in adopted by the CCSA as a *Framework for Prioritising Sectors and Cases* (Competition Commission South Africa, 2007a). The priority sectors were financial services, infrastructure and construction, food, agro-processing and forestry, telecommunications, and intermediate industrial products.

These sectors were identified following the application of criteria set out in the framework. The first criterion focuses on competition concerns and considers the degree of concentration (including barriers to entry; price unrelated to cost of demand factors, irregular price differences; low rate of price switching), and the most harmful

anti-competitive practices including, hard-core cartels and abuse of dominance. The second criterion focuses on alignment of the sector to government economic policy and sector priorities by considering its importance to economic policy; importance to South Africa's competitiveness and the effective working of the economy; extent to which sectors provide essential inputs to other economic sectors; and the extent to which the sector is able to contribute to empowerment, new entry and growth of small, medium and micro enterprises (SMEs) (Competition Commission South Africa, 2007a).

An internal task team reviewed the prioritisation of sectors and cases in 2010 (Ratshisusu & Bonakele, 2010), following the adoption of the strategy for the period 2010 – 2013 (Competition Commission South Africa, 2009a) and the adoption of the strategic goal of achieving demonstrable outcomes in the economy through prioritisation of sectors and cases. The review took account of changing external conditions particularly with regard to government's emphasis on labour-absorbing economic growth aimed at addressing unemployment and poverty. The approach to the prioritisation of sectors and cases recommended by the task team refined the organisation's approach in two material ways.

Firstly, the CCSA sought to bring the full range of available instruments to bear on priority sectors, including investigations, advocacy and market enquiries. In the prioritisation of sectors, it was proposed that different interventions are targeted at specific sectors. Thus, the priority sectors for investigation were identified as infrastructure inputs into construction; mineral resources and intermediate industrial products; food and agro-processing; and telecommunications. Banking, construction services and public transport were earmarked as priority sectors for advocacy while the health care sector was targeted for a market enquiry (Ratshisusu & Bonakele, 2010).

Secondly, the criteria for selecting priority investigations were further refined and described in more detail. For an investigation to be prioritised investigators must consider whether the complaint is in a priority sector, the competition issues involved, the type of infringement, the potential for precedent-setting, extent of harm caused, enforcement capability of the CCSA, and the likely net result considering the nature of the complaint relative to the extent of harm and the enforcement capability of the

organisation. The task team integrated the different criteria into principles referred to as SCREEN (**S**ector, **C**ompetition Issue, **R**esources, **E**xtent of Harm, **E**nforcement Capability, **N**et Result).

The CCSA initiated consultations with stakeholders including Business Unity South Africa, Grain SA, National Consumer Forum, Federation of Unions of South Africa (FEDUSA), Congress of South African Trade Unions (COSATU), National Treasury and others between 2011 and 2012 as part of a comprehensive review of prioritisation. The review included taking into account additional factors from the Income and Expenditure Survey (IES), sector and industry contribution to GDP, and government's Medium Term Expenditure Framework (MTEF) in order to broaden the scope of prioritisation. Furthermore, the review undertook a comprehensive assessment of previous priority sectors highlighting investigations, outcomes and outstanding work that culminated in the development of a Prioritisation Advisory Note (Competition Commission South Africa, 2015c). The advisory note recommends priority sectors that form the focus of various interventions by the organisation, including investigation and enforcement, impact assessment, scoping study, advocacy, monitoring and market inquiry interventions. The sectors in which these interventions are to be implemented are food and agro-processing; intermediate industrial products; financial services; media; energy; and private healthcare. A summary of the evolution of prioritisation within the CCSA is presented in Annexure 2.

As noted earlier, the CCSA focused on merger regulation in the first five years of its establishment. The adoption of the prioritisation strategy in 2006 was a catalyst for the CCSA to strengthen its enforcement activities in sectors and markets with high levels of concentration and competition concerns in a pro-active manner. Enforcement activities focused primarily on cartels and abuse of dominance transgressions. Prioritisation was aimed at increasing enforcement in priority sectors. While the record on anti-cartel enforcement has been robust with the pro-active approach contributing to uncovering wide-spread collusive conduct, the record on abuse of dominance has been less so (Makhaya & Roberts, 2013).

Analysis by Tapia and Roberts (2015) show that the CCSA receive between 100 and 200 complaints annually, but only conducts about twenty in-depth investigations as the overwhelming majority of complaints do not raise substantive competition issues. Their analysis indicate that the CCSA only referred nine-teen abuse cases to the Competition Tribunal between 1999 to December 2012 at an average of 1.5 cases per year. The Competition Tribunal determined that abuse of dominance occurred in only eight of the cases, with two decisions later set aside by higher courts. There are several challenges that account for the poor record of success in abuse of dominance cases, including different interpretations of law between the Competition Tribunal and the Competition Appeal Court, the time it takes conclude cases, and procedural challenges by well-resourced parties (Makhaya, Mkwananzi & Roberts, 2012).

## 4.4. Relevant organisational processes

The study set out to identify the processes that enable the implementation of the prioritisation strategy by asking respondents which organisational processes are oriented towards the enabling its implementation. This approach assumed that while there are many different organisational processes, some were more to relevant the implementation of the prioritisation strategy than others. Respondents identified six processes relevant to enabling the implementation of the prioritisation strategy, as discussed below.

### *4.4.1. Governance processes*

Governance involves the processes and systems by which public organisations “are directed, controlled, and held to account” (Department of Public Enterprises, 2002: 3). The CCSA has established institutional arrangements comprising structures and processes by which it directs, controls and accounts for its performance. The authority to direct and control the affairs of the CCSA is vested in key governance structures and processes, including the Commissioner’s Meeting, Case Management Committee Meeting, Executive Committee (EXCO) and the Management Committee (MANCOM). It is in these governance structures and processes that priorities are examined and key decisions made to endorse specific priorities.

Respondents note that the Commission Meeting performs a critical role in making decisions and endorsing priority cases. The Commission Meeting comprises the

Commissioner and the Deputy Commissioners with relevant Divisional Managers in attendance to provide advice (Competition Commission South Africa, 2015d).

> So that, I think that's one of the big advantages of having things like we have the Commission Meeting. Where you, you know, that is your forum or your platform. Before a case gets initiated or any things like that, you know, it's presented to the Commission Meeting and then we look at it and say is this something you wanna take on? (Senior manager interview)

The Case Management Meeting reviews assesses and provides advice on the strategic direction in regard to cases and in this way, the CCSA is briefed on work undertaken by divisions responsible for cases (Competition Commission South Africa, 2015d). This meeting is important for "dealing with bottlenecks that may be there" (Senior manager interview).

The EXCO is the administrative body of the CCSA and is chaired by the Commissioner. This governance structure advises the Commissioner and his deputies on administrative aspects of their functions. EXCO plays an important role in priority setting through the business planning process and in keeping track of performance through the quarterly meetings in which the quarterly report is reviewed.

> Currently it's Exco that approves the business plans. The discussions at Exco are intense. Largely around where people present draft business plans. Yes and essentially there is a lot of back and forth engagement then around whether something is really, of strategic, a particular case is strategic. Is it winnable? Does it matter? And whether it is even in a priority sector? You know, is it a critical case for the economy? And of course then they would continue to tell us what budget, and what resources they are intending to put there; quarterly milestones … and then what risks they anticipate and how they would mitigate those upfront per case (Senior manager interview).

The MANCOM meeting has been re-constituted as a broader platform to include managers and principals and play an increasingly important role in planning and review in the mid-term review workshop.

> … there is also an organisational-wide planning and review which is done by MANCOM. This is EXCO and basically the broader management of the Commission which includes the Commissioner, Deputy Commissioners, Divisional Managers and Principals. Because it's been re-constituted, re-thought because remember previously it was just middle managers basically. But now it's been re-thought as a primary planning and review. It's a very important management tool. (Senior manager interview)

### *4.4.2. Strategy and business planning processes*

Respondents concur that the organisational strategy and business planning processes followed since 2014 are expected to strengthen prioritisation and embed these across the organisation.

The planning processes of the CCSA are governed by prescripts set out in various guidelines and regulations (National Treasury, 2010). The guidelines set out what needs to be produced and submitted to National Treasury, but do not stipulate how the strategy must be produced. Governmental organisations that are subject to the public sector planning prescripts have the latitude to design and execute their own strategy formulation processes. The CCSA strategy process was initiated with a situational analysis in which the activities of the organisation over the past 15 years were evaluated to determine the performance over this period and the critical priorities that need to be addressed in this strategic plan (Competition Commission South Africa, 2015d).

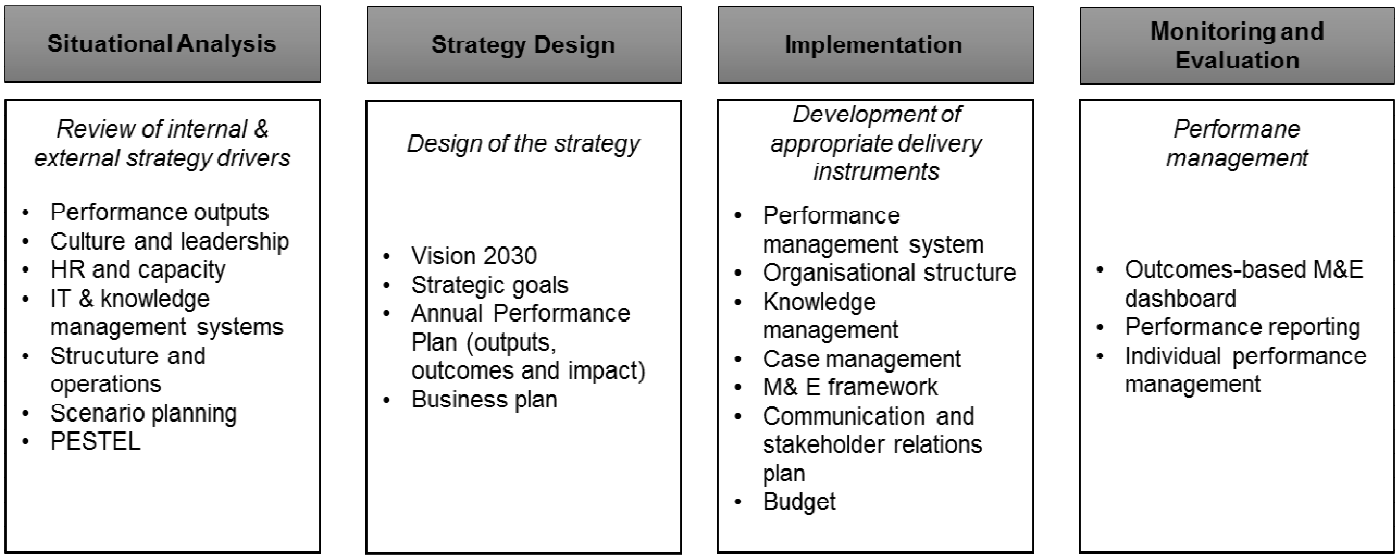



**Diagram 4.1:** Strategic planning process

Source: Competition Commission South Africa, 2015d

The strategy formulation process involved extensive consultation and collaboration with staff at all levels of the organisation through a series of meetings and workshops.

> So I mean it was extensive consultation, on-going conversation even just right from the vision. What do we mean we want a growing and increasing economy? What is an inclusive economy, what does that mean? And so just at each stage of the process if we're defining the vision, then there's some definitions which will stay and some will go. So I think there's a very collaborative process. All staff were involved, every single staff member were part of this process at different levels. There were Exco and Mancom workshops. There were senior manager workshops and then general workshops, even for implementation. (Senior manager interview)

The Annual Performance Plan (APP) of public organisations is required to detail specific performance targets and describe the programmes by which the targets will be achieved in pursuit of the strategic goals of the organisation (National Treasury, 2010). The APP analyses recent developments in the operational environment provides detailed planning information on programmes and considers details of the organisation's budget.

The CCSA has adopted a novel approach to the development of the APP. In essence, the CCSA has developed an APP that meets the compliance requirements in terms of national guidelines. This is a stakeholder-oriented plan with detail relevant to stakeholders outside of the organisation. In addition, the CCSA has developed what is referred to as the 'business plan' or 'non-APP' components. This embeds detailed information about indicators and targets required to produce the formal APP that is submitted to stakeholders. This distinction has become necessary to enable the organisation to track all relevant performance information and manage performance. In this way, the CCSA has moved beyond its formal compliance requirements to using the APP as a management instrument.

> So planning, you have the APP, which is very much externally driven. So, APP is what the AG would look at … what Parliament would look at, and there's a very clear criteria in terms of the APP. So we said, but the APP is not enough as a management tool. Because that's all we had before. We now have a Business Plan. And our Business Plan will contain APP targets, which are largely high level, externally focused, as well as what we call, for lack of a better word, non-APP targets. But for us that's a Business Plan. The key management tool is not APP. If we manage the APP, the, the Business Plan, very well and we deliver on it, we would have delivered on the APP. (Senior manager interview).

Divisions 'own' targets in the APP and are responsible for embedding these targets in granular levels of detail in divisional plans. The ownership of the targets is informed by the different functions performed by divisions.

> So, the Business Plan would then identify - it would identify the case; it will identify the teams that are going to work in, on that case, including team members from other divisions. It will then have milestones. It will say: we have Quarter 1, we've Quarter 2, we've Quarter 3 – we want to achieve X in Quarter 1; we want to achieve Y in Quarter 2, we want to achieve whatever in Quarter 3. (Senior manager interview)

Divisions develop business plans in consultation with other divisions though the degree of consultation varies from division to division. Consultation during business planning also constitutes an effort to address operating in silos due to the limitations imposed by organisational design along functional lines.

> We actually had a meeting with Policy and Research, had a meeting with Legal Services as well and we actually, went through the whole list of cases and we said, we agreed that these are the cases that we want to bump up into being priority cases. So, by the time that the Business Plan goes to Exco, they would have actually had the input, made the input into that Business Plan. (Senior manager interview).

The level of detail provided in embedding of priorities in the business plan was emphasised by several respondents as a key measure that supports prioritisation through the strategy and business planning process.

> This is this business planning process that I'm talking about. I mean the divisions' business plans, I think, are way more useful and helpful now than they used to be. You know they set out the cases specifically, and that filters down to performance contracts with individuals, and I think that is embedding that idea that these are priority cases. These are the cases that will result in delivering against the business plan. (Senior manager interview)

### *4.4.3. Scoping studies processes*

The CCSA is able to gather information and develop knowledge of select markets through the process of undertaking scoping studies. The scoping studies have been instrumental in facilitating a more pro-active approach by the CCSA in that these enable the organisation to identify competition issues in markets. Scoping studies are regarded as a "catalytic agent to the principle of prioritisation – for they enable the Commission to initiate work in the targeted sectors, without undue reliance on public complaints" (Competition Commission South Africa, 2015d: 96). The outcomes of scoping studies could lead to an investigation, a market enquiry, an advocacy intervention or no action at all. The scoping studies examine how markets work and what the competition issues are.

> Informed by prioritisation yes. We get an agreement with the Commissioner that here is priority areas to scope. We then go out and scope those markets. Then report back on the scoping outcomes. First to the Commission by holding a seminar or workshop around the outcomes of scoping, then second to the Commission Meeting to adopt their practice of scoping. The outcomes are meant to inform the choices of cases you take. But they also have a learning opportunity too because then you learn how those markets work. (Senior manager interview)

The generation of knowledge about sectors is an important function of the scoping study. Workshops held with staff around the outcomes of the scoping study further provide an opportunity for knowledge sharing across the organisation.

### *4.4.4. Resource allocation processes*

The allocation of resources towards priorities has become more deliberate, according to respondents. This is to ensure that there is better alignment between available resources and the selected priority sectors and cases.

> If a matter is a priority matter, you then allocate resources accordingly in terms of external counsel, law firm as well as the interim resources. So even the resourcing process is performed by the prioritisation. (Senior manager interview)

Moreover, divisions have become more capable of setting budgets and assembling the required resources by taking into account the level of priority and the funds and people needed to pursue specific priorities.

> So, the same thing because we knew on the big cases, especially the big cases, I mean you're gonna need senior council, you're gonna need this, you're gonna need that. So, you target with your prioritisation, you prioritise your division's budget to be focussed on those cases. (Senior manager interview)

In addition, the responsibility for determining budgets in respect of priorities are increasingly shifting towards divisions. This, in turn, has shifted accountability for the

use of financial resources to divisions so that they have to explain variances that arise in the accomplishment of priorities in quarterly and other meetings that track performance, including expenditure.

> So in this case they had budgeted R500 000.00. They spent zero. Why not? Should we be re-allocating those resources somewhere else because we also monitor and the CFO is part of these discussions as well. He also has an interest that we are spending the budget as we had intended. And, I mean, this is also an important question, the resource one. If we say in a critical case, we've not met a target but yet we're not spending on consultants, in other words on lawyers or the experts. (Senior manager interview)

Assembling the financial resources for cases has made teams more cost-conscious. Previously teams were not required to consider the budget implications of their work. Now, they must estimate the cost of the investigation, including sourcing and assembling additional resources such as legal experts. This process has increased sensitivity and awareness to budgetary implications in the accomplishment of their priorities.

> They have become more … cost-conscious, they've become more budgeting-conscious, like more ... because the fact that they now realise that a budget is not something that's somewhere out there, you know. It's now, actually … they realise that whatever they're doing within their cases, eventually adds up to what the division is ... how the division is spending its budget and eventually, of course, how the Commission is spending its budget. So, it's now conscientised them to see that actually, it's their responsibilities too. It's their responsibility to manage how they're spending money on cases. (Senior manager interview)

### *4.4.5. Case management processes*

A case is managed through various stages, including receiving and screening a complaint; initiating an investigation; taking a decision on whether to refer or non-refer a matter to the Competition Tribunal; and prosecuting the matter. When a complaint is received from the public it is screened in terms of a preliminary investigation. The outcome of the preliminary investigation is a recommendation to EXCO either to launch

a full investigation or to non-refer the matter. The case will be allocated to a team if EXCO approves an investigation. The team will prepare an Investigation Plan for the matter and table a draft report to the Commission Meeting where feedback is obtained towards the finalisation of the report. The Commission Meeting will determine whether the matter should be referred to the Tribunal.

As mentioned earlier, the Commission has developed SCREEN principles to screen cases through a preliminary investigation. A Screening Unit applies the principles for assessing whether a complaint should be recommended for non-referral of further investigation. The application of the SCREEN principles is expected to place prioritisation at the centre of the case selection process "because screening is one of the key ways in which you, you deepen prioritisation" (Senior manager interview). Cases are screened so that only a limited number of cases that meet the criteria make it through the assessment process. These cases, however, should take forward the priorities of the Commission with regard to sectors and priority cases. The assumption is that the organisation cannot afford to spread its limited resources across a large number of cases without the likelihood of these cases making an impact on prioritised sectors and changing anti-competitive conduct. There are concerns about the way in which the SCREEN principles are applied. A common lament by respondents is that the principles are applied inconsistently.

> The screen has been a bit of a pain, in fact it has not been fully implemented, even today. So this is where screening comes in right; had we applied screening very, very carefully we would have selected very few cases ja. (Senior manager interview)

Two key reasons are attributed to the inconsistent application of the SCREEN principles First is the number of leadership changes over the years in the division in which the Screening Unit is located. Secondly, concerns are expressed about the level of experience in the Screening Unit (Competition Commission South Africa, 2012c - evaluation). The senior principal works with junior analysts and graduate trainees. It is argued that more experienced staff should undertake screening, given the importance of the screening process in prioritisation and case selection.

> No in fact, in the beginning there was a lot of resistance, but why should we be addressing this and the reports that teams would do would not be very helpful, but you know, the practise, I think, got embedded for a while and then it fell off again and just basically we're back to now…I think that had a lot to do with it, personnel change both at management level because E&E had a lot of changes. (Senior manager interview)

> …screening is also like a training unit for us. New employees will go to screening, they'll start with all the small reports and then they'll go to their sections (Senior manager interview).

The case load of the CCSA is an important indicator of prioritisation. More cases mean more resources are required, both in terms of people and funding. The organisation's resources are more thinly spread with a higher number of cases under investigation, rather than concentrated on a limited number of priority cases. Significant effort has been invested in rationalising the case load of the organisation since 2010, following the adoption of the revised prioritisation framework. This includes the establishment of a Case Pipeline Meeting, which has subsequently been collapsed into the Commission Meeting. Total complaints and investigations numbered 361 in 2010 and has since reduced by almost half with 188 at the end of the 2014/ 15 financial year (see Figure 4). Furthermore, a deliberate effort has been made in the current APP to limit the number of new cases under investigation to five so as to ensure that the selection of cases for prioritisation is done effectively. This is notwithstanding the fact that there may be other cases that remain important. Rather these cases are re-prioritised for completion over a longer period of time.

> So, there are cases that are important, still, in terms of whether they in the priority sector, etc., but because we are deliberately limiting the number to five, these other cases we then plan on doing over a long period of time. … So, Exco would say: 'Okay, we agree that there's certain cases that are still important for us, but we may finish, not in this coming financial year, but in the next financial

> year, but the five that we are saying we're prioritising, must be done by the current, within the current financial year'. (Senior manager interview)

### *4.4.6. Performance monitoring and evaluation processes*

Government adopted the Outcomes-based Planning Approach in 2010 (The Presidency, 2010). This approach calls for a systemic assessment of what impacts and outcomes are achieved as a result of government intervention. An important aspect of this approach is the need to establish indicators as the basis for monitoring progress and evaluating results. The outcomes approach encompasses a focus on results as it seeks to make explicit the relationship between outcomes, outputs, inputs and resources through the application of a clear logic chain.

The CCSA adopted an approach consistent with the outcomes-based planning approach. The planning approach underpinning the strategy and business planning process involves a hierarchical chain that links the strategic plan to individual performance plans. The strategy is at the apex of the chain and provides the framework and focus that directs the work of the CCSA. An Annual Performance Plan (APP) takes the goals set out in the strategic plan and breaks these down into annual targets and activities. In turn, the targets and activities are embedded in Individual Performance Plans of Commission staff.

> So that chain then right at the top is the Strat Plan. Step two would be the APP and then we would regard the business plan as step three and then individual performance contract then as step four, individual accountability. It was important to us, that that chain is not broken. That it's a linear process that kind of flows from one to the other. (Senior manager interview)

The CCSA has developed a set of 11 outcomes associated with its strategic goals with a number of outputs to achieve the planned outcomes in its strategic plan. Furthermore, each output has key performance indicators and targets. The outputs are further broken down in the APP into quarterly milestones. An important focus has been to ensure that indicators are SMART (**S**pecific, **M**easurable, **A**chievable, **R**ealistic, **T**ime-bound) to improve measurability (Competition Commission South Africa, 2015d). Moreover, this

focus extends to generating and using performance information to assess progress against planned targets.

> One of the most important practices that have emerged out of this new or improved planning framework is actually performance information; keeping track or keeping record of performance information. That has become very critical because it is that performance information that you know, is evidence of how we are doing in terms of business planning and strategy executions. So there's a lot of focus currently on performance information (Senior manager interview).

The performance information is assessed through a number of meetings and workshops, including the Commissioner's Meeting, Case Management Committee Meeting, Executive Committee (EXCO) Meeting, and Divisional Meetings on an ongoing basis. The Mid-term Review Workshop has emerged as a critical meeting to assess performance in the organisation. It provides an opportunity for staff to account for their performance to the CCSA leadership and their colleagues. The workshop provides an opportunity to identify problems, make adjustments to plans and to re-prioritise.

> Okay, so, in terms of the Business Plan, of course, as I said, there are certain milestones that would have been identified. We then have what is called a ... there's a mid-term review. So, six months into the financial year, the report has to be put together about how things are progressing, where things are, what are the challenges, how have we done. For example, if – give you a practical example – if the division had a budget that we'd spend X amount of money on experts for particularly these priority cases, but the budget's not moving – what's the reason for that budget not moving. So, that mid-term review would deal with those things and say: You have to actually, account for the variances in the Business Plan. (Senior manager interview).

Impact assessment plays an increasingly important role in prioritisation through monitoring and evaluation by the CCSA. These studies are aimed at understanding the impact of the organisation's interventions in specific markets and sectors. The studies "demonstrate to stakeholders the harm of anti-competitive conduct and the gains arising

to the public from the Commission's interventions" (Competition Commission, 2015b: 13). Impact assessments are undertaken in three main categories: (1) estimation of the impact of anti-competitive conduct; (2) ex-post evaluation of specific enforcement interventions; and evaluation of the broader economic impact.

> I think that one of the things that we also have now recognised is the, there is a link between our impact assessments and what we do now, because they have a lot of lessons for how we prioritised, and what we prioritise. (Senior manager interview)

## 4.5. Relevant organisational practices

Organisational practices are defined as social routines regarded by organisational members as central to strategy formation and implementation and these routines can be in many different forms including recurrent meetings, traditions, rituals (Matere, 2005). Respondents were asked to identify the key organisational practices associated with the implementation of the prioritisation strategy. The key practices identified by respondents are discussed in this section.

### *4.5.1. 'Cradle-to-grave' case management*

The CCSA has since 2014 adopted an approach whereby teams that lead cases do so from investigation through to litigation – the entire life cycle of the case, known in the organisation as managing a case 'cradle-to-grave'. Before this practice was adopted, cases would be handed over to the Legal Services Division (LSD) for litigation. It was the function and responsibility of LSD to develop the litigation strategy and procure the necessary external legal resources. The CCSA identified this hand-over process from investigation to litigation as a serious bottleneck that contributed to an unmanageable case load. Furthermore, the hand-over process is regarded as creating a gap in case knowledge since the team that managed the investigation and has intimate understanding and knowledge of the case, hands over the management thereof to a team in LSD. As a result of these limitations, the CCSA decided that teams investigating cases would remain responsible for their litigation so that there is not a hand-over of the cases from one team to another. The organisation sought to promote ownership of cases by team members from cradle-to-grave.

> That's the principle that's been introduced that the investigation divisions have to take ownership of the cases from cradle to grave. So even once it's a case at litigation stage, it's still their case. They still have to take responsibility for it. LSD is simply a resource (Senior manager interview).

> Now it goes to the Commission Meeting having already incorporated LSD's legal advice. Well the difference is that previously you will have this report given to you after the, they say go and do referral papers. Then you have to go through or construct referral papers after a decision has been made. Now you are a part of a team and you advise in the process? That is a big difference! (Senior manager interview)

This practice is especially important from the point of view of cartel infringements. "Cartels are hard-core infringements which raise a significant competition issue and, as such, form part of the Commission's strategic focus" (Ratshisusu & Bonakele, 2010). Since the adoption of this practice there, has been an increase in the number of referrals, according to respondents.

> So, it is new in the sense that the silos have been removed and in fact one of the key things to demonstrate is cartels litigating without going to LSD so cartel is saying, we are a group of lawyers, we know our cases better than assigning this to another person. We would want to litigate our cases and that's why you've seen an improvement in the number of referrals that the Commission has done. (Senior management interview)

### *4.5.2. Inter-divisional teams*

The practice of allocating investigations to inter-divisional teams has been identified as an important support for the implementation of the prioritisation strategy. Teams are constituted with staff members from different divisions. The composition of the team is informed by the required sector knowledge and the specific matters of law under investigation. The establishment of inter-divisional teams is motivated by the need to draw on the required capacity from across the organisation depending on where the particular skills are available. This enables the organisation to focus the relevant resources on priority matters.

> Yes. In cases. But, and taking cases to, one of the things is the, so a cradle-to-grave approach with inter-divisional teams. So, the team that starts the investigation is the team that will litigate all that. No handing over, no, it's a practice. So, unity. (Senior manager interview)

Furthermore, teams share responsibility for the success or failure of a case and as such have introduced shared accountability. Shared responsibility and accountability are supported by joint reporting.

> So, for example, if the team has worked on the report, the team will then submit that report as a team to the management of E&E and to the management of Policy & Research. So, once the two management teams have looked at that, they'll have their inputs and so the team will go back and incorporate whatever inputs have come from Policy & Research and would've come from E&E. (Senior manager interview)

### *4.5.3. Mid-term review*

A number of respondents highlighted the workshop held every six months and known as the mid-term review as a key strategy implementation forum. The mid-term review comprises the senior leadership and middle management of the CCSA. This meeting is focused on assessing progress with regard to implementation of the organisation's priorities. The mid-term review performs a special review function that enables the organisation to make adjustments to its plans relative to its priorities, particularly in areas where performance lags behind expectations.

> Well, what came up on the Mid-term Review, like we focus a lot on the areas we are not achieving very well and what we need to do now to ramp up our operation, so that we try to reach hundred percent of our target, so we look at those areas right. In the areas we are doing well, we acknowledge those areas and we obviously encourage people to do better there, but we look critically at areas where we are not doing very well. (Senior manager interview)

The mid-term review also plays a role in ensuring alignment of organisational resources behind priorities.

> So in the final term review because that is when the work would've already started to work towards the business plans for the next financial year. That is where we meet as an organisation and we try to ensure that there is alignment across the organisation in terms of the business plans going forward. (Senior manager interview)

The revision of the business plan during the midpoint of the financial year has become a critical practice to ensure that the organisation is able to take into account changing conditions both in the external and internal environment, consider risks and re-prioritise. This affords the organisation the flexibility needed to respond to a constantly changing environment.

> So we're having a mid-term review which will also look into all of this. At the mid-term we then provide an opportunity for divisions to revise business plans. So a Q1 is really more a corrective behavioural, I suppose intervention, so - 'Please spend more'; 'Oh please watch out for that risk' or 'Please tighten up your system in that area' or 'You need to put more people on that case', or whatever it may be. But I think at Q2 if we see that things are not moving forward accordingly, then it's more wholesale interventions which is why we would provide opportunity for the revision of business plans. (Senior manager interview)

### *4.5.4. Business plan as artefact*

The business plan document is noted as an important artefact of strategy implementation for the way in which it encodes the priorities of the organisation and is used as an instrument to measure and review performance against planned priorities. Divisions are required to use a standard template to capture the priorities for a specific year. The standardisation of the way in which information is presented has improved the comparability of data across divisions.

> So we decided to have a standard template for business plans, which we've never had in the past. It was difficult to compare apples with apples actually and

> to see and to really measure performance in a standard manner, when different people were using different formats and even the elements of the business plans, some might, some divisions would for example, touch on risk, others wouldn't. Others would identify priority sectors, others would not. So we decided to have a standard template that would speak to all the strategic issues we had identified in that process. (Senior manager interview)

The business plan plays a key role in codifying the priorities and the performance expectations related thereto. It highlights specific priority cases, the people associated with the implementation of the priority cases and the resources available for implementation.

> The business plan is part of your cases that are in the business plan is part of the performance agreement as well as other things. So that is the first step in the contracting process. Then in terms of, because the business plan already have set out what the priorities are. And then in terms of resourcing cases, we then take that into account. If a matter is a priority matter, you then allocate resources accordingly in terms of external counsel, law firm as well as the interim resources. (Senior manager interview)

The introduction of colour coding to visually represent priorities has further enhanced the business plan as a communication tool.

> That's right. So essentially then, divisions would identify who the people will be that speak to that target, what the priority level of that target is. Now, it's colour coded as you can see. Green being… yellow being least of a priority. Red being the most of a priority. We colour code those priority cases to the rate and that's the identification of those priority cases is obviously Exco. (Senior manager interview)

### 4.6. Relevant strategic capabilities

Respondents were asked to identify the capabilities that the CCSA developed as a consequence of implementing its priorities and that enable the organisation to sense

and take advantage of opportunities. The main capabilities identified are discussed in this section.

### *4.6.1. Sector expertise*

A common theme from the interviews is that prioritisation has contributed in a significant way to the development of sector expertise in the organisation. Staff have developed specific sector expertise by collecting information and researching specific sectors over time, thus developing knowledge and understanding of the dynamics of specific markets, competitors and competition issues. This is a learning process that is facilitated by scoping studies, impact assessment, case investigations and other formal and non-formal means of research and information gathering by teams.

> … people that are very much experts or know quite a lot when it comes to certain sectors of the economy, you know. I mean, an example is, if you get a steel case, you know that this case has to be given to a certain person because the person knows the industry very well or you get a polymers matter, or whatever, you know. So, from that point of view, I think, it has helped in terms of, you know, having that benefit of having people who are in a way, experts in certain sectors. (Senior manager interview)

### *4.6.2. Project management capability*

Cases and other initiatives such as market enquiries are regarded as projects and as such, planning and organisation of these interventions are done on a project basis. Skills such as planning, budgeting, organising, and reporting are developed in teams. The project organisation of case investigations, market enquiries, and special projects means that “demands for project management are ever growing” (Senior Manager Interview). According to respondents, this capability is not yet fully developed across the organisation and requires further support to enable it to develop into an organisation-wide capability

> … we are becoming a lot more sophisticated in terms of project management. Our investigation plan, our litigation plan is forcing us to become better at project management: budgeting, risk and so on. (Senior manager interview)

Large organisation-wide initiatives such as the Fast Track Construction Settlement Project and the Health Enquiry are cited as examples of large projects that required a project management discipline to implement.

> So we said look, this is something that's never been taken on before. And then we said okay, it's a huge task, it's huge budgets, we've actually gotta split this up and take a project management approach.

### *4.6.3. Priority setting expertise*

Respondents identified the ability to prioritise as a significant capability that the organisation has developed as a consequence of having adopted the strategic approach of prioritisation. Priority setting is a continuous process that has been refined over time through experimentation and learning. Prioritisation happens at various levels in the organisation, including in teams, in divisions and organisation-wide. Prioritisation is undertaken for different purposes and in relation to how the range of interventions is prioritised to address specific competition issues.

> … prioritising for different purposes, you know, … you prioritise for marketing enquiry, you prioritise for enforcement, you prioritise for advocacy, you know there are all these things now that we are able to prioritise for when at the beginning really, it was prioritisation on limited things so, you know … (Senior manager interview)

Prioritisation involves making choices about competing demands within the organisation's prioritisation framework. It involves a continuous process of strategising at different levels within the organisation about the best possible areas of focus and means with which to achieve the desired outcomes.

## 4.7. Summary

This chapter is based on the second phase of analysis involving key themes and specific processes, practices and capabilities associated with implementing the prioritisation strategy in the CCSA. Economic regulators such as the CCSA are able to prioritise by directing minimal resources towards areas in which they can make the most significant impact in terms of executing their mandates. In the case of the CCSA, this

has involved the development of a framework for prioritising sectors and priorities. Implementation of the framework has evolved over time and has become more sophisticated as the organisation incorporated lessons learnt into the process. Greater levels of sophistication can be found in the approach adopted, application of the criteria and the use of instruments directed at identified competition concerns in priority areas.

The study identified six organisational processes most relevant to the implementation of the prioritisation strategy. These six organisational processes are: (1) governance; (2) strategy and business planning; (3) scoping studies; (4) resource allocation; (5) case management; and (6) performance monitoring and evaluation. Furthermore, the study identified four pertinent organisational practices, including cradle-to-grave case management; establishment of inter-divisional teams; conducting a mid-term review and the use of artefacts, particularly the business plan and the colour coding of information contained in the plan. Finally, the study identified sector expertise, project management and priority setting capabilities as those that enable the sensing of opportunities and the re-configuration of the organisational resource base to take advantage of these opportunities.

# Chapter Five: Significance of Prioritisation Implementation Processes, Practices and Capabilities

## 5.1. Introduction

This section analyses the significance of the processes and practices, and emergent dynamic capabilities identified as relevant to the implementation of the prioritisation strategy. In doing so, this section discusses the main categories of strategy implementation processes and the significance thereof; the types of organisational practices associated with prioritisation and the significance of each; and how the identified capabilities contribute to the CCSA's ability to identify and take advantage of opportunities.

## 5.2. Significance of prioritisation strategy implementation processes

The analysis presented here emphasises the dominant orientation of the six organisational processes identified as significant to the implementation of the prioritisation strategy of the CCSA. Organisational processes provide the framework and structure the actions and activities of members, and in this way contribute to the emergence of strategy (Minztberg, 1978). Organisational processes are neither discreet nor separate from the complexity that characterises organisational life. Rather, organisational processes overlap, interact, intersect and reinforce each other in complex ways. This complexity is driven by the inter-connected, inter-temporal and inter-relational character of strategy processes (Shanley & Peteraf, 2006). The analysis presented below must be understood in this context. For instance, while the dominant orientation of a process might be towards enabling priority setting, that is not to say that the same organisational process does not have an evaluative orientation.

Three categories of organisational processes are distinguished. Firstly, there are processes oriented towards priority setting; secondly, processes oriented towards marshalling resources; and finally, processes oriented towards evaluation as shown in Diagram 5.1.

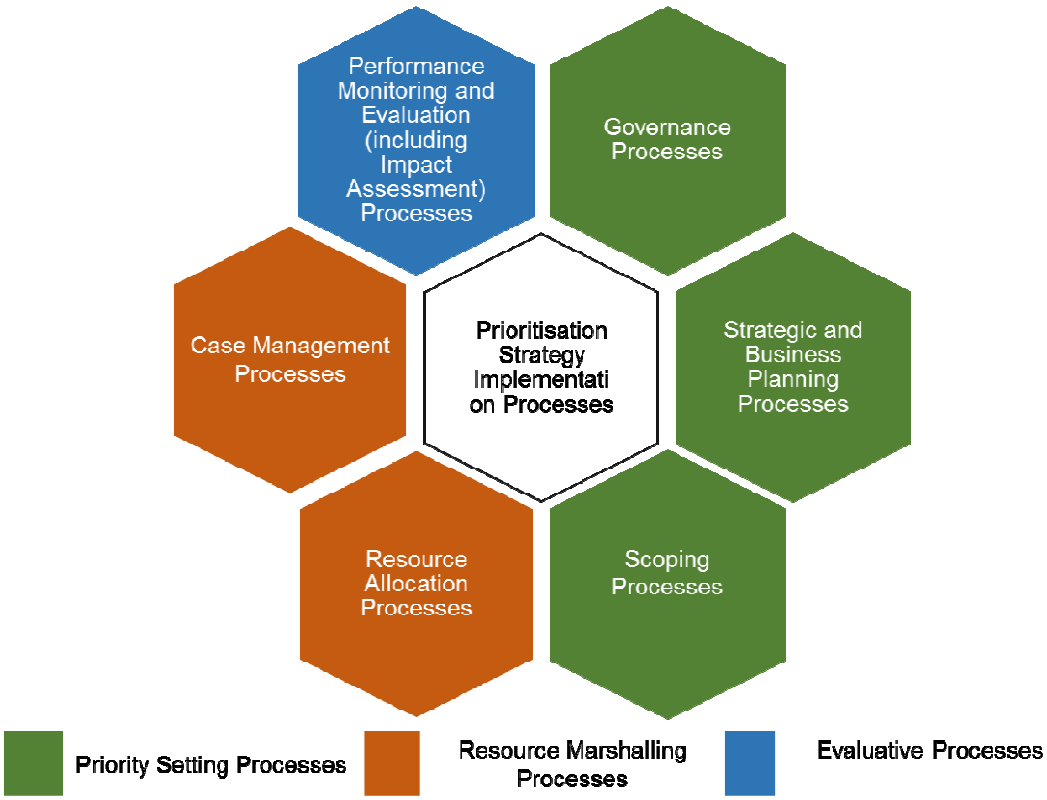



**Diagram 5.1:** Prioritisation strategy implementation processes

Source: Author

### *5.2.1. Priority setting processes*

While priority setting happens at different levels of the organisation and to support different purposes, the study found that there are a number of processes through which organisational priorities related to the implementation of the prioritisation strategy are examined, endorsed and embedded in the organisation. These are the governance, strategy and business planning and the scoping organisational processes.

#### 5.2.1.1. Processes oriented towards examining strategic priorities

These organisational processes are oriented towards the examination of strategic alternatives by interpreting the priorities of the organisation and justifying decisions related prioritisation.

It is useful to draw on the conception of Rumult (1975: 196) who regards formulation of organisational strategy as “problem solving of the most unstructured sort” and describes three dimensions related to this process, namely structuring of problems, generating

tentative solutions and assessing proposed solutions. Similarly, this study found that governance, strategy and business planning, and scoping processes facilitate the structuring of information, generation of solutions and an assessment of proposed solutions. There are key decision-making points embedded in these processes. In order for organisational leaders to take decisions, they require information that is presented in ways that justify the priorities put forward. The information is debated and discussed and bring to light different arguments and possible solutions through the leadership interaction.

For example, in the governance processes conducted through institutional structures such as the Commission Meeting and EXCO provide organisational leaders with the mechanism by which to consider priorities. These processes are structured in such a way that reports on cases are presented, considered, discussed and debated and decisions taken. Reports provide a demonstration of the application of the prioritisation criteria. The leadership examines how the prioritisation criteria have been applied in practice and whether the proposed course of action is in line with the organisational priorities. The interviews indicate that discussions at EXCO are intense and focused on whether an investigation or a case is really of strategic importance. Organisational leaders consider if a case is winnable; whether the outcomes matter to consumers and the economy; and if it is in a priority sector. Importantly the likely impact of a case underpins the examination and assessment of alternatives. A senior manager notes, “[so] yes, there may be something in that priority sector but we say hang on, let’s just wait a bit and see if we can, if there’s something else that will make a bigger impact.” In this way, the governance processes provide a mechanism for structuring the information, filtering what is relevant to the priorities of the organisation by examining alternatives and, based on this examination, proposing specific courses of action.

The strategy and business planning processes perform a similar function. It involves extensive consultation with staff in which priorities are examined. Examination of priorities takes place in discussions at divisional and inter-divisional levels in which cases and associated resources are examined in light of the level of priority and the chances of success. Priorities documented in the business plan, for instance, go through a filtering process whereby the selected priorities need to be justified, not only

within the divisions but also to other divisions and to the decision-making governance structures.

The scoping processes enable the CCSA to proactively identify competition issues in specific markets and sectors generate the requisite information for examining markets and sectors in light of the CCSA's priorities. The outcomes of the scoping studies are recommendations regarding the range of possible interventions by the organisation. Thus, scoping studies structure information on the competition issues in a market, and propose possible solutions or interventions. Proposed interventions are examined in the governance structures to select the most appropriate intervention or propose further research to deepen the understanding of competition issues in the specific market.

The analyses above point to the way in which governance, strategy and business planning and scoping organisational processes are oriented towards examining priorities. Examination of priorities is important because it structures information in ways that generate possible courses of action or intervention and facilitates an assessment of these proposed actions.

#### 5.2.1.2. Endorsing strategic priorities

The processes of governance, strategy and business planning and of scoping provide the framework in which priorities are endorsed. In these processes, organisational leaders confirm the priorities of the organisation by taking decisions that formalise the selected priorities.

The governance processes play an important role in this regard. Decisions taken in governance structures serve as gates that enable further action. Decisions may concern obtaining more detailed information to prioritise an investigation or case; initiating an investigation; referring a case for prosecution or deciding that a matter does not warrant being considered a priority. A record of decisions taken in these governance structures is a record of prioritisation. Should any doubts exist as to which case has been prioritised for investigation the minutes of the Commission Meeting, for example, provide a record of decisions and a source of legitimation of future actions. One respondent confirmed this perception when stating that "even if they say a case has

been non-referred or referred, whatever, I need proof and the proof is in the Commission Meeting minutes."

Business planning processes represent a series of decisions about what the organisation will focus on in a given year. The business plan, as the outcome of the business planning process, encodes the priorities of the organisation and thereby endorses the actions to be taken over that period. Decisions to launch an intervention following the completion a scoping study also serve as an endorsement of priorities as these priorities are then taken up in the business planning process for resourcing and action.

Endorsement of priorities carries with it the legitimation thereof. Legitimatio through endorsement can be achieved in different ways, including by formal authority, rationalisation, and moral persuasion (Van Leeuwen, 2007). In the CCSA, decisions about priorities taken in governance structures carry the formal authority vested in the decision-making structures and in organisational leaders taking the decisions. These decisions are formally noted and become part of the organisational record and serve as a formal endorsement of priorities. In addition, the use of criteria in decision-making serves to rationalise how decisions are arrived at.

The CCSA has adopted prioritisation based on the need to use competition policy in ways that can contribute to the transformation of the South African economy. The CCSA interprets its mandate as making a contribution to a new growth path for the economy that is labour-absorbing and can meet the needs of the country. It has, therefore, cast the need for prioritisation in the light of this higher mission that can address the needs of the economy in particular and the plight of the poor specifically. Decisions on priorities are by extension about a larger purpose beyond merely implementing competition policy and law in a narrow technical fashion. The CCSA invokes this higher mission as intrinsic to decisions regarding priorities and thus, gains legitimacy of its decisions by moral persuasion. By endorsing specific priorities, the CCSA leadership signals to staff what the organisation must focus on to make an impact on the economy and the poor.

Priorities that are endorsed signal to the organisation what are legitimate actions to pursue. The effect of an endorsement of priorities and the associated legitimacy this carries has the effect of promoting ownership of priorities. The combination of formal authority, rationalisation and moral persuasion promotes and encourages the ownership of endorsed priorities. A senior manager concluded, "I think also there's a sense of ownership, a wider, a deeper sense of ownership and understanding across the organisation with staff about why all of this matters and that it actually is not for compliance."

#### 5.2.1.3. Embedding strategic priorities

Embedding of priorities refers to the manner in which the priorities are integrated into the business plan, organisational routines and the day-to-day activities carried out by staff.

The business plan serves as a link between the strategic focus set out in the five-year strategic plan and day-to-day implementation activities. It is through the business planning process that members of the organisation give effect to the priorities set out in the strategy by interrogating, internalising and integrating these into work plans at the individual level. Furthermore, business plan priorities are cascaded into the individual performance contracts of staff. This view is confirmed by a senior manager:

> This is this business planning process that I'm talking about. I mean the divisions' business plans, I think, are way more useful and helpful now than they used to be. You know they set out the cases specifically, and that filters down to performance contracts with individuals, and I think that is embedding that idea that these are priority cases.

The recent incorporation of case information into the business plan further enables this process of embedding the priorities of the organisation at divisional and individual levels. The business plan provides information on case allocation, the importance of a case from a prioritisation perspective, and the staff involved in the investigation into the case.

### *5.2.2. Resource marshalling processes*

According to the Online Oxford Dictionary, the word marshalling means to assemble and arrange in order ("Marshalling", 2015). The findings discussed in the previous chapter indicate that there are specific organisational processes oriented towards assembling, organising and managing organisational resources in a way that privileges endorsed priorities. Resource allocation and case management processes are oriented towards the assembly of resources and the accomplishment of tasks.

#### 5.2.2.1. Assembling resources for priorities

The budgeting processes by means of which resources are allocated and the processes for case management that organise resources around the implementation of organisational priorities both involve continuous evaluation guided by on-going prioritisation. Members of the organisation evaluate their investigations and cases in the light of organisational priorities that have been endorsed. Once a matter has been endorsed as a priority, resources are assembled through the resource allocation processes.

These processes often involve negotiation and trade-offs with matters deemed non-priority getting scaled back or sequenced for implementation at a later stage. In this way, the resource allocation processes ensure that limited resources are directed towards investigations and cases that are the top priority in the organisation.

In the case management processes the teams, including external counsel, and funding resources are assembled to pursue and investigation or a case. The case management processes continuously assess whether the required resources are assembled to successfully conclude an investigation or a case throughout its life-cycle. Bottlenecks and challenges are identified in this process so that the appropriate resources can be assembled to take priority matters forward; whether it is by bringing additional people from other divisions onto the team responsible for the case or shifting funds from cases deemed less of a priority.

5.2.2.2. Accomplishing priority tasks

The case management process plays a pivotal role in enabling the organisation to achieve its priorities. It is one of the core processes within the organisation through which priorities are accomplished. The analysis suggests that the organisation has become increasingly efficient in the time it takes to steward a case through the life-cycle and that prioritisation plays an important role in its ability to do so. According to respondents, the CCSA has been able to significantly increase the number of cases it has finalised in the past two years since 2014.

Completion of cases is also aided by the concentration of resources in respect of such cases. Different strategies have emerged to ensure that resources are not spread out too thinly across a wide number of case investigations including sequencing and delaying case investigation in priority order. The case management processes thus play a pivotal role in ensuring that the CCSA is able to accomplish priority tasks.

### *5.2.3. Evaluative processes*

Performance monitoring and evaluation processes, including impact assessment processes, are oriented towards evaluating progress in achievement of priorities. As such, these processes are evaluative in character as it enables the CCSA to judge its progress through assessment of performance, accounting for deviations and making adjustments.

5.2.3.1. Assessing performance in respect of priorities

The ability to assess performance is aided by setting targets, allocating responsibility, and determining whether targets have been met. The findings indicate that the performance management process in the CCSA has improved significantly since the introduction of clear targets. Setting clear targets and allocating responsibility for the achievement of those targets enable the leadership and management of the organisation to track performance through reporting. Monitoring and reporting provide the feedback mechanism necessary to judge whether targets have been achieved.

There is a growing appreciation for the role that performance information plays in tracking and reporting on performance. Performance information provides the evidence

required to make an assessment of progress. For this reason, there is currently a significant focus on improving the measurability of targets and the quality of information used in reporting. In this regard, the role played by divisional administrators who are responsible for administering performance information and compiling reports have received more attention.

#### 5.2.3.2. Accounting for performance

A further improvement in the performance management system has been the ability to link individual targets and performance to organisational performance. Performance monitoring and evaluation focuses on the individual, divisional and organisational levels.

The CCSA has been able to cascade the priorities in the strategic plan into the business plan. The responsibility for each division is set out in the business plan. This, in turn, enables divisions to cascade divisional targets into the output of individual staff members and teams. In this way, the expected contribution of staff members in the business plan is linked to their individual performance contract. Thus, individual staff members have to account for their performance relative to investigations and cases they work on through the performance monitoring processes.

Similarly, divisions have to report on their performance on a quarterly basis, while the mid-term reviews facilitate discussion on the achievement of targets. Divisions are held to account for deviations from the planned output.

Impact assessments evaluate the effectiveness of CCSA interventions in a given market. The impact assessment produces the necessary evidence and accounts for the impact of the interventions by the CCSA.

#### 5.2.3.3. Adjusting to improve performance

Tracking performance and evaluating the reasons for deviation through the processes for performance monitoring and evaluation provide the information and feedback necessary for the organisational leadership and management to adjust planned performance output. This provides the organisation with the necessary flexibility to make changes in response to changes in the internal and external environment.

Adjustment of plans and priorities is informed by what the organisation learns through the process of doing and reviewing and commissioning specific impact assessment studies to determine whether sectors remain a priority and what measures need to be implemented to bring about the desired outcomes.

## 5.3. Significance of prioritisation strategy implementation practices

Practices refer to "situated recurrent activities of human agents" (Orlikowski, 2002: 253). As such, practices emerge in specific context and conditions. Stripping particular types of practices out of the environment in which they emerge or occur runs the risk of stripping them of their meaning. The practices identified in the previous chapter are, therefore, necessarily unique to the CCSA in terms of the way organisational members go about implementing strategic priorities. Furthermore, practices are diverse and variable (Orlikowski, 2000) and may range from recurrent meetings, workshops, processes, and rituals (Matere, 2005) to common sets of habits, customs, priorities and approaches (Brown & Duguid, 2001). Thus, one can expect to find different types of practices in organisations.

This analysis sought to understand the significance of the identified practices, and what contribution these make to implementation of priorities as situated in the context of the CCSA. The analysis reveals that each of the identified practices support a particular mode of performance. Furthermore, each practice engenders specific values that, in turn, inform and shape the actions of staff members in these practices.

### *5.3.1. Cradle-to-grave as mode of doing*

The CCSA introduced a new practice in regard to conducting its investigations referred to as 'cradle-to-grave'. In this practice teams are pointed to undertake investigations and will be responsible for the case throughout its life-cycle until it is complete. Previously the case management practice involved a handover processes following the completion of the investigation when staff from the LSD took over a case to manage the prosecution thereof. This created a bottleneck where case loads increased within the LSD and created tension in the organisation.

The new practice requires continued involvement of the same team from the start of the case to its conclusion. The introduction of this practice has promoted a sense of ownership by team members of their cases. The logic inferred from this approach is that if team members assume ownership of priority cases, they assume ownership of the priorities of the organisation. A senior manager reflected on this approach and stated, "[t]hat's the principle that's been introduced that the investigating divisions have to take ownership of the cases from cradle to grave."

This practice, as a particular mode of doing case management, promotes the value of ownership. Ownership encourages and fosters commitment. By teams taking ownership and committing to priority investigations and cases it assumed that they are invested in the successful outcome of a case.

### *5.3.2. Inter-divisional teams as mode of organisation*

Promoting the establishment of inter-divisional teams is motivated by a desire to work together beyond the structural constraints and limitations imposed by the functional design that gives rise to the divisional structure of the organisation. A functional design whereby common activities are grouped together has the disadvantage of creating departmental silos and hinder cross-functional collaboration required in complex environments.

The practice of setting up inter-divisional teams is aimed at countering the constraining effects of functional organisation design. Inter-divisional teams are expected to work across divisional boundaries bound together by the successful completion of an investigation and prosecution of a case. The rationale is, therefore, to ensure joint responsibility and shared accountability by team members towards the outcome of their work. In this way, inter-divisional teams serve as an alternative mode of organisation to address the limitations of functional organisation design in which responsibility and accountability are distributed across the different divisions of the organisation.

Joint responsibility and shared accountability are valued because it promotes unity of purpose. In this practices, joint responsibility implies that team members are willing to step in when others are unable to contribute for some or other reasons, since the responsibility for the success of an investigation or case rests with all the team

members, irrespective of the division a team member is deployed from. In this practice, accountability for outcomes is shared by all members of the team.

### *5.3.3. Mid-term review as mode alignment*

The mid-term review is structured as a workshop scheduled every six months and held outside of the work environment, typically over a two-day period during which senior and middle managers review progress and make changes deemed necessary to ramp up delivery or re-prioritise. A key theme that emerged from the analysis is the way in which the mid-term review supports alignment. The mid-term review structures alignment of the organisation behind the priorities of the CCSA.

> We have a, now we have this, it's a mid-term review. It's a meeting in final term. We have those now which we never had before. That is where we meet as an organization and we try to ensure that there is alignment across the organization in terms of the business plans going forward. (Senior manager interview)

This workshop provides an opportunity for re-calibrating organisational alignment by taking into account the performance of the organisation and the changing environment, re-assessing priorities and making changes necessary to remain focused on priorities. Alignment involves arranging, structuring and ordering priority outcomes and resources in a means-end logical fit so that the organisation's efforts are concentrated and directed towards the achievement of planned outcomes. Thus, the mid-term review workshop as a practice constitutes a mode of alignment.

### *5.3.4. Business plan as mode of communication*

As an object of strategising in the CCSA, the business plan plays an important role in strategic conversations in the organisation. The business plan has material and conceptual affordances that shape its use (Jarzabkowski, 2015). In addition, it encodes and thus privileges specific priorities over others. By encoding specific priorities it serves as a communicative device that facilitates, encourages and mediates strategic conversations in the organisation.

In addition, the CCSA has recently introduced colour codes to visually represent priorities in the business plan. This enables instant recognition of priorities at a glance. It

visually represents and embodies agreement reached in the business planning process as to what constitutes strategic priorities. (Paroutis, Franco & Papadopoulos, 2015).

The level of detail and the colour coding of the business plan has enhanced the ability to communicate organisational priorities. Communication is the lifeblood of strategy implementation and has been widely recognised as a critical success factor.

## 5.4. Significance of dynamic capabilities

Capabilities that enable an organisation to sense and seize opportunities and transform organisational resources in a way that enhances performance are regarded as dynamic capabilities (Katlako et al., 2010; Teece, 2007). Dynamic capabilities facilitate organisational change through adapting organisational and strategic routines (Eisenhardt & Martin, 2000). This study identified three dynamic capabilities that enable the CCSA to sense and seize opportunities and to re-configure its resource base in the course of taking advantage of identified opportunities. These are the organisational capability to prioritise, its sector expertise and its growing project management capability. This section discusses the ways in which these capabilities enable the organisation to sense and seize opportunities and to change the resource base accordingly.

### *5.4.1. Sensing opportunities*

The CCSA's focus on a limited number of sectors that have an impact on low-income consumers, have competition concerns and are aligned to government policy and sector priorities has enabled the organisation to build up a knowledge base and expertise in priority sectors. The organisation is able to learn about these sectors through the complaints received from the public, the investigations it initiates, the scoping studies it undertakes and the impact assessments it conducts. The continuous process of learning and knowledge building in regard to dynamics of the prioritised sectors enables the organisation to sense opportunities insofar as addressing competition concerns. Sensing opportunities involves recognising emerging patterns in the environment through interpreting signals, symbols and information (Helfat & Peteraf, 2015). Synthesis of this information yields new knowledge (Desouza & Hensgen, 2005).

The Fast Track Construction Settlement Project initiated by the CCSA in 2011 is a useful illustration of how the organisation's work in the construction sector enabled it to identify patterns of anti-competitive behaviour over time by interpreting and synthesising information obtained. Signs of collusion in the sector were apparent as early as 2007 following a corporate leniency application (CLP) by Rocla, a subsidiary of Murray & Roberts - one of the largest construction firms in the country (Hekima Advisory, 2014). This exposed a hugely profitable cartel that operated from 1973 to 2007 in three provinces in South Africa.

The sector was prioritised following uncovered collusion by top-tier construction firms. It was also influenced by the infrastructure programme that Government was due to embark upon. The CCSA subsequently undertook an in-depth study of the entire value-chain of the construction sector and during this time, more CLPs applications were received. With this information, the CCSA initiated investigations into bid-rigging and collusion that led to the organisation inviting firms involved in these anti-competitive practices to settle their contraventions provided they fully disclose the extent of their involvement and, where applicable, pay an administrative penalty. In 2013, the CCSA concluded settlements for these contraventions between 2006 and 2009 with the majority of firms with administrative penalties from the settlement process totalling R1.46 billion (Hekima Advisory, 2014). The work done in the sector enabled the CCSA progressively to establish patterns of information that were synthesised to build up sector knowledge and expertise. In turn, this contributed to the organisation identifying the opportunity for intervening in the sector to address wide-spread anti-competitive practices by firms.

### *5.4.2. Seizing opportunities*

Seizing an opportunity refers to the mobilisation of resources and organisational infrastructure necessary to take advantage of an opportunity (Katlako, Pitelis & Teece, 2010). It may involve making large investments in funds, and management commitment to developing capabilities under conditions of uncertainty and complexity (Helfat & Peteraf, 2015). The capabilities of priority setting, sector expertise and project management developed over time contributes to the CCSA's ability seize opportunities.

Not only was the CCSA able to sense an opportunity in the construction sector, but it was also able to take advantage thereof through the establishment of the Fast Track Construction Settlement Project. The fast track settlement procedure constituted a new approach to dealing with large volumes of uncovered contraventions of the Competition Act. The CCSA made commitments towards developing the requisite fast track settlement procedures and developed the organisational infrastructure to deal with the process in the form of an inter-divisional team (Competition Commission, undated). Settlements were reached with 15 of the 21 firms under the settlement procedure covering more than 300 instances of bid-rigging (Competition Commission South Africa, 2013a).

The Health Enquiry was cited as another example of how the CCSA was able to draw on its priority setting and project management capabilities, and thereby take advantage of conditions in the external environment to initiate this enquiry. The healthcare system is described by Government as “neither efficient nor fair” with concerns raised about the inequitable nature of the existing system in which “the privileged few hav[e] access to a relative lion's share of general health resources” (Department of Health, 2014: 2). Further, complaints about competition issues have been received in the health care sector over a period of time so that a market inquiry into determine whether or not there are anti-competitive features in the private health care market and what their effects are, was appropriate (Competition Commission South Africa, 2015b).

Formal powers to conduct a market inquiry were granted to the CCSA by virtue of section 6 of the Competition Amendment Act 1 of 2009. The provisions pertaining to market inquiries came into force on 01 April 2013 following intervention by the CCSA.

Furthermore, the Commission recognised that conducting the market inquiry would be costly and additional resources would need to be mobilised. This was achieved partly as a result of alignment between the regulatory framework on competition and the interest of key stakeholders to better understand the competition dynamics, including market power and distortions of competition at various levels, barriers to entry, and factors limiting access by consumers to private healthcare (Competition Commission South

Africa, 2015b). The Health Enquiry thus represented a significant investment of funds and management commitment.

### *5.4.3. Reconfiguring the organisational resource base*

The ability to renew and recreate the organisation's resources is essential for making adjustments and adaptations in order to take advantage of opportunities sensed and seized. The emerging project management capability within the CCSA was identified by respondents as a key ability that enables the organisation to reconfigure its resource base. The project management capability in the organisation has several important features that facilitate the process of renewing and reconfiguring the resources at its disposal.

Firstly, by structuring an initiative as a project, resources from across the organisation can be coordinated in a way that is focused on the needs of the project. For instance, a person with sector expertise that may be required for a specific project can be enlisted as part of the project team irrespective of the division in which that person is employed. In so doing, the CCSA is able to address departmentalism that results from functional organisational structures (Cushway & Lodge, 1999).

Secondly, projects are inherently temporary in nature so that the resources built up in regard to a specific project can be re-deployed elsewhere in the organisation or moved to the next project. For instance, many of the staff recruited to work on the Fast Track Construction Settlement Project were recruited into the Cartels Division subsequent to their project roles coming to an end. Both the ability to coordinate resources across the organisation and the temporal nature of projects provide the CCSA with a level of flexibility it otherwise may not have developed.

Thirdly, projects serve as a useful means to experiment, learn, adapt organisational routines and replicate where required (Teece, Pisano & Shuen, 1997). The Fast Track Construction Settlement Project illustrates this point. The fast track settlement procedure applied in the construction cases has proven its usefulness for dealing with large volumes of cases and the approach and lessons learnt from this project were replicated to deal with cartel investigations in the furniture removal industry involving more than 5 000 tenders (Competition Commission South Africa, 2014a).

## 5.5. Summary

The analysis presented in this chapter unpacks the significance of specific organisational practices and processes in regard to implementing the prioritisation strategy and the capabilities associated with identifying and taking advantage of opportunities.

The analysis found that the six identified organisational processes associated with prioritisation enable three categories of actions. The governance, strategic and business planning, and scoping processes support priority setting in the organisation. Priority setting is made possible as these processes frame and structure actions in which priorities are examined, endorsed and embedded in the organisation. The resource allocation and case management processes support marshalling of resources towards assembling the resourced required for accomplishing organisational priorities. Performance monitoring and evaluation processes are evaluative in that they structure action that assesses and accounts for performance while making adjustments where required.

In the analysis of the four organisational practices associated with prioritisation, it was revealed that each practice constitutes a specific mode of action and promote particular values. The practice of managing cases from cradle-to-grave is a specific way of doing case management that encourages ownership of investigations and cases. The practice of constituting inter-divisional teams is a specific form of organisation that promotes joint responsibility and shared accountability. The mid-term review is a mode of alignment as it provides an opportunity to calibrate organisational alignment to priorities in a structured and periodic fashion. The practice of producing a colour-coded business plan as an object that encodes organisational priorities is a mode of communication that supports the implementation of priorities.

Finally, the analysis demonstrates how the capabilities built up in the organisation's priority setting ability, sector expertise, and fledgling project management capacity enable the identification of opportunities and re-configuration of the resource base to take advantage of those opportunities.

# Chapter Six: Insights into the Relationship between Strategy Implementation and Regulatory Governance

## 6.1. Introduction

Several insights pertaining to the implementation of the prioritisation strategy were brought to the fore in this case study of the CCSA. The study identified specific organisational processes that are relevant to the implementation of prioritisation by virtue of how these frame, structure and enable priority setting, marshalling of organisational resources and evaluating performance. The study uncovered specific forms of organisational practices that engender the development of particular values in support of prioritisation. Finally, the study revealed organisational capabilities deemed strategic by virtue of how these enable the identification and exploitation of opportunities. Key insights and implications are discussed in this section, starting with a review on the relevance application of the conceptual framework used in this study. This is followed by drawing attention to the limitations of the study and concludes by highlighting the significance of process, practices and capabilities in strategy implementation.

## 6.2. Framing and studying processes, practices and dynamic capabilities

The conceptual framework set out in Diagram 2.1 served as an organising device to structure data collection and analysis in terms of specific categories of information in order to study the processes, practices and capabilities associated with prioritisation. The conceptual framework was informed by a review of the literature dealing with these dimensions of strategy implementation.

The conceptual framework identified three types of organisational processes that were associated with strategy implementation in the literature. These were resource allocation, communication and coordination, and monitoring and evaluation processes. This study confirmed the importance of resource allocation (Noda & Bower, 1996) and of monitoring and evaluation (Rumelt, 1975) processes, but did not find that communication and coordination processes were highlighted as relevant and significant. Rather, the study noted the importance of processes that enable priority setting in the

organisation. This is not surprising, given that the focus of the study was on the implementation of the prioritisation strategy which involves continuous priority setting.

The literature highlighted the importance of actors (Floyd & Wooldridge, 1992; Mantere, 2005; Whittington, Cailluet & Yakis-Douglas, 2011), activities (Hoon, 2007) and artefacts (Werle & Seidl, 2015) in organisational practices that enable strategy-making and implementation. This study found four distinct forms of practice including specific modes of doing, organising, aligning and communicating. Although each practice comprises actors, activities and artefacts, respondents did not describe these elements in any detail. Uncovering this level of detail requires more time and in-depth study of each practice.

By using the concepts related to dynamic capabilities, the study was able to identify key capabilities relevant to the sensing and seizing of opportunities by re-configuring the organisational resource base. The literature identifies a broad range of dynamic capabilities including strategic decision-making, transfer processes, resource allocation routines, and alliance and acquisition routines (Esienhardt & Martin, 2000). The study identified priority setting, sector expertise and project management capabilities as dynamic capabilities for the way in which these enable the organisation to sense and seize opportunities.

The conceptual framework provided a useful lens to map out key processes, practices and capabilities associated with the implementation of the prioritisation strategy. However, undertaking an investigation of three major concepts in strategy implementation in the time available to complete the study is an ambitious task. From this perspective, the study sacrificed depth for breadth as it was only possible to map out the key processes, practices and capabilities associated with strategy implementation and describe their relevance and significance. Covering such a broad conceptual terrain meant that the researcher was unable to uncover the dynamics and drivers underpinning each dimension. A key insight gained from the use of this conceptual framework is that gaining an understanding of the dynamics and drivers of processes, practices and capabilities requires in-depth study over time. Nevertheless, the key strategy implementation processes, practices and capabilities mapped in this

study provides a starting point for future researchers to delve deeper into understanding the dynamics driving each of these dimensions. The revised conceptual framework taking into account the findings from the study is presented in Diagram 6.1.

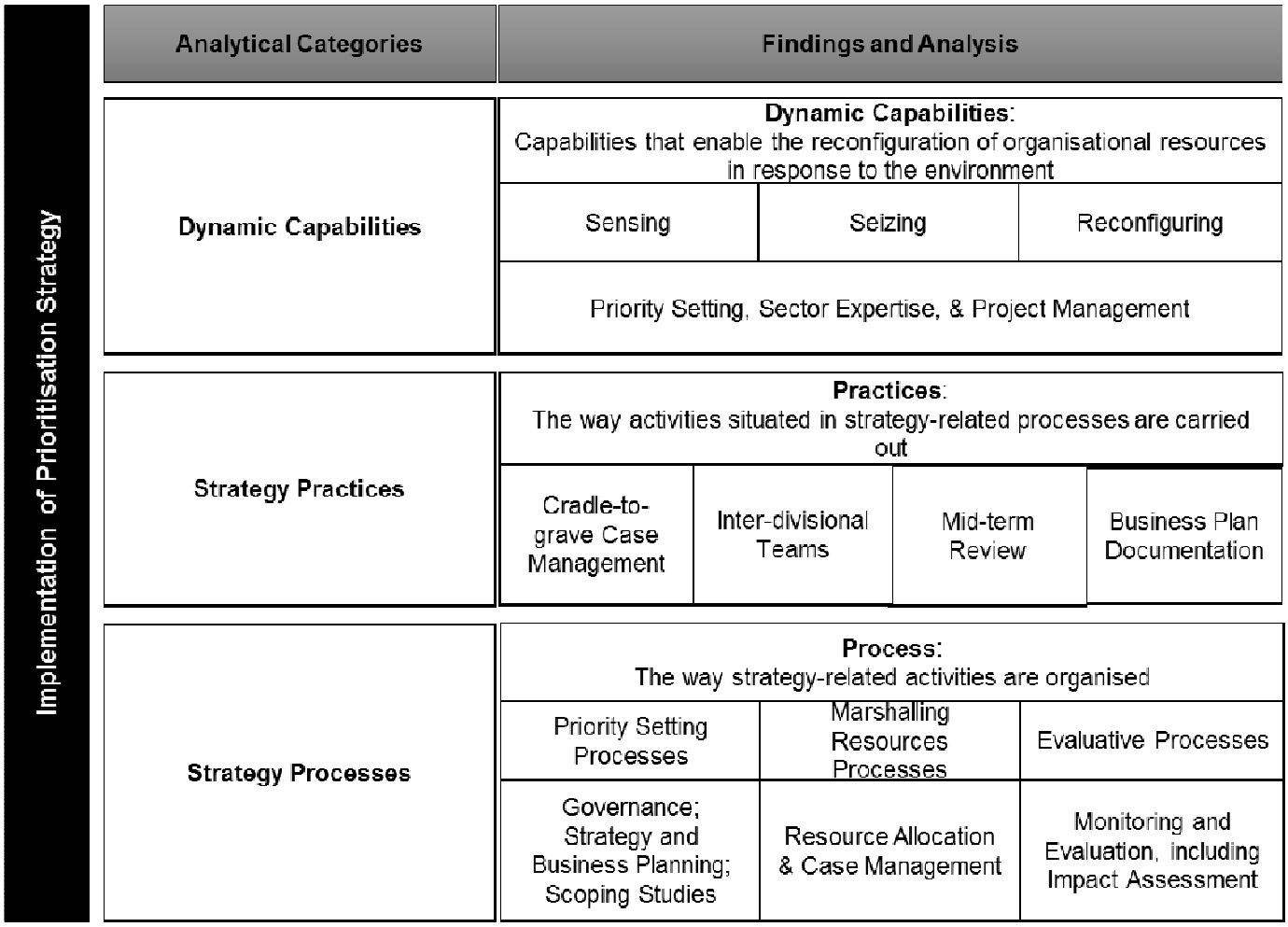



**Diagram 6.1: Revised conceptual framework**

Source: Author

## 6.3. Limitations of the study

There are three important limitations to this study and the generalisability of the results.

Firstly, the research used a case study methodology which produced an in-depth study of a particular case. As such, the findings cannot be generalised as the focus of the research was descriptive, rather than generalisation. The environment, historical development and conditions of other competition agencies will differ in fundamental

ways from the CCSA. Such competition agencies might draw on the insights presented here in terms of mobilising their own internal processes that support priority setting, marshalling resources and support evaluation, and practices that support particular forms of doing, organising, structuring and communicating priorities.

Secondly, the study set out to garner the views of a cross-section of organisational members, but only interviewed predominantly senior managers. The findings privilege their perceptions and experiences and thus do not represent the views of a cross-section of organisational members. Having said this, senior managers play a particularly important role in strategising on account of their positions and the roles they play, and their views should not be taken lightly (Finkelstein et al., 2009; Lyles & Schwenk, 1992).

Thirdly, the conceptual framework used in this study did not make provision for understanding how structure influences strategy implementation. Structure, and how it relates to the question of implementing priorities, was a prominent theme in the interviews. Future research drawing on this conceptual framework would need to consider changing it to incorporate structure as an analytical category.

### 6.4. Enabling organisational processes

From the process perspective, “strategy in organisations is a continuous process”, placing it at the heart of strategy implementation (Pettigrew, 1972: 78). Processes are sequences of events, activities and actions unfolding over time (Pettigrew, 1992). Strategy processes comprise mechanisms consisting of administrative systems and organisational practices (Shanley & Peteraf, 2006).

Organisational processes structure organisational action. These provide the framework, rules, resources and connections that enable and steer action in organisations. As such, this study set out to understand the organisational processes most closely associated with the implementation of prioritisation in the CCSA and their significance. The research six organisational processes identified by respondents identified as key to implementing prioritisation. These are: (1) governance process; (2) strategy and business planning processes; (3) scoping study process; (4) resource allocation processes; (5) case management processes; and (6) performance monitoring and evaluation processes.

In analysing these processes, the researcher found that they perform three important functions.

Firstly, there are processes that structure and enable priority setting in the organisation. These are the governance, strategic and business planning, and scoping processes. Priority setting involves making decisions about what sectors to focus on, what cases to pursue and what resources to dedicate to these priorities, and embedding it in the organisation. These processes facilitate decision-making about what is deemed to be strategically important relative to achieving the outcomes and impact the CCSA seeks to make. They do so by enabling the organisational leadership and management to examine alternative strategic options by producing and filtering relevant information to substantiate and justify such decisions.

Once decisions are made they are legitimised by endorsement. These decisions are endorsed by virtue of the authority vested in decision-makers, moral persuasion based on the expected benefits to consumers and the economy likely to flow from them; and rationalised by the application of a set of criteria.

Furthermore, these processes are oriented towards action that embeds the priorities across the organisation. The strategy and business planning process plays a particularly important role in this regard by linking the priorities of the organisation to the day-to-day actions of divisions and individuals. It facilitates action whereby priorities are interrogated, internalised and integrated into plans as the basis for organisational activities.

Secondly, there are processes that structure actions towards marshalling organisational resources focused on priorities. Resource allocation and case management processes are particularly relevant in this regards and facilitates evaluation, negotiation and trade-offs in assembling the required resources for priorities. These processes further ensure that members of the organisation are able to accomplish their priority tasks. The required resources concentrated and focused on priority cases.

Thirdly, specific processes are oriented towards structuring action that is evaluative in character. The performance monitoring and evaluation processes, including impact assessment, enables organisational leaders and managers to assess performance, account by reporting on performance, and make adjustments deemed necessary. Feedback plays an important role in this regard. These actions are underpinned by clear targets, quality of performance and reports that provide feedback on performance.

An important feature of organisational processes to bear in mind is that they occur in a nested context in which some processes are nested in others, overlap, interact, and intertwine and mutually condition each other (Abbot, 1991; Pettigrew, 1992). It is therefore methodologically problematic to isolate a specific organisational process outside its context (Shanley & Peteraf, 2006). The six organisational processes discussed above and the actions they structure in respect of prioritisation must be understood as a complex phenomenon specific to the circumstances of the CCSA.

This study confirms that organisational processes matter in strategy implementation. Processes structure, frame and enable strategic action. Decisions of strategic importance are taken at various points and are actioned in organisational processes. This study indicates that the processes that are relevant and significant to the implementation of priorities are those that enable priority setting and marshalling of resources, and support evaluation of performance.

### 6.5. Enabling organisational practices

Strategic practices refer to what people do when they implement organisational strategies and how they go about doing it (Jarzabkowski, 2004). While processes frame and structure action, practices emerge from socially-defined and recurrent modes of action (Jarzabkowski, 2003). Practices comprise many different forms of doing, including meetings, workshops, rituals (Matere, 2005); the use of tools and techniques (Whittington, 2007); or specific organisational structures and committees that provide a platform for repetitive strategic action (Hoon, 2007).

This study sought to uncover the practices that enable the implementation of the prioritisation strategy of the CCSA and to understand the significance of these practices. The study found four key organisational practices associated with prioritisation. Each

practice constitutes a different mode of performance and facilitates the emergence of specific strategy implementation values. These values, iteratively produced through good practice, engender performance appropriate to the implementation of prioritisation (Abrahams & FitzGerald, 2012).

The CCSA adopted a 'cradle-to-grave' practice insofar as the investigations and prosecution of cases is concerned. In this practice, teams are appointed to steer a case through its life cycle from investigation to prosecution, whereas the previous practice involved a hand-over between the investigation and prosecution stages of the case. The cradle-to-grave practice constitutes a mode of doing cases. The study found that this practice and mode of doing engenders ownership of the case among team members and by extension ownership of organisational priorities since cases are selected based on their priority status. Ownership implies commitment and this is deemed to be a critical success factor in the implementation of strategy (Shah, 2005).

The practice of constituting inter-divisional teams represents a specific mode of organisation that aims to counter the limitations imposed by functional organisation design in which divisional boundaries limit the organisation and flow of work. This mode of organisation engenders joint responsibilities and shared accountability among team members. While team members are drawn from different divisions in the organisation, their responsibility and accountability are towards the case, before their responsibility towards their divisions.

The mid-term review represents a mode of performance that produces alignment to priorities in the form of a workshop in which the space is created to review progress and performance relative to strategy implementation. The value engendered through this mode of performance is alignment. A specific focus of this workshop is to encourage alignment in which organisational resources are aligned to particular priorities set out in the business plan. Furthermore, this workshop provides an opportunity to make adjustments to plans, taking into account performance and changing environmental conditions, which in turn promotes flexibility. Strategic alignment is critical to strategy implementation (Porter, 1996).

The business plan as an object and outcome of organisational planning serves as coded communication. The business plan encodes the outcomes of planning and prioritisation. As such, it facilitates and mediates conversation and communication about strategic priorities. The use of colour codes enhances the visual representation of priorities. The business plan used as an artefact in the planning practices promotes the value of communication which is crucial to strategy implementation.

A key contribution of this study is the link between practices and values. Organisational values are not determined by a chart hanging on the wall setting out a list of values. Rather, these emerge in practice. Values become visible when the way things are done in organisations are analysed. The values uncovered in the analysis of the identified practices include ownership of priorities; joint responsibility and shared accountability for achieving priorities; alignment to priorities; and effective communication of priorities. Values are not an abstract notion of an organisation's desired system of collective beliefs and standards of behaviour that can be codified on a chart against a wall in an office. Rather, values are lived experiences that emerge from the collective ways of doing, organising, aligning and communicating.

### 6.6. Strategic capabilities

The research found three capabilities associated with the implementation of the prioritisation strategy. These capabilities enable the CCSA to sense and seize opportunities and re-configure its resource base at the same time. The CCSA has built up capabilities in priority setting, sector expertise and project management.

Priority setting has become widely embedded in everyday practice in the organisation. It has become a way of doing things at the CCSA, involving a process of evaluating alternatives, selecting priorities and embedding the priorities in the organisation. Priority setting then aligns organisational resources towards priorities, creating a focus on a limited number of areas of work. In doing so, the organisation is better positioned to sense and seize opportunities.

Priority setting is complemented by the organisation's sector expertise. Over time, the CCSA has developed a knowledge base on the structure of markets, competition issues and the key players in prioritised sectors. Sector expertise enables the organisation to

sense opportunities for intervention in these sectors. Moreover, the scoping and impact assessment studies further contribute to the generation of information and knowledge in these sectors and strengthens the organisation's sector expertise.

The CCSA's emerging project management capability enables the organisation to re-configure its resource base to take advantage of identified opportunities. The study identified numerous examples of interventions that were organised on a project management basis to provide the organisation with the flexibility, coordination and learning capacity to adjust organisational routines in order to take advantage of opportunities.

### 6.7. The significance of strategy and prioritisation to competition agencies

Strategy has grown in significance in the public sector over the past sixty years (Bryson, 2010). There are a number of factors that influence the dynamics of strategy in the public sector. Strategy is enabled and constrained by constitutional government in which public accountability and control, competing expectations from stakeholders, and contested goals create ambiguity and uncertainty (Boyne & Walker, 2004). Strategy implementation is partly motivated by the need to establish rational order over ambiguity and uncertainty through a hierarchy of goals, means and ends. Moreover, strategic thought and action are closely associated with the viability and effectiveness of governments and public agencies (Bryson, 1998).

Leaders in the community of competition agencies also view strategic planning and implementation as critical to the effectiveness of these institutions. It is regarded as a pre-requisite to achieving effectiveness (International Competition Network, 2009). International and multi-lateral agencies such as the International Competition Network (ICN), United Nations Conference on Trade and Development (UNCTAD), Organisation for Economic Development and Cooperation (OECD) have played a prominent role in promoting agency effectiveness through strategic planning on the assumption that it will contribute to their effectiveness. Notwithstanding these efforts, the processes and practices that make possible the implementation of strategy in competition authorities remain poorly understood. This study was an attempt to shed light on how the CCSA implemented its strategy, with specific reference to prioritisation as a strategic approach.

Competition agencies in developing countries face a broad range of challenges in the execution of their mandates to regulate competition in ways that produce competitive and efficient economies while at the same time ensuring public interest outcomes such as participation in the economy by previously marginalised groups. Agencies in many developing countries must execute their mandates in economic environments characterised by high levels of concentration and market power and thus must contend with distributive politics in addition to efficiency concern (Dubash & Morgan, 2012). Navigating, balancing and integrating efficiency and public interest concerns in the execution of their mandates shape the context and inform the content of the competition agency strategies. Moreover, competition agencies must do this with meagre resources compared to those agencies in developed countries with a much longer tradition and institutional track record of regulating competition.

If a fundamental focus of strategy is allocating resources between competing claims on scarce resources (Daniell, 2004), then prioritisation is an inherent concern of strategy implementation. The ability to determine priorities and to action those priorities in practice is, therefore, an integral part of strategy-making and implementation. In this sense, prioritisation enables strategy implementation.

In developing country environments characterised by limited resources, the ability to make choices about how those priorities will be allocated and then ensure delivery to those priorities assumes even greater significance. What effective prioritisation enables competition agencies to do is to focus on competition issues that matter most and then to align organisational resource behind that focus. It is the alignment of organisational resources towards a specific focus that enables competition agencies to have a greater impact than would be possible without it.

Using a magnifying glass to start a fire is a useful metaphor to describe the concept. The magnifying glass concentrates the sun's energy on one spot. The lens uses light from directions focused onto one spot thereby intensifying the energy and creating heat. Similarly, when competition agencies make choices about what to focus on, and align and channel their resources towards that focus, there is greater potential to make an

impact. However, it begs the question whether strategy implementation translates into effective regulatory governance.

## 6.8. The relationship between strategy implementation and regulatory governance

Support for strategic planning and implementation in competition agencies is premised on the conviction and assumption that it contributes to effective regulatory governance. In essence, effective regulatory governance in competition policy concerns how the rules of the game are set up, how compliance with the rules are enforced and whether the consequences are such that it deters others from not complying.

Competition policy and law establish the framework and the rules in which institutions set up to enforce the rules must operate. Such rules comprise the formal and informal constraints that shape the set of choices economic actors make and specify the limits of legitimate action in the same way that rules of the game specify the structure within which players are free to pursue their strategies (Nee, 1998). Regulators, such as competition agencies, are part of the institutional framework by which economic activity is regulated. However, regulatory governance consists of more that the formally designated agencies. It consists of the combination of institutions, laws and processes by which the conduct of economic actors is governed.

In order for strategy implementation in competition agencies to contribute to effective regulatory governance, it has to strengthen the internal capability of regulatory agencies to execute their mandates effectively. Furthermore, this capability has to be used to achieve the expected policy outcomes in a given jurisdiction. In answering the question on whether strategy implementation contributes to effective regulatory governance, it is necessary to determine if strategy implementation strengthens the capability of competition agencies and if, in the execution of their mandates, agencies are able to achieve the expected policy outcomes. The case of the CCSA is instructive in this regard.

This study indicates that prioritisation, as a strategic approach to competition regulation in the CCSA, has become widely institutionalised, deeply embedded, and permeates the way things are done in the organisation. Moreover, the implementation of the

prioritisation approach has contributed to the development of specific capabilities by which the organisation is able to identify opportunities for proactive competition regulation. The CCSA has been able to develop sector expertise over time by focusing on prioritised sectors. This has led to the development of a knowledge base that enables it to sense opportunities for competition enforcement. The CCSA is able to direct a broad range of regulatory instruments at efforts to promote competition in priority sectors and markets, including market inquiries and advocacy. The ability of the organisation to detect competition transgression has been strengthened by means of scoping studies and impact assessments.

Furthermore, its project management capacity has provided the organisation with the flexibility and responsiveness to re-configure the organisational resource base to take advantage of identified opportunities for expanding and deepening competition regulation and enforcement. The Fast Track Construction Settlement Project is a case in points. The Corporate Leniency Programme enabled the CCSA to uncover collusion in the prioritised construction sector. This follows several years of investigations into various competition issues in the sector. The CCSA was able to set up the Fast Track Construction Settlement Project and managed the intervention as a project drawing on resources from across the organisation.

The development of the CCSA's sector expertise and capabilities in priority setting and project management flowed from the strategic decision to prioritise. The ability to prioritise developed over time with processes and practices gradually emerging to implement this approach. This study highlighted how specific organisational processes were oriented to frame, structure and action decisions relevant to priorities. These processes support priority setting, marshal organisational resources towards priorities and then enable continuous review and evaluation of progress in respect thereof. Specific practices have emerged in these processes. These practices represent different modes of performing prioritisation, including doing prioritisation, organising around priorities, aligning to priorities, and communicating priorities. These modes of performance engender values the organisation deem relevant to the delivery of its priorities, including ownership, joint responsibilities and shared accountability, and alignment and communication. The implementation of the prioritisation strategy has

strengthened the internal capability of the CCSA to execute its mandate by developing dynamic capabilities and implementation processes and practices. Has this internal capability contributed to effective regulatory governance with reference to the policy outcomes the CCSA seeks to achieve?

South African competition policy reflects the realities of the country and seeks to promote economic efficiency, adaptability and development while advancing the social and economic welfare of South Africans. The objectives of the Competition Act explicitly focuses on the participation of previously excluded groups such as historically disadvantaged persons and small and medium enterprises. Broadening participation is dependent on addressing the high levels of concentrated ownership and control in the South African economy. Former state ownership and support have contributed to the entrenched position of dominance by incumbents through licences, regulatory provisions and privileged energy and transport infrastructure provision (Roberts, 2012). Incumbents are able to protect their dominance by raising barriers to new entrants which are exacerbated by the difficulties of achieving scale economies relative to market size in South Africa.

The CCSA has a solid track record in merger regulation and anti-cartel enforcement, as discussed in chapter 4. However, the record on abuse of dominance has been less than expected considering the high levels of concentration and marker power in the South African economy (Fedderke, 2012). The CCSA has strengthened its internal regulatory capabilities through prioritisation, but this has not translated into effective enforcement of abuse of dominance and promotion of competitive rivalry. Thus, institutional performance alone cannot account for the outcomes of regulatory governance. Internal capability may be a necessary condition for effectively regulating competition, but is not a sufficient condition for achieving the expected policy outcomes. External factors and challenges such as the legislation that define and frame abuse of dominance provisions, the judicial process and the institutional design underpinning competition regulation in the country should also be taken into account.

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## Annexure 1: Interview Guide

### Key Informant Interview Guide: Prioritisation

**Name of Interviewee:** _____
**Date:** _____
**Time:** _____
**Location:** _____

**Introduction**

Thank you for agreeing to do this interview. As you know, this research study is part of my dissertation for my Master in Management course at the University of the Witwatersrand. The purpose of the research is to explore how competition authorities in developing economies implement their strategies. A case study approach will be adopted to review and analyse the strategy implementation processes and practices related to prioritisation and knowledge management in the CCSA during the period 2012 – 2015. The research study will use key informant interviews as the main information collection method, in addition to a review of the literature and document analysis. Interviews will be approximately 45 – 60 minutes in length.

The purpose of this interview is to understand the process and practices associated with the implementation of the prioritisation approach of the Competition Commission South Africa (CCSA).

Did you read the consent form I sent you? Did you have any questions?

Please take not of the following ground rules for this interview:

- Everything we discuss is confidential. To protect your privacy, we won't connect your name with anything that you say.
- At any time during our conversation, please feel free to let me know if you have any questions or if you would rather not answer any specific question. You can also stop the interview at any time for any reason.
- Please remember that we want to know what you think and feel and that there are no right or wrong answers.

## Background

1. When did you join the CCSA? What is your position, role and what do you do? Are you involved/ how are you involved in prioritisation in the organisation?

## Prioritisation

2. Prioritisation has been an integral part of the CCSA's strategy since 2006. Can you please describe what the Commission has done to implement the prioritisation approach since then, and in particular since 2012?
3. What in your view, motivated the Commission to adopt prioritisation approach? What were the main factors that contributed to the adoption of the prioritisation approach?
4. What gets prioritised, by who and where in the organisation does this happen? How are priorities legitimised inside the organisation and its external stakeholders?

## Implementation Process[1]

5. Can you describe how the Commission went about implementing the prioritisation approach? What processes were adopted/ developed to implement the prioritisation approach? Can you please describe these processes? How were they developed? Are these processes formalised?
6. How are resources allocated (financial and human) towards supporting the processes by which the organisation prioritises?
7. How are these processes coordinated across the organisation and how are they communicated?
8. How are these processes monitored, reviewed and evaluated for effectiveness in implementing the prioritisation approach?

## Implementation Practices[2]

9. Who are the key players involved in the prioritisation processes across the organisation?
10. What do these players do and how do they go about prioritising in practice? What are the main practices that have emerged as a result thereof?
11. What tools (frameworks, techniques, models and methods) do you/ they use to prioritise in practice?

[1] Note that a process in this instance is defined as the way in which tasks are organised; it is the organisational activities that coordinate actions of implementation across the entire organisation.
[2] Note that a practice is defined as the way in which tasks are done; are frequently repeated acts, habits or customs associated with uncodified know-how resulting from experience, improvisation and innovation.

12. How do they generate/ create knowledge about prioritising in practice, how is this knowledge shared and how is it applied? What type of knowledge is produced in practice?

## Dynamic Capabilities[3]

13. In your view, do you think that the organisation has developed specific capabilities as a result of prioritisation? What are these capabilities?
14. Do you think these capabilities enhance the Commission's ability to sense and shape opportunities? Please provide an explanation and if you can, provide an example.
15. Do you think these capabilities enhance the Commission's ability to take advantage of opportunities and to change its international resources? Please provide and explanation, and if you can, provide an example.

[3] Note that dynamic capabilities refer to those capabilities that enable organisations to adapt their resource base.

## Annexure 2: Evolution of Prioritisation

| 2006 - 2009 | 2010 - 2014 | 2015 Onward |
|---|---|---|
| **Process** | | |
| • Undertook an analysis of the CCSA's experience and observations in dealing with complaints since 1999<br>• Undertook an assessment of economic policy developments<br>• Review of global trends relative to prioritisation<br>• Produced framework to guide selection of priority sectors and cases | • Internal prioritisation review on progress in priority sector in line with new organisational strategy introduced in 2010 | • Views of stakeholders consulted between March 2011 and April 2012<br>• Internal studies and impact assessments into CCSA's interventions<br>• Comprehensive review of previous priority sectors highlighting investigations, outcomes and outstanding work<br>• Annual reviews from 2015 |
| **Criteria** | | |
| Selection of sectors involved two-step process to determine competition concerns and alignment to government policy and priority sectors:<br>• Competition concerns included degree of concentration, barriers to entry, price unrelated to cost and demand factors, most harmful anti-competitive prices such as hardcore cartels and abuse of dominance<br>• Alignment to government policy and priority sectors took into account the sector's importance to growth and development objectives; importance to competitiveness and working of the economy; extent to which sector provides essential inputs to other economic sectors; extent to which sector is able to contribute to empowerment, and entry and growth of SMMEs<br>• Prioritising cases involved and | Selection of sectors based on:<br>• Impact on low-income consumers<br>• Competition concerns<br>• Alignment to government's economic policy and sector priorities<br>Criteria for prioritising investigations include (SCREEN):<br>• **S**ector,<br>• **C**ompetition issue,<br>• **R**esources,<br>• **E**xtent of harm,<br>• **E**nforcement capability<br>• **N**et result | Selection of sectors based on:<br>• Impact on low-income consumers<br>• Competition concerns<br>• Alignment to government's economic policy and sector priorities<br>In order to broaden scope of prioritisation the CCSA took into account<br>• Income and Expenditure Survey (IES)<br>• Sector and Industry contribution to GDP<br>• Government's Medium Term Expenditure Framework (MTEF) |

| | | |
|---|---|---|
| assessment of competition issues, priority sector, and additional criteria if complaint is outside of priority sector (including extent of harm; nature, gravity and harm of conduct; deterrent effect; resource requirements, etc.) | | |
| **Sectors** | | |
| • Financial services<br>• Infrastructure and construction<br>• Food, agro-processing and forestry<br>• Telecommunications<br>• Intermediate industrial products | Priority for investigation:<br>• Infrastructure inputs into construction<br>• Mineral resources and inter-mediate industrial products<br>• Food and agro-processing<br>• Telecommunications<br>Priority for advocacy<br>• Banking<br>• Construction services<br>• Public transport<br>Priority for market enquiries<br>• Healthcare | • Food and agro-processing for investigation include: poultry, red meat, dairy, fats and oils; for impact assessment: eggs, white maize milling, poultry; for scoping: fresh produce; and or advocacy: fisheries<br>• Intermediate industrial products for enforcement: forestry, steel, polymers, glass; for impact assessments: fertiliser, scrap metals; for monitoring: fuel; for advocacy: pulp and paper<br>• Financial services for investigation and enforcement: Forex Trading Banking Cartel; for scoping: impact of mobile money on the economy, insurance industry; continued monitoring: banking enquiry<br>• Media for enforcement: broadcasting; for monitoring: print media and publishing<br>• Energy (Renewable Energy and Industrial Gases) for scoping/research brief: renewable energy; for monitoring and impact assessment: natural gas<br>• Prioritised for market inquiry: private healthcare, liquefied petroleum gas, and supermarkets |

## Annexure 3: Ethics Clearance Certificate

Research Office

**HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)**
R14/49 Burke

| | |
|---|---|
| **CLEARANCE CERTIFICATE** | **PROTOCOL NUMBER: H15/11/2** |
| **PROJECT TITLE** | Strategy implementation insights from the competition commission South Africa |
| **INVESTIGATOR(S)** | Mr M Burke |
| **SCHOOL/DEPARTMENT** | School of Governance/ |
| **DATE CONSIDERED** | 23 October 2015 |
| **DECISION OF THE COMMITTEE** | Approved unconditionally |
| **EXPIRY DATE** | 19 January 2019 |

**DATE** 20 January 2016 **CHAIRPERSON** (Professor J Knight)

cc: Supervisor : Ms L Abrahams