The relationship between strategic leadership and strategic alignment in high-performing companies in South Africa

by

LORRAINE WENDY LEAR

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Declarations

Student number: 638-969-4

I declare that "THE RELATIONSHIP BETWEEN STRATEGIC LEADERSHIP AND STRATEGIC ALIGNMENT IN HIGH-PERFORMING COMPANIES IN SOUTH AFRICA" is my own work and that all sources that I have quoted have been indicated and acknowledged by means of complete references.

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Signature   Date

(Ms L.W. Lear)

Abstract

In the global economy of the 21st century, competition is complex, challenging and fraught with competitive opportunities and threats. Strategic leadership is increasingly becoming the main focus for business and academics alike and is the key issue facing contemporary organisations. Without effective strategic leadership, the capability of a company to achieve or sustain a competitive advantage is greatly constrained.

More than 30 years of Harvard Business School research have shown that aligned and integrated companies outperform their nearest competitors by every major financial measure. The organisational effectiveness emanating from alignment is a significant competitive advantage. Alignment is that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits. Aligned organisations enjoy greater customer and employee satisfaction and produce superior results.

Can leadership make a difference? Some leaders do, some do not - and many more could.

Effective strategic leadership can thus help organisations enhance performance while competing in turbulent and unpredictable environments. However, there has been little empirical evidence of the effects of strategic level leadership on organisational processes that have distinctive strategic significance.

A greater understanding of the criteria that influence success in organisations will enable organisations to take positive action to become more successful.

This study examines the importance of critical leadership criteria and the degree of alignment in high-performing organisations. A quantitative research design was used in this study to assess the impact of strategic leadership on strategic alignment of business organisations in South Africa. The research instruments to test the research questions comprised two questionnaires. The first was used to establish the value top leadership place on selected critical leadership criteria, and the second to establish the level of alignment in the organisations under investigation. The population selected for this study consisted of the companies included in the 200 top-performing organisations which appeared in the 2007 *Financial Mail*. Six companies participated in the research.

The data was electronically collated into a database and the results were then analysed using the statistical inferential techniques of correlation and linear regression analysis.

The study proposes that strategic leadership will positively influence strategic alignment which, in turn, will have a beneficial effect on organisational performance.

Keywords: strategic leadership, strategic alignment, critical criteria, organisational performance, strategic direction, core competencies, human capital, corporate culture, ethical practices

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Table of contents

List of tables

List of figures

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1. INTRODUCTION

Superior organisational performance is not a matter of luck. It is determined largely by the choices leaders make. Strategic leadership is one of the most critical issues facing organisations today. Strategic leadership means the ability to anticipate and envision the future, maintain flexibility, think strategically and initiate changes that will create a competitive advantage for the organisation in the future. (Daft, 2011: 350). Despite the long history of research on leadership, only recently have the organisation behaviour scholars started to single out strategic leadership as a focus of attention (Narayanan & Zane, 2009: 380).

Leadership at strategic level is one of the principal issues facing organisations in the 21st century – nevertheless, little empirical evidence has emerged on the effects of leadership at strategic level on organisational processes with distinct strategic importance (Elenkov, 2008: 37).

Boal and Hooijberg (2001: 518) pose the following questions: Does strategic leadership matter?   Under what conditions? Where? How? According to what criteria?

Wheeler, McFarland and Kleiner (2007: 2) state the following: "Indeed the quality of individual leadership matters."

Sanders and Davey (2011: 41) identify strategic leadership that links leadership effectiveness and organisational effectiveness in a new paradigm of strategic leadership. The dynamic cognitive and behavioural complexity of the causal chain of mediators and moderators suggests the reason for the difficulty in attaining and maintaining leadership effectiveness (Sanders & Davey, 2011: 45).

The significance of strategic leadership is clearly acknowledged, but the question of what criteria are critical for leadership success and how these criteria are manifested in the organisation has been less clearly defined and not empirically investigated. These questions give rise to the problem statement and objectives addressed in this study.

1.2   BACKGROUND

In a rapidly changing world, strategic leaders face incredible pressure to deliver immediate results, do more with less and manage an ever-increasing personal workload, the pace and urgency of daily demands can make it difficult to be more than a step ahead into the future. However, in a world of changing conditions and priorities, leaders and individual contributors alike should be able to look beyond their approach to their work and responsibilities (Wheeler *et al.*, 2007; Serfontein, 2009). The global economy has created a new competitive landscape, in which events change constantly and unpredictably (Ireland & Hitt, 1999) and where competition is complex, challenging and fraught with competitive opportunities and threats (Drucker, 2002).

Can leadership make a difference in this competitive landscape? It would seem that some leaders definitely do influence organisational performance (Smith, Carson & Alexander, 1984: 765).

In this competitive landscape, strategic leadership is increasingly becoming the main focus for business and academics alike. Leadership at strategic level is the key issue facing 21st-century organisations (Hitt, Keats & DeMarie, 1998: 26; Elenkov, 2008: 37). Without effective strategic leadership, the capability of a company to achieve or sustain a competitive advantage is greatly constrained (Elenkov, 2008). However, there has been little empirical evidence of the effects of strategic level leadership on organisational processes that have distinctive strategic significance (Ireland & Hitt, 1999; Elenkov, 2008: 37; Serfontein, 2009).

Defining strategic leadership poses a challenge because the scope of strategic leadership is broad and complex. The strategy is the plan, while strategic leadership is the thinking and decision making required to develop and effect the plan. Supervisory leadership is about leaders "in" organisations, whereas strategic leadership is concerned with leadership "of" organisations (Boal & Hooijberg, 2001). The study of strategic leadership focuses on executives with the overall responsibility for an organisation (Finkelstein & Hambrick, 1996) and includes not only the titular head of the organisation but also members of what is referred to as the top management team (Boal & Hooijberg, 2001). Through their leaders, organisations make strategic choices about the strategies they adopt to enhance their competitive advantage. From a strategic management standpoint, organisational effectiveness is the degree to which the composite outputs an organisation produces align with the demands of its environment in order to achieve a competitive advantage, and strategic leadership is a primary determinant of this set of outputs. Identifying these outputs and the process through which they contribute to effectiveness is the key to understanding the organisational effectiveness construct (Sanders & Davey, 2011: 43-44).

The role of the leader appears to be fundamental to the success of organisations. Hence identifying the criteria that leaders require to make their organisations successful will greatly enhance the possibility of leadership achieving this goal in organisations. Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the organisation's long-term viability, while at the same time maintaining its short-term financial viability (Rowe, 2001).

Elenkov's (2008: 46) empirical study on strategic leadership concludes that top managers who wish to influence innovations should not rely on their hierarchical position alone, but that they also need to possess relevant strategic leadership skills that appear critical to their power base.

According to Waldman, Ramírez, House and Puranam (2001: 134), strategic management theory has become increasingly concerned with top-level managers and their effects on strategy formulation and organisation performance.

Furthermore, House and Aditya (1997: 441) argue that since the study of effective organisational policies and strategies has been one of the most prominent foci of business school education since the founding of the earliest business schools, the relative neglect of strategic leadership as a subject of empirical investigation is ironic.

Over the past few years, considerably more attention has been paid to the significance of strategic leadership in organisations. Some studies have focused on what strategic leaders actually do in their day-to-day environment (Nyabdza, 2008; Kotter, 2001).

In the past 20 years, the field of strategic management has become increasingly concerned with top-level managers and their effects on strategy formulation and organisation performance (Waldman, Javidan & Varella, 2004: 356). Prior to the mid-1980s, however, there were few empirical studies on the influence of the strategic leadership process on a strategic leader's behaviour (House & Aditya, 1997: 31). There is now a growing interest in the field of strategic leadership of organisations.

According to Fiedler (1996: 243, 246), the most important lesson we have learnt over the past 40 years is probably that the leadership of groups is a highly complex interaction between an individual and the social and task environment. He further postulates that it seems safe to predict that managers who can capitalise on their cognitive resources will substantially improve their organisation's performance.

Elenkov (2008: 37) maintains that there is little empirical evidence of the effects of leadership at strategic level on organisational processes that have distinctive

strategic significance that can help companies achieve sustainable competitive superiority.

Other research has examined critical leadership components (Hagen, Hassan & Amin, 1998; Ireland & Hitt, 1999; Hitt, Ireland & Hoskisson, 2001), and the results of such studies would indicate the contribution of these components to organisational success. However, few studies have examined the relationship between strategic leadership and the organisation's performance (Kathuria & Partovi, 2000: 215; Raymond & Croteau, 2009: 192, Serfontein, 2009).

According to Labovitz (2004: 30), more than 30 years of Harvard Business School research has shown that aligned and integrated companies outperform their nearest competitors on every major financial measure and that the organisational effectiveness that derives from this alignment is a significant competitive advantage. Alignment may be defined as that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits. Hence aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for shareholders.

Strategic alignment has been a key focus area, particularly in the information technology (IT) environment. In terms of this environment, the majority of the studies were initially focused on aligning IT with strategy, but strategic alignment is now becoming increasingly the focus of a range of management studies (Avison, Jones, Powell & Wilson, 2004; Campbell, Kay & Avison, 2005; Iman & Hartono, 2007).

1.3   CLARIFICATION OF CONCEPTS
1.3.1   Strategic leadership

Ireland and Hitt (1999: 43) define strategic leadership as a person's ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organisation.

According to Wheeler *et al.* (2007: 4), great management practices are not replicable in a recipe fashion, but companies can develop a design for strategic leadership. This is an integrated group of practices that builds a company's capacity for change. In order to develop and maintain this capacity, these authors define four critical elements that need to be integrated: (1) commitment to the company's purpose; (2) the make-up of the top management team; (3) the capabilities and motivation of people throughout the organisation; and (4) a sequence of focused, well-chosen strategic initiatives that can take the company forward.

Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term organisation's viability (Rowe, 2001: 81).

1.3.2 The critical criteria of leadership

Hagen *et al.* (1998) explored the six critical criteria for strategic leadership identified by Hitt, Ireland and Hoskisson (1995) among American CEOs in terms of their perceptions and ranking of these criteria in relation to strategic leadership.

According to Hagen *et al.* (1998: 41), Hitt *et al.* (2001: 500) and Jooste and Fourie (2009: 52, 53), the six critical criteria of strategic leadership are as follows: (1) determining strategic direction; (2) exploiting and maintaining core competencies; (3) developing human capital; (4) sustaining an effective corporate culture; (5) emphasising ethical practices; and (6) establishing strategic controls. These components are critically examined in chapter 2.

1.3.3 Strategic alignment

According to Khadem (2008: 29), alignment is crucial to success. Alignment is that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits. Aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for shareholders (Labovitz, 2004: 30).

Alignment matters and produces dramatic benefits for organisations. It is therefore critical if enterprises are to achieve synergies through their business and support units (Kaplan & Norton, 2006: 3, 26–27). An enterprise's key focus is therefore on aligning strategy with the business, but it should also align its employees and management processes with the strategy. However, even if the organisation's strategies are aligned and integrated in all organisational units, little will be gained unless employees are motivated to help their organisational unit implement these strategies. According to Fonvielle and Carr (2001: 5), alignment involves common agreement about goals and means, and these two authors concur with Labovitz's (2004) statement that alignment is a necessary condition for organisational effectiveness.

Strategic alignment provides a means for measuring the effectiveness of organisations (Labovitz & Rosansky, 1997; Labovitz, 2004). These authors maintain that alignment gives managers at every level of the organisation the ability to rapidly deploy a coherent business strategy, be totally customer focused, develop world-class people and continuously improve business processes – all at the same time. Fonvielle and Carr (2001) underscore the view that alignment is a necessary condition for organisational effectiveness. Khadem (2008) and Kim and Mauborgne (2009) concur with these views and cite alignment as the critical factor in successful strategy implementation.

In light of the preceding definition of alignment, economic performance may be enhanced by alignment, by finding the right fit between external positioning and internal arrangements (Ciborra, 1997: 68). By concentrating on the alignment of strategy and infrastructure, organisations will not only achieve synergy and facilitate the development of business plans, but also increase profitability and efficiency.

The purpose of this research was to determine how the six selected critical criteria of strategic leadership correlate with strategic alignment within the context of high performance organisation in South Africa.

1.4   PROGRESSION OF THE STUDY OF STRATEGIC LEADERSHIP

Since the 1970s, the study of leadership has experienced both rejuvenation and metamorphosis. According to House (1977), rejuvenation, in the study of leadership, seemed like an old friend in which the field of management had lost interest. At the end of the 1970s and beginning of the 1980s, leadership as a field of study had reached an impasse: little new theory was being developed, and serious scholars were asked not where the field should go next, but whether leadership even matters. Notable exceptions included the early work of House (1977), on charismatic leadership, and Lord (1977), on implicit theories of leadership. By the mid-1980s, however, a metamorphosis away from the study of "supervisory" leadership (House & Aditya, 1997: 410) towards the study of strategic leadership had begun. With this change in emphasis came a newfound sense of excitement initially centring on the upper echelons theory and the study of top management teams (TMTs), and what Bryman (Hunt, 1999) has labelled the "new" leadership theories (Boal & Hooijberg, 2001: 515).

1.4.1   Leadership theories: a historical perspective

Supervisory theories of leadership are about leadership "in" organisations, while strategic theories of leadership are concerned with leadership "of" organisations and are focused on the organisation as a whole (Boal & Hooijberg, 2001: 516).

Leadership theory has evolved from the original upper echelons theory developed by Hambrick and Mason (1984) to focus on new leadership theories. These include charismatic theories of leadership, transformational theories of leadership and visionary theories of leadership to strategic leadership. Strategic leadership focuses on the people who have overall responsibility for the organisation, which includes not only the titular head of the organisation but also its top leadership, referred to as the TMT or dominant coalition (Boal & Hooijberg, 2001: 516).

1.4.2 Leadership and strategy

In recent years, the attention of leadership scholars has shifted to top executives who are in a position to exert a strong influence on the strategy and performance of organisations (Sosik, Jung, Berson, Dionne & Jaussi, 2005: 47).

Strategic leadership is the leader's ability to anticipate, envision and maintain flexibility and empower others to create strategic change as necessary (Hitt *et al.,* 2001: 500; Serfontein, 2009; Jooste & Fourie, 2009: 52, 53). The phrase "strategic leadership" emerged from work on strategic management and involves the following: (1) determining strategic direction; (2) exploring and maintaining unique core competencies; (3) developing human capital; (4) sustaining an effective organisational culture; (5) emphasising ethical practices; and (6) establishing balanced organisational controls (Hitt, *et al.*, 1995; Hagen *et al.*, 1998; Hitt *et al.*, 2001: 500; Jooste & Fourie, 2009). According to Sosik *et al.* (2005: 47), outstanding strategic leaders are those executives who display key behaviours that enable the organisation to execute its strategy effectively. In essence, they are "strategy-focused leaders". This view confirms the criteria identified in previous studies (Hitt *et al.*, 1995; Hagen *et al.*, 1998).

Understanding strategic leadership involves spotlighting what effective top leaders actually do to produce a strategy-focused organisation (Sosik *et al.*, 2005: 48).

1.4.3 Background to the development of strategic leadership

The topics of leadership and strategy have attracted a great deal of interest over the years, with a substantial body of literature on each subject generating confidence in the existence and study of these subjects.

Both strategy and leadership are being redefined by change, and both concepts are therefore looking increasingly the same. Hence the continued pressure to focus on change has resulted in the merging of both leadership and strategy (Abell, 2006: 310). In future, change will drive increasing congruence of strategy and leadership in practice, as well as merge the two fields in academia. Increasing

attention is being paid to the role fulfilled by top leaders and their impact on organisations. There is thus a shift away from focusing on the leader/follower to looking at the leader and TMTs.

The focus on strategic leadership is gaining momentum as the subject gains recognition.

1.5   RESEARCH PROBLEM

Research has confirmed that leader behaviour influences group and organisational behaviour (O'Reilly, Caldwell, Chatman, Lapiz & Self, 2010: 104,112), but less is known about how top leadership ensures that group and organisational members implement their decisions. It is the alignment across hierarchical levels that really matters.

This section deals with the problem statement for this study. The positive relationship between strategic leadership and strategic alignment in high performing companies has not been empirically investigated in South Africa. More specifically, the focus of this study was to establish the importance of the strategic leadership criteria and the extent of the relationship between the strategic leadership criteria and strategic alignment in high-performing companies.

Figure 2.4 in chapter 2 depicts the intended relationship between strategic leadership and strategic alignment in high-performing companies.

The following questions were addressed in this study:

1. What level of importance do the top leadership team assign to the selected critical leadership criteria identified for this study?
2. What level of strategic alignment exists between the four constructs of strategy, processes, customers and people?

3. Is there a relationship between the critical leadership criteria and strategic alignment in these top-performing companies?
4. If so, what is the relationship?

1.5.1 Aim and objectives of the research

The aim of this study was to establish whether effective strategic leadership will result in strategic alignment. According to Ireland and Hitt (1999), this is indeed the case. The view that being able to exercise strategic leadership in a competitively superior manner facilitates an organisation's performance is gaining increasing support.

In order to further examine the relationship between strategic leadership (the independent variable) and strategic alignment (the dependent variable), an empirical research study was conducted on high-performing companies. More specifically, the objectives of this study were to establish the importance of the strategic leadership criteria and the extent of the relationship between the strategic leadership criteria and strategic alignment in high-performing companies in South Africa.

In order to address these objectives, the following proposition and hypotheses were formulated:

Proposition 1:
The six selected critical criteria, namely determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining effective corporate culture, emphasising ethical practices and establishing strategic controls are important for strategic leadership.

Hypotheses:
$H0_1$ There is no relationship between the following strategic alignment constructs: strategy, customers, processes and people.
$H1_1$ There is a relationship between the following strategic alignment constructs: strategy, customers, processes and people.

H0$_2$ There is no relationship between the four strategic alignment constructs and the six critical criteria of strategic leadership.

H1$_2$ There is a relationship between the four strategic alignment constructs and the six critical criteria of strategic leadership.

H0$_3$ Strategic leadership does not positively influence strategic alignment in high performance companies.

H1$_3$ Strategic leadership positively influences strategic alignment in high performance companies.

1.6 RESEARCH DESIGN AND METHODOLOGY

The methodology of a research study specifies the way in which it will be conducted in order to achieve the objectives that have been formulated. In the current study, this involved examining the relationship between the independent variable strategic leadership and the dependent variable strategic alignment in selected high performance listed companies in South Africa. The research design and methodology are dealt with in detail in chapter 3.

A research design is a plan or blueprint of how the researcher intends conducting the research, and focuses on the end product: What kind of study is being planned and what kind of result is aimed at? Research methodology, however, focuses on the actual research process and the kind of tools and procedures to be used (Mouton, 2003: 65–66).

A thorough literature study was conducted, which gave rise to the formulation of thinking that formed the basis of this research in general and the empirical study in particular. This literature review is presented in chapter 2 and includes an analysis of relevant theory and previous research published in books, journals, working papers, articles and relevant internet sources that focus on the topic of strategic leadership. The sampling design is discussed in chapter 3.

A quantitative research design was used in this study to measure the value placed by top leadership on the selected critical criteria in the company and the degree of strategic alignment as measured by a cross-section of its employees. An analysis of the results provides a view of the responses to these research questions.

The research was conducted at a two-tier level – that of the TMT and a cross-section of participants in the organisation.

The research instruments used in this study to test the research questions comprised the following two questionnaires:

(1) The first questionnaire consisted of six statements testing the value placed by the TMTs on the six critical criteria.
(2) The second questionnaire, which measured strategic alignment across the organisation as perceived by its employees, comprised 16 questions measuring the respondents' view of the importance of strategy, customers, operations and people in the organisation. The questionnaire, which was tested for reliability and validity by means of Cronbach's alpha and factor analysis respectively, was found to be both reliable and valid for the purpose of the study.

The data for the empirical study were collected by means of email requests to the chief executive officer (CEO) of each company, outlining the objectives of the study and attaching the two questionnaires, namely the top leadership questionnaire and the employee alignment questionnaire. This followed a direct approach to the CEO requesting his or her commitment to participation in the study, which was given, complying with ethical considerations relating to this study.

The population selected for this study consisted of the companies included in the 200 top-performing organisations, which appeared in the 2007 *Financial Mail*. In this survey, the performance of all listed companies was measured over a five-year period to ensure that there was consistency in their performance. In terms of this survey, the respondents were the CEOs or a member of the senior executive

group. The figures in the tables used to establish the top 200 companies were provided by the McGregor Bureau for Financial Analysis (BFA) and were published in the *Financial Mail* in 2007 (Williams, 2007). These were calculated according to the standardisation definition summarised in chapter 3, which established the ranking of the companies listed in the *Financial Mail* survey.

Six companies participated in the current research, with a total of 35 valid responses received from the top leaders and 350 responses from employees. The response rate was positive when compared with that in other studies. Serfontein (2009: 156) cites a series of surveys by Fortune 1000 companies in 1990, 1993 and 1996, conducted by the Centre for Effective Organisations which had response rates of 32%, 28% and 22% respectively (Lawler, Mohman & Ledford, 1998). Information on financial performance was supplied by the companies at the time of their participation in the study.

The data for the empirical study were collected through the electronic distribution of the questionnaire and the responses to the questions therein.

1.7 JUSTIFICATION FOR THE RESEARCH

An in-depth literature review was conducted and reported in chapter 2. Despite the long history of research on leadership, social scientists, primarily organisation behaviour scholars, have only recently begun to single out strategic leadership as a focus of attention. In the meantime, the practice of "strategic leadership" appears to be animated by persistent myths, sometimes created by the trade press, other times by the personal experience of leaders. These myths, as Hambrick (Narayanan & Zane, 2009: 380) suggests, invite critical scholarly scrutiny.

Narayanan and Zane's (2009: 381) work offers an epistemological vantage point for theory development in the case of strategic leadership and fuelled by the metaphor of inventing a future for strategic leadership focused less on reviews of

the existing literature and more on the possibilities of generating insights. The literature on leadership has typically conceptualised the construct in terms of leader style and behaviour and leader-follower relations. Cumulatively findings from this research stream are far from convergent, but more importantly, the applicability of leadership functions articulated by them to strategic levels is yet to be demonstrated.

Recent studies include one by Mackey (2008), who examined the effect of the CEO on organisation performance. This study tracked the impact of turnover in CEOs on organisation performance as opposed to actual CEO effectiveness in managing the organisation. Serfontein (2009) examined the impact of strategic leadership on the operational strategy and performance of business organisations in South Africa (Appendix C), while Jooste and Fourie (2009) studied the role of strategic leadership in effective strategy implementation (Appendix B). Both these studies concluded that strategic leadership does impact on organisational performance.

However, the major limitation of the studies by Serfontein (2009) and Jooste and Fourie (2009) is that they were based on responses from only the CEO, in the former, and the board directors, who have no executive responsibility in organisations, in the latter. These were limited studies based on the response from only one person in each organisation in the first study and a sample of up to five board members representing the organisations in the second study. There was no investigation in the organisation to verify the responses of the leadership at other levels in the organisation and to test the impact of leadership in the organisation.

Leadership at strategic level has been identified as one of the primary issues facing organisations in the 21st century, and that without effective strategic leadership, the capability of a company to achieve or sustain competitive advantage is greatly constrained (Rowe, 2001: 81). Nevertheless, little empirical evidence has been provided on the effects of leadership at strategic level on organisational process with distinctive significance (Elenkov, 2008: 37).

As mentioned above, this study can be justified on the strength of the importance of and need to build empirical evidence on the effects of leadership at strategic level and the criteria that impact on organisational performance.

1.8   SIGNIFICANCE OF THE RESEARCH

Organisational performance is a key concern for business executives. In this regard, the focus on strategic alignment was ranked as one of the principal issues faced by executives (Avison *et al.*, 2004: 223, 224). Over the past few years, there has been a significant increase in the focus on strategic alignment in organisations. Organisations cannot be competitive if their business and strategies are not aligned. However, achieving strategic alignment continues to be a major concern for business executives. Accordingly, identifying the criteria that leaders should meet in order to make their organisations successful would greatly enhance leadership's ability to be more successful, as well as making it possible to select the right leaders for organisations.

In the South African context, only seven doctoral studies have been completed on strategy and leadership in South Africa and none of these studies has focused particularly on the direct and indirect impact of strategic leadership on the operational strategy and performance of business organisations in the country (Serfontein, 2009: 22). Some of the studies that are related to this study include that of Van Schalkwyk (1989), entitled "Leadership and strategic management in organisational development"; a study by Serfontein (2009) entitled "The impact of strategic leadership on operational strategy and performance of business organisations South Africa"; and "The role of strategic leadership in effective strategy implementation: perceptions of South African strategic leaders" by Jooste and Fourie (2009). Other research by South African researchers has been mainly of a theoretical, conceptual nature and of limited scope, for example, MCom and MBA dissertations. Except for the above-mentioned studies, no empirical research

has been done on strategic leadership in a South African context envisaged in this study (Serfontein, 2009: 22).

Freedman (Serfontein, 2009) postulates that no organisation can hope to succeed in today's hostile world without a strong leadership team in place and a clear strategy process that enables them to set, implement and update their strategy. According to Drucker (2002), organisations need to innovate and improve their existing practices in order to cope with the challenges of the knowledge economy. With reference to the importance of strategic leadership in this regard, in a study on the effect of CEOs on organisational performance (Appendix D), Mackey (2008: 1362) concludes that CEO effects on corporate performance are fairly substantial (29.2%) – almost four times larger than the corporate effect (7.9%) and almost five times larger than the industry effect (6.2%).

The need for further research on strategic leadership in the South African context has been clearly stated. This study focused on building on the body of knowledge to enhance understanding of strategic leadership whereby leaders impact on their organisations. As an exploratory study, this research attempted to measure the relationship between the two variables of strategic leadership and strategic alignment in high performance organisations. The knowledge gained should therefore help organisations to improve their effectiveness.

The contribution of this study is to expand on existing research on strategic leadership by measuring the significance of critical leadership criteria and strategic alignment in high-performing organisations in South Africa, and then to provide insight into the relationship in order to advance organisational performance.

The results of this study should lead to further research in the field of strategic leadership and organisational performance, which would undoubtedly contribute to the further development of knowledge of strategic leadership.

1.9   DELIMITATION AND SCOPE OF THE RESEARCH

As discussed previously, there has been little empirical evidence concerning the effects of strategic leadership on organisational processes that are deemed to be of distinctive strategic importance (Elenkov, 2008: 37).

Whilst it is recognised that economic and industry factors influence the performance of a business, the role of strategic leadership is to achieve the strategic objectives of the business in whatever economic climate prevails – hence, economic and industry factors are not the primary consideration in this study.

The companies investigated in this study represent diverse industries and economic sectors, including manufacturing, transportation, construction, communication and industrial. From a hierarchical perspective, the study focused on the TMT and a sample of employees across other organisational levels from senior management level to operational levels. A random sample was drawn from the 200 top-listed companies published in a *Financial Mail* Survey (2007).

All of the organisations are large, publicly listed companies on the Johannesburg Securities Exchange. Small, medium and private companies of all sizes were not included in the study sample. The findings of this research can thus not be generalised or extrapolated to private companies and organisations of all sizes. It is possible that a study comprising a larger number of organisations from different size organisations might yield other results.

1.10 LIMITATIONS OF THE STUDY

The intention of this study was to examine the relationship between strategic leadership and strategic alignment in high-performing companies in South Africa. More specifically, the focus of this study was to establish the importance of the

strategic leadership criteria and the extent of the relationship between the strategic leadership criteria and strategic alignment in high-performing companies. While it can be argued that economic factors might vary in different business sectors and influence organisational performance, an in-depth study of the environmental and economic sector conditions was not conducted as part of the study.

A random sample of six organisations was used to participate in this study, which enabled the researcher to conduct an in-depth study in which the alignment of the organisation was explored in relation to the importance placed by the TMT on the critical leadership components. The inherent delimitations of the survey research design were applicable to the study. Since an in-depth study into each organisation was conducted, data were collected from a large number of employees in each organisation in the sample.

1.11 CHAPTER LAYOUT

The layout of the chapters is as follows:

CHAPTER 1: INTRODUCTION AND OVERVIEW
This chapter introduced the study, formulated the research problem, questions, objectives, proposition and hypotheses. It then explained the scope and limitations of the study and outlined the research design and methodology.

This chapter also provided an overview of new directions in leadership and organisational effectiveness and progress in the study of strategic leadership, including the upper echelons theory and emergent theories. The paradox of leading and managing was discussed and strategic leadership in the new competitive landscape explored. Six critical criteria for strategic leadership were presented and strategic alignment discussed.

CHAPTER 2: LITERATURE REVIEW OF LEADERSHIP THEMES

This chapter presents a review of relevant literature in order to provide a theoretical background for the study and to justify the research objectives, proposition and hypotheses that were formulated.

The literature review encompasses perspectives on strategic leadership, strategic alignment and organisational performance. The chapter commences with a definition of strategic leadership. It then discusses the development of thinking on this subject and explores the critical components of strategic leadership. In conclusion, the concept of strategic alignment and its impact on organisational performance is examined.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

This chapter describes the stages in and the elements of the research process, focusing on the primary data collection methodology and the measures of performance. The chapter provides a discussion of the research design, research methodology, sampling design, research measurements and analysis methods applied in this study.

CHAPTER 4: ANALYSIS OF FINDINGS

In this chapter, the data are presented and analysed. In addition, the sample is described, the nature of the results examined and an overview of the results presented.

CHAPTER 5: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

This chapter discusses the results presented in chapter 4. The discussion covers the key findings of the study, the conclusions drawn and the recommendations made.

The chapter commences with the results of the TMTs' rating of the critical criteria and shows that the TMTs regard these as critical components of strategic leadership. The responses to each criterion are examined and discussed.

The results of the strategic alignment survey are examined and discussed and the correlation with the critical criteria explored.

The chapter concludes with a discussion of the contributions of this study to the field of study and the literature, as well as its limitations. It also indicates areas for possible further research.

CHAPTER 2: LITERATURE REVIEW OF LEADERSHIP THEMES

2.1   INTRODUCTION

Superior organisational performance is not a question of luck. It is determined largely by the choices leaders make (Daft, 2011: 350). The purpose of this literature review is to define the concept of strategic leadership and investigate the relationship between strategic alignment in high-performing companies in the context of this study.

This chapter accordingly presents a review of the literature on the subject of strategic leadership and strategic alignment and provides a theoretical background to the study in order to develop a framework/guidelines for considering the objectives of this study, namely to establish whether

- the critical criteria of leadership are important
- strategic alignment is important
- alignment indicates positive implementation of the critical criteria by leadership
- strategic leadership positively influences strategic alignment in high performance companies based on the importance of the six criteria

The primary aim of this chapter is to justify the proposition and hypotheses formulated for the research and review the accumulated knowledge on the issues under investigation (Neuman, 2006: 111). The literature review conducted in this chapter accordingly examines the current status of leadership and strategic leadership, focusing on leadership theories and strategic leadership imperatives, corporate culture and strategic alignment in the context of strategic management in a dynamic and competitive business environment.

More specifically, this literature review includes the following: leadership and strategic leadership, the strategic importance of corporate culture and strategic

alignment. These topics will be explored and their significance discussed in the context of this study.

2.2 LEADERSHIP AND STRATEGIC LEADERSHIP

2.2.1 Introduction

The development and progression of leadership and strategic leadership theories is examined in this section to provide an overview of scholarly thinking on this topic and a framework for the study.

New directions in leadership and organisational effectiveness are explored in this context and leadership themes and theories, including the upper echelons theory and emergent theories, are reviewed. The paradox of leading and managing in organisations is explored, and strategic, visionary and managerial leadership defined and discussed. Components of effective strategic leadership practices and critical criteria are examined and their importance in the context of the study discussed.

2.2.2 New directions in leadership and organisational effectiveness

To capture the current consensus on dominant leadership theories, review the theories in the literature and design a conceptual framework of strategic leadership that reconciles major leadership theories chronologically, Sanders and Davey (2011: 42) use textbook expositions in terms of their evolution in the following major categories: trait theories, behavioural theories, contingency theories, transactional theories and contemporary (transformational) theories. The aim is to identify the primary elements of the leadership effectiveness construct and linkages to organisational effectiveness. According to Sanders and Davey (2011), all of these theories generally endeavour to explain the leadership effectiveness construct, but thus far no overall paradigm has been found in the scholarly literature that explicitly aligns these theories into a model that links leadership effectiveness and organisational effectiveness.

Organisations are by definition composed of people involved in dynamic social relationships. It is through these relationships between leaders and followers, superiors and subordinates, managers and workers, that the work and thus the fundamental purposes of organisations are achieved. The effectiveness of these relationships undoubtedly influences the effectiveness of organisations. However, the effectiveness of these relationships depends largely on the effectiveness of the behavioural inputs supplied by the participants in these relationships relative to organisational goals. Hence leader effectiveness must be an input to and determinant of organisational effectiveness and leadership effectiveness is likewise a function of organisational effectiveness (Sanders & Davey, 2011: 46).

A synthesis of the leadership theories indicates at least three elements that are essential to the construct of leadership effectiveness, namely task focus, people focus and development focus (Sanders & Davey, 2011: 42). Task focus involves those processes that are aimed at the accomplishment of the basic purpose of the group (e.g. goals, objectives and results). Leadership inputs that are people focused include the following: consideration; participative decision making; concern for followers' needs; matching personal and group needs; fairness; respect; trust; and equitable rewards. Development focus includes the periodic need to establish new patterns that take cognisance of altered conditions in which the organisation operates.

Organisational effectiveness is viewed as the primary means of linking leadership theories to the strategic leadership construct, and leadership effectiveness needs to be defined in terms of organisational effectiveness if it is to be considered strategic. Through their organisations, leaders make strategic choices about the strategies they adopt to enhance their competitive advantage. From a strategic management standpoint, organisational effectiveness is the degree to which the composite outputs an organisation produces align with the demands of its environment in order to achieve a competitive advantage – and strategic leadership is a primary determinant of this set of outputs. Identifying these outputs and the processes whereby they contribute to effectiveness is the key to

understanding organisational effectiveness. Sanders and Davey (2011:43-44) use the term "meta-model" of strategic leadership because this framework draws on the numerous theories of strategic leadership and seeks to incorporate them into an overall paradigm that aligns their interrelationships and their relationships with the leadership effectiveness and organisational effectiveness constructs via the concept of strategic leadership. The components of strategic leadership are discussed in section 2.2.5 below.

In the meta-model, organisational effectiveness is viewed as the ultimate measure of leader effectiveness. To optimally align with their environment, effective leaders have to assess a diverse set of dynamic environmental forces and identify performance demands on the organisation in terms of the specific outputs the organisation needs to produce (Sanders & Davey, 2011: 45). The challenge of leadership is to envision how to change the organisation in order to achieve the set of organisational results that best fits with environmental demands, while maintaining the organisation as a functioning social system.

Today's leaders face unprecedented challenges as organisations struggle to adapt to the ever-accelerating rates of change both internally and in the external environment in which they are embedded. Such change challenges not only the knowledge, skills and abilities of leaders, but also perhaps even more important, the self-conceptualisations of their leadership capabilities and psychological resources to meet the ever-increasing demands of their lives (Hooijberg, Hunt & Dodge, 1997; Avolio & Luthans, 2006). Given such complex challenges, it would be hard to imagine anyone being positively influenced by leaders who do not welcome or accept such challenges. Yet how much is known or should be known about such leadership efficacy challenges (Hannah, Avolio, Luthans & Harms, 2008: 669)?

Leadership efficacy is a specific form of efficacy associated with the level of confidence in the knowledge, skills and abilities required to lead others. Leadership efficacy can thus be clearly differentiated from confidence in the

knowledge, skills and abilities associated with other social roles, such as teacher (i.e. teacher efficacy) or statesman (i.e. political efficacy), one fulfils. Hannah *et al.* (2008) argue that the current conditions require leaders to continually "step up" to meet complex challenges and to have the requisite agency to positively influence their followers and the organisation's culture, climate and performance. In order to mobilise groups towards collective performance, leaders have to exercise high levels of personal agency and create similar levels of agency in those individuals they are leading by proxy (Bandura, 2000).

The above discussion sets the scene for investigating leadership themes and theories.

2.2.3 Leadership themes and theories

2.2.3.1 Introduction

The topic of leadership has been the focus of studies that have progressed through a range of views. By the late 1940s, dissatisfaction with trait theory in terms of adequately explaining and predicting leader effectiveness, led to a paradigm shift that focused more directly on what leaders did to actuate results and on the importance of situational factors (Sanders & Davey, 2011: 42).

During the 20 years leading up to 2001, the field of strategic leadership had experienced both rejuvenation and metamorphosis (Boal & Hooijberg, 2001: 515). They argue that the essence of strategic leadership involves the capacity to learn and to change, as well as managerial wisdom. Against this backdrop, Boal and Hooijberg (2001) first review issues relating to under what conditions, when and how strategic leadership matters. Next they selectively review three streams of theory and research. The first is strategic leadership theory and its antecedent, the upper echelons theory. The second stream of theory and research focuses on what has been labelled the "new" leadership theories. These include charismatic, transformational and visionary theories of leadership. The third stream of research is classified as the "emergent" theories of leadership. These theories are discussed in sections 2.2.3.2 and 2.2.3.3 below in order to track developments in

strategic leadership and provide a background framework for the context of this study.

The leadership themes which progressed from the early 1970s through the upper Echelons theory and the emergent theories will be reviewed below.

2.2.3.2 The upper echelons theory

At the end of the 1970s and the beginning of the 1980s, leadership as a field of study had reached an impasse: little new theory was being developed, and serious scholars were asking not where the field should go next, but whether leadership even matters (Boal & Hooijberg, 2001: 515, 516). Notable exceptions included the early work of House (1977) on charismatic leadership and that of Lord (1977) on implicit theories of leadership. In the 1970s and 1980s, there was considerable disagreement on the impact of leadership on performance, as sceptics from the field of organisational sociology contended that leadership behaviours influenced organisational performance less than environmental or organisational factors (Hannan & Freeman, 1997: 929; Salancik & Pfeffer, 1977: 475), while proponents argued that leaders' attitudes had a major impact on the performance of organisations (Child, 1972; Day & Lord, 1988; Thomas, 1988: 388). The mid-1980s indicated a shift from the study of "supervisory" leadership (House & Aditya, 1997: 409) towards the study of strategic leadership. This change in emphasis was accompanied by a newfound sense of interest, initially centring on the upper echelons theory (Hambrick & Mason, 1984: 193) and the study of TMTs, as well as what has been labelled the "new" leadership theories (Hunt, 1999: 129). The attention of early leadership researchers focused predominantly on what lower-level managers did or should do in their attempts to provide guidance, support and feedback to subordinates (Yukl, 1998).

In response to the scepticism about the impact of leaders, three streams of leadership research emerged (Elenkov, Judge & Wright, 2005: 667). First, Hambrick articulated an ambitious research agenda set out to provide a stronger argument for leadership in the strategic management literature (Hambrick &

Mason, 1984) and labelled this the "upper echelons perspective". According to Finkelstein and Hambrick (1996), this had a profound impact on our understanding of organisational processes and outcomes. While the upper echelons perspective expanded understanding of strategic leadership, it has been criticised for not directly studying actual strategic leadership behaviour. Instead, it used demographic proxies and inferred strategic leadership behaviours. Most of these studies have been conducted in Western developed (predominantly the United States) economies. As such, the way in which strategic leadership behaviours vary throughout the world is unknown and relatively unexplored (Elenkov *et al.*, 2005: 667).

Bowing to leadership sceptics, the upper echelons research has also recognised that sometimes top managers matter significantly to organisational outcomes, and sometimes not at all – they are often somewhere in between, depending on how much discretion or latitude of action they are afforded. Discretion exists when there is an absence of constraints in decision making and when there are many plausible alternative courses of strategic action. With more discretion, top managers are more likely to realise their original intentions and vice versa (Elenkov *et al.,* 2005: 667). In a nutshell, according to Elenkov *et al.* (2005), the upper echelons perspective has provided sound theoretical and a number of empirical arguments for the central role of strategic leadership.

The new leadership theories focus on charismatic, transformational and visionary leadership. In contrast to upper echelons and strategic leadership, these theories emphasise the interpersonal processes between leader and followers (Boal & Hooijberg, 2001: 525).

Theories of charismatic leadership emphasise the personal identification of the followers with their leader. Charismatic theories tend to focus on individual level outcomes such as effect, loyalty, identity, commitment, motivation and performance. Personal identification with the leader is the key variable in charismatic theories of leadership (Boal & Hooijberg, 2001: 526).

According to Boal and Hooijberg (2001: 526), transformational theories emphasise such factors as intellectual stimulation, individual consideration and inspiration. All organisations possess an identity that describes what is central, distinctive and enduring about the organisation. These identities have a temporal orientation of past (who the organisation used to be), present (who the organisation is) and future (who the organisation wants to become). It is in the vision of the leader and the articulation for change that the past, present and future come together (Boal & Hooijberg, 2001: 527). Vision will be discussed further in section 2.2.4.3.

2.2.3.3 Emergent theories

(a)   Introduction

Some emergent theories of leadership explore behavioural and cognitive complexity as well as social intelligence. Boal and Hooijberg (2001: 515) suggest how the "new" and "emergent" theories can be integrated within what they claim is the essence of strategic leadership, and how cognitive complexity, behavioural complexity and social intelligence form the foundation for absorptive capacity, the capacity to change and managerial wisdom, and that these in turn have an impact on leadership and organisational effectiveness. Boal and Hooijberg (2001: 534) maintain that there is a relationship between vision, charisma and transformational leadership function as moderating variables and cognitive complexity, behavioural complexity and social intelligence and absorptive capacity, the capacity to change and managerial wisdom (see section 2.2.3.2 (b), (c) and (d)), and that these in turn have an impact on organisational and leadership efficacy (Boal & Hooijberg, 2001: 534).

(b) Behavioural complexity

Research supports the idea that leaders who fulfil multiple leadership roles score higher on leadership than those who do not (Boal & Hooijberg, 2001: 530). Managers with a broad repertoire of leadership roles and who play those roles frequently are regarded as more effective, not only by their subordinates but also by their peers and superiors. Leaders not only need a large behavioural repertoire but also the ability to select the right roles for the situation. To this end, leaders

need both cognitive and behavioural complexity and flexibility. In other words, leaders require not only the ability to perceive the needs and goals of a constituency, but also the "ability to adjust their personal approach to group action accordingly" (Kenny & Zaccaro, 1983: 678). Leadership must carefully select the appropriate leadership role for their interactions with subordinates, peers or superiors. It is the notion of repertoire and selective application that is referred to as behavioural complexity (Boal & Hooijberg, 2001: 530).

(c)   Cognitive complexity

The underlying assumption of the cognitive complexity perspective is that cognitively complex individuals process information differently and perform certain tasks better than cognitively less complex individuals because they use more categories or dimensions to discriminate between stimuli and see more commonalities in these categories or dimensions. Cognitively complex people search for more information (Tuckman, 1964) and spend more time interpreting it (Sieber & Lanzetta, 1964; Dollinger, 1984). As such, Boal and Hooijberg (2001: 531) view cognitive complexity as a key individual difference variable underlying absorptive capacity at individual level.

Cognitively, leaders may understand and see the differences in expectations between their subordinates and superiors, but that does not mean that those leaders can act in such a behaviourally differentiated way as to satisfy the expectations of both groups. At the upper levels of the organisation, leaders are not only concerned with the internal functioning of the organisation but also with the larger marketplace and even the role of the organisation in the community and society. Interacting with the members of the community and government may well require a different set of behaviours than those needed in the organisation. While cognitive and social intelligence are of primary importance to first- and middle-level managers, they have even greater significance for leaders at the highest levels of organisations. There is evidence that complex leaders use a broader variety of leadership components, are more capable of and make more use of collaborative

leadership, make more use of feedback, tend to receive more favourable follower ratings and lead more effective groups (Boal & Hooijberg, 2001: 530–532).

According to Jaques (1989: 33), cognitive capacity connotes those mental processes used to take information, pick it over, play with it, analyse it, put it together, reorganise it, judge it, reason with it, draw conclusions, make plans and decisions and take action. It is defined as the scale and complexity of the world that one is able to pattern and construe, including the amount and complexity of information that must be processed in doing so. It is the raw mental power enabling a person to sustain increasingly complex mental processes.

(d)   Social intelligence

Most leadership researchers agree that leaders require vital interpersonal skills such as empathy, motivation and communication in addition to the cognitive skills mentioned above (Boal & Hooijberg, 2001: 533). What has received considerably less attention than these skills is the fact that the appropriate application of these skills requires a thorough understanding of one's social setting. This understanding has been referred to as social intelligence. Social intelligence is a key factor underlying discernment in the interpersonal arena. One of the key components of social intelligence is the capacity to differentiate between emotions in the self and others. This is a key component of effective leadership because decision-making processes, the implementation of planned solutions, organisational progress and emerging social problems are rarely emotion free. Effective social intelligence allows leaders to estimate the social capital available to them, establish and enforce norms, achieve trust and reputation and accomplish instrumental objectives.

(e) Leadership efficacy

In addition to these skills, and central to leadership and its development, efficacy is the most pervasive of the mechanisms of agency which may deliberately or intentionally exert a positive influence and provide a foundation for all other facets of agency in order to operate (Bandura, 1997). Leadership efficacy is a specific

form of efficacy associated with the level of confidence in the knowledge, skills and abilities associated with leading others.

Efficacy's relevant and comprehensive nature in meeting today's leadership challenges is captured by Bandura and Locke's statement (Hannah, *et al.,* 2008: 669) that "efficacy beliefs affect whether individuals think in self-enhancing or self-debilitating ways, how well they motivate themselves and persevere in the face of difficulties, the quality of their well-being and their vulnerability to stress and depression, and the choices they make at important decision points".

Without effective leadership, the probability of an organisation achieving superior or even satisfactory performance when confronting the challenges of the global economy will be greatly reduced (Ireland & Hitt: 1999: 43). Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organisation, at the same time maintaining its short-term financial stability (Rowe: 2001: 81).

2.2.3.4 Summary

The progression of leadership theory is well documented. Dissatisfaction with trait theory in terms of adequately explaining and predicting leader effectiveness led to the development of the upper echelons theory and the study of TMTs. As discussed, this theory has been criticised for not directly studying actual strategic leadership behaviour. Emergent theories exploring behavioural and cognitive complexity, social intelligence and leadership efficacy were discussed in this section, and added new dimensions to leadership theory.

The preceding discussion emphasised the link between leadership effectiveness and organisational effectiveness. However, Sanders and Davey's (2011: 41) meta-model attempts to reconcile major leadership theories with organisational effectiveness, which is viewed as the ultimate measure of leadership effectiveness by proposing a somewhat modified framework for assessing strategic leadership. They propose that leader effectiveness, which is ultimately governed by

organisational effectiveness, is largely determined by the leaders' ability to anticipate the composite of organisational outputs needed to meet environmental demands, and how well the leader's composite of behaviours actuates the composite of organisational outputs.

While Sanders and Davey's (2011) model does not propose a basis on which to measure these behaviours, their theoretical model and thinking aligns with this study, which investigates the way in which selected critical strategic leadership criteria are aligned in the organisation, and focuses on the paradox that leaders face in simultaneously leading strategically and managing and aligning the organisation. This paradoxical challenge is discussed in section 2.2.4, where the concepts of managerial leadership, visionary leadership and strategic leadership are defined and briefly discussed, and the relationship between managerial, visionary and strategic leadership and organisational performance is highlighted.

2.2.4 The paradox of leading and managing: strategic, visionary and managerial leadership

2.2.4.1 Introduction

The concepts of strategic leadership, visionary and managerial leadership are defined and discussed in relation to the paradox of leading and managing an organisation, and the purpose of this discussion is examine these key leadership roles. Working through the paradox of leading and managing is not only demanding and difficult, but it is also achievable for a critical mass of organisations that have not lost strategic control. Executives in such organisations should start thinking of themselves as strategic leaders who have to accept and merge the visionaries and managerial leaders in their organisations (Serfontein, 2009: 67).

2.2.4.2 Strategic leadership

Wealth creation for organisations in which strategic leadership is exercised is more probable because these leaders make appropriate investments for future viability, while maintaining an appropriate level of financial stability in the present (Serfontein, 2009: 54).

Serfontein (2009: 56) cites Hitt *et al.*'s view that strategic leadership presumes visionary leadership on the part of those with the willingness to take risks. It presupposes managerial leadership on the part of those with a rational view of the world. Strategic leadership presumes that visionary and managerial leadership can coexist, and that strategic leadership combines the two synergistically. It presupposes a belief in the ability of strategic leaders to change their organisations in order to meet the changing demands of the environment in which their organisations operate (Rowe, 2001: 83).

Strategic leadership is different from the two other popular leadership styles, namely managerial and visionary leadership. Managerial leaders are primarily immersed in the day-to-day activities of the organisation and lack an appropriate long-term vision for growth and change. Despite the benefits of strategic leadership, many organisations still implement structures or routines that constrain and discourage strategic leadership. If strategic leadership is to emerge, an organisation must offer its leaders autonomy and protection. They need to be free to envision a future as they see it and implement growth strategies without interference. This interference is most evident in large diversified organisations.

They need to be protected from the managerial leaders in the organisation who may try to impose rigid financial controls at the expense of strategic controls (Rowe & Nejad, 2009: 6).

An examination of the characteristics of managerial and visionary leadership styles will foster a better understanding of strategic leadership. Managerial leaders typically need order and stability and the ability to control the details of the work being performed. As a rule, these leaders have no personal attachment to setting and using goals as motivational tools, and they may have difficulty showing empathy when dealing with employees (Rowe & Nejad, 2009: 7). They will attempt to gain control through systems of rewards, punishment and other forms of incentives, encouragement or coercion. These leader/managers will be focused on the cost-benefit analysis of everyday actions and will therefore be generally

linked to the short-term financial health of the organisation, as reflected in its day-to-day stock price. Short-term gains are often a result of a least-cost approach, which may not be conducive to long-term viability (Rowe & Nejad, 2009: 7).

Conversely, visionary leaders are primarily future oriented, proactive and risk taking. These leaders base their decisions and actions on their beliefs and values, and try to share their understanding of a desired vision with others in the organisation (Rowe & Nejad, 2009: 7). Strategic leaders are a synergistic combination of managerial and visionary leadership.

Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organisation, at the same time maintaining its short-term financial stability. Visionary leadership is future oriented and involves risk taking, and visionary leaders are not dependent on their organisations for their sense of who they are. Under visionary leaders, organisational control is maintained through socialisation and the sharing of and compliance with a commonly held set of norms, values and beliefs. Managerial leadership involves stability and order, and the preservation of the existing order. According to Rowe (2001), managerial leaders are more comfortable handling day-to-day activities and are short-term oriented.

The continued destruction of shareholder wealth by organisations suggests a lack of strategic leadership. This prevalence of managerial leadership and the lack of strategic leadership is one of the primary issues facing modern organisations. Unless board members, CEOs and top management teams understand this issue, and the difference between managerial, visionary and strategic leaders, the problem will persist (Rowe, 2001: 82).

Rowe (2001: 81) examines the role of strategic leadership in creating wealth in organisations. He cites Ireland and Hitt, who state that, without effective strategic leadership, the probability of an organisation achieving superior or even satisfactory performance when confronting the challenges of the global economy

will be greatly reduced. Strategic leadership influences others to voluntarily make day-to-day decisions that enhance the long-term viability of the organisation, while at the same time maintaining its short-term financial stability.

Sustained wealth creation, continuous growth and expansion, and a healthy financial status in the short term are more likely to occur under strategic leadership. According to Rowe and Nejad (2009: 7), the demise of companies such as GM and K-Mart and the constant decline in shareholder value at these companies is in fact a result of a leader being too focused on day-to-day activities, to the detriment of other facets of sound business practice – in other words, failure because of managerial leadership. If we accept the widely held assumption that leadership does matter, and that the function of a business leader is to increase shareholder value, Rowe and Nejad's (2009) belief is that strategic leadership is the best alternative for creating shareholder value.

Rowe (2001: 82, 86) examines several successful companies and compares their strategic leadership capability and their organisational success. He maintains that he is not arguing that because they had stunning market value-added ratios (MVA) that they are strategic leaders, but instead, sets out to demonstrate that they had stunning MVAs because they were strategic leaders. MVA is defined as the difference between the organisation's market value and the capital contributed by investors.

Rowe (2001) examines these categories and maintains that a strategic leader will create more wealth than a combination of visionary leader and managerial leader. Managerial leaders emphasise the organisation's short-term financial stability, whereas strategic leaders are visionary and emphasise the long-term viability of the organisation. Their aim is to change and be innovative in creating long-term wealth.

The literature confirms the importance of the role of strategic leadership in creating wealth in organisations.

2.2.4.3 Visionary leadership

Under pure visionary leadership, a much wider range of wealth creation is possible because there may or may not be the constraining influence of a managerial leader. Such leadership is more risky than allowing the exercise of strategic leadership to permeate the organisation.

According to Conger (1991), visionary leadership is touted as the cure for many of the ills that affect organisations in today's fast-changing environment. Unfortunately, visionary leaders are not readily embraced by organisations, and unless they are supported by managerial leaders, may not be appropriate for most organisations. Being visionary and having an organisational tendency to use visionary leaders is risky. Ultimately, visionary leadership requires power to influence people's thoughts and actions. This means putting power in the hands of one person, which entails risk in several dimensions. There is the risk of equating power with the ability to achieve immediate results; the risk of losing self-control in the desire to obtain power; and the risk that the presence of visionary leaders may undermine the development of managerial leaders who become anxious amid the relative disorder that visionary leaders tend to generate. Visionary leaders have attitudes towards goals that are relatively more proactive, shaping ideas instead of reacting to them (Rowe, 2001: 85).

Visionary leaders exert influence in a way that determines the direction an organisation will take by evoking images and expectations, altering moods and establishing specific desires and objectives. Their influence changes the way people think about what is possible, desirable and necessary. Visionary leaders strive to devise choices and fresh approaches to long-standing problems and create excitement in their work. They work from high-risk positions and seek out risky ventures, especially when the rewards are high. They are concerned with ideas and relate to people in intuitive and empathetic ways. Their attention is on what events and decisions mean to people. With visionaries in charge, human relations are more turbulent, intense and sometimes even disorganised. This may intensify individual motivation and produce positive or negative unanticipated

outcomes. Visionary leaders feel separate from their environment, and sometimes from other people. They work in but do not belong to organisations (Zaleznik, 1977). Their sense of who they are does not depend on their work, roles or membership, but on their created sense of identity. This identity may result from major events in their lives.

According to Hosmer (1982), visionary leaders influence the opinions and attitudes of others in the organisation. They are concerned with ensuring the future of an organisation through the development and management of people. Visionaries embed themselves in complexity, ambiguity and information overload. Their task is multifunctional and they have a far more complex integrative task. Because of this, they come to know less than their functional area experts about each of the several areas for which they are responsible. Visionaries are more likely to make decisions based on values and are more willing to invest in innovation, human capital and creating and maintaining an effective culture to ensure long-term viability. Visionary leaders focus on tacit knowledge and develop strategies as communal forms of tacit knowledge that promote the enactment of a vision. They make use of nonlinear thinking and believe in strategic choice, their choices make a difference in what their organisations do and these differences affect their organisations' environment (Kotter, 2001).

Visionary leadership has gradually emerged as a crucially important but relatively underemphasised aspect of leadership research (Elenkov *et al.,* 2005: 668) and emphasises its effects on organisational processes and outcomes. Visionary leadership is future oriented and concerned with risk taking, and visionary leaders are not dependent on their organisations for their sense of who they are. Under these leaders, organisational control is maintained through socialisation and the sharing of and compliance with a commonly held set of norms, values and shared beliefs. In some senses, visionary leadership is similar to the inspirational component of transformational leadership (Bass, 1985). Kotter (2001) suggests that a combination of managerial leaders and visionaries is a solution for organisations. However, Zaleznik (1977) argues that leaders and managers are

different, and that no one person can exercise both types of leadership simultaneously. He suggests that visionary leaders and management leaders are at opposite ends of a continuum, and that trying to be both causes the individual to end up in the centre and able to exercise neither style of leadership.

According to Nutt and Backoff (1997), visionary leadership studies underscore the fact that effective top managers are able to develop and communicate to followers some clear and compelling imagery, which recognises and draws on traditions and offers their organisations innovative ways to improve by bringing energy and commitment to the workplace. Visionary leaders are also able to articulate attractive visions, which focus attention on possibilities that are inspirational, unique and attainable, and offer a new order that can result in organisational distinction. The imagery communicated to followers is more effective if it is challenging and powerful, but also clear and realistic. Alternatively, a vision is believed to be likely to fail if it does not convey a view of the future that is perceived to be clearly and convincingly better for the organisation and its members. Elenkov *et al.* (2005: 669) contend that the major problem with the visionary perspective is that most of the empirical work in the area of visionary leadership has been anecdotal. Furthermore, it is unknown if visionary leadership has the same or a different impact on organisational processes and outcomes as its conceptual cousin – transformational leadership behaviours. As stated, visionary leadership has gradually emerged as a crucially important but relatively underemphasised aspect of leadership research. As such, systematic research is needed to better understand the role and impact of strategic leadership vision on organisational performance (Elenkov *et al.*, 2005: 669).

According to Rowe (2001: 86), this is not an unreasonable perspective in view of the following: managerial leaders want stability and order and to preserve the existing order, whereas visionary leaders desire creativity, innovation and chaos and to change the existing order.

Rare is the business leader who can articulate and instil a long-term vision and manage the day-to-day operations with the requisite obsession for detail. A leader who combines both styles is what they call a strategic leader, someone who, more than any other type of leader, is best equipped to increase shareholder value (Rowe & Nejad, 2009: 6, 7). Visionary leaders articulate a compelling vision, and then empower and energise their followers to move towards it.

This analysis is in line with the research objectives of this study in terms of strategic leadership and strategic alignment.

2.2.4.4 Managerial leadership

Under managerial leadership, there is a wider range than under strategic leadership, but a narrower range than under visionary leadership, because wealth creation may range from normal to below normal performance (Serfontein, 2009: 54).

Most managers typically exercise managerial leadership. According to Rowe (2001: 84), for several reasons, organisations implicitly and explicitly train their employees to be managerial leaders. Governments are even more inclined than business organisations to train their employees to be managerial leaders, as a result of public accountability for every cent spent, the diversification of government, the political context of re-elections and, for most governments, an enormous debt load. These factors lead to the imposition of a financial control system that enhances the use of managerial leadership and curtails strategic and visionary leadership. There are people who can exercise strategic and visionary leadership in such organisations, but the nature of the organisations discourages the exercise of such leadership. Managerial leaders commonly adopt impersonal, passive attitudes towards goals. Goals arise out of necessities rather than desires and dreams, are based on where the organisation has come from and are deeply embedded in the organisation's history and culture (Zaleznik, 1977: 184).

Managerial leaders view work as a process that enables some combination of ideas and people to interact in order to establish strategies and make decisions. In this process, they negotiate, bargain and use rewards, punishment or other forms of incentive. Managerial leaders relate to people according to their roles in the decision-making process – they relate to how things are done. Managerial leaders may lack empathy – they may seek out involvement with others, but will maintain a low level of emotional involvement in these relationships. Managerial leaders influence only the actions and decisions of those with whom they work (Rowe, 2001).

Managerial leaders are involved in situations and contexts characteristic of day-to-day activities and are concerned with and more comfortable in functional areas of responsibilities. They possess more expertise about their functional areas. Managerial leaders may make decisions that are not subject to value-based constraints in their decision making because of such pressures as being financially controlled. They use a linear thought process and believe in determinism, which is established by their organisation's internal and external environments (Rowe, 2001).

In some ways, managerial leadership is similar to transactional leadership. It should be emphasised that organisations need managerial leadership. However, it is possible that too many organisations are led by managerial leaders and that managerial leaders will, at best, maintain wealth that has been created, and may even be a source of wealth destruction in the long term if they are the predominant leadership type in their organisation (Rowe, 2001: 84).

Managerial leadership involves stability and order and the preservation of the existing order (Rowe, 2001; Serfontein, 2009: 35). Managerial leaders are more comfortable handling day-to-day activities and are short-term oriented. The lack of strategic leadership and the prevalence of managerial leadership is one of the main issues facing organisations today. Unless board members, CEOs and

leadership understand this issue and the differences between managerial, visionary and strategic leaders, the problem will persist.

2.2.4.5 Summary

Table 2.1 highlights the differences between strategic, visionary and managerial leaders.

Table 2.1: Strategic, visionary and managerial leadership

STRATEGIC LEADERS
- Synergistic combination of managerial and visionary leadership   - Emphasis on ethical behaviour and value-based decisions   - Oversee operating (day-to-day) and strategic (long-term) responsibilities   - Formulate and implement strategies for immediate impact and preservation of long-term goals to enhance organisational survival, growth and long-term viability   - Have strong, positive expectations of the performance they expect from their superiors, peers, subordinates and themselves   - Use and interchange tacit and explicit knowledge on individual and organisational levels   - Use linear and nonlinear thinking patterns   - Believe in strategic choice, that is, their choices make a difference in their organisations and environment

VISIONARY LEADERS	MANAGERIAL LEADERS
- Are proactive, shape ideas, change the way people think about what is desirable, possible and necessary - Work to develop choices and fresh approaches to long-standing problems; work from high-risk positions - Are concerned with ideas, relate to people in intuitive and empathetic ways	- Are reactive; adopt passive attitudes towards goals; goals arise out of necessities, not desires and dreams; goals based on past - View work as an enabling process involving some combination of ideas and people interacting to establish strategies - Relate to people according to their roles in the decision-making process

• Feel separate from their environment; work in, but do not belong to, organisations; sense of who they are does not depend on work	• See themselves as conservators and regulators of existing order; sense of who they are depends on their role in organisation
• Influence attitudes and opinions of others in the organisation	• Influence actions and decisions of those with whom they work
• Concerned with ensuring future of organisation, especially through development and management of people	• Involved in situations and contexts characteristic of day-to-day activities
• More embedded in complexity, ambiguity and information overload; engage in multifunctional, integrative tasks	• Concerned with and more comfortable in functional areas of responsibilities
• Know less than their functional area experts	• Expert in their functional area
• More likely to make decisions based on values	• Less likely to make value-based decisions
• More willing to invest in innovation, human capital, and creating and maintaining an effective culture to ensure long-term viability	• Engage in and support short-term, least-cost behaviour to enhance financial performance figures
• Focus on tacit knowledge and develop strategies as communal forms of tacit knowledge that promote enactment of a vision	• Focus on managing the exchange and combination of explicit knowledge and ensuring compliance with standard operating procedures
• Use nonlinear thinking	• Use linear thinking
• Believe in strategic choice, that is, their choices make a difference in their organisations and environment	• Believe in determinism, that is, the choices they make are determined by their internal and external environments

(**Source:** Adapted from Rowe, 2001: 82)

In examining the progression of leadership themes in this section, one should consider Sanders and Davey's (2011: 41–45) view that the contemporary theories of leadership primarily deal with organisationally relevant change that is the focus

of strategic management. These theories extend transactional theories beyond the focus on the leader-member exchange process to incorporate change of the follower and thereby change of the organisation. The contemporary theories specifically focused on eliciting the composite of follower behaviours/outputs that would produce the composite of organisational outputs consistent with the leader's vision that has been internalised by the followers. In this view, the contemporary theories can essentially be regarded as a facilitator of organisational performance and thus organisational effectiveness.

In Sanders and Davey's (2011:45) meta-model, organisational effectiveness is seen as the ultimate measure of leader effectiveness. Effective leaders are those who are able to assess a diverse set of dynamic environmental forces to identify performance demands on the organisation in terms of specific outputs the organisation has to produce to optimally align with its environment. In essence, the challenge of leadership is to envision how to change the organisation to achieve the set of organisational results that best fits with environmental demands, while maintaining the organisation as a functioning social system. Leaders then have to enact a composite of behaviours that influences followers to enact behaviours that produce follower performance outputs that collectively represent the desired composite or organisational outputs. Leader effectiveness is thus ultimately measured by organisational effectiveness. Organisations are by definition composed of people involved in dynamic social relationships. It is through these relationships between leaders and followers, superiors and subordinates, managers and workers, that the work and thus fundamental purposes of organisations are accomplished. The effectiveness of these relationships undoubtedly influences the effectiveness of organisations. Yet, the effectiveness of these relationships depends largely on the effectiveness of the behavioural inputs supplied by the participants in these relationships relative to the organisational goals (Sanders & Davey, 2011: 45). Leader effectiveness is thus an input into and determinant of organisational effectiveness, while leadership effectiveness is a function of organisational effectiveness.

No overall paradigm has been found in the scholarly literature that explicitly aligns these theories into a model or framework that links leadership effectiveness and organisational effectiveness. As discussed in section 2.2.2, the theoretical meta-model (Sanders & Davey, 2011) and thinking aligns with this study, which links strategic leadership behaviour and organisational performance. For the purpose of this study, it is accepted that leadership effectiveness is ultimately determined by organisational effectiveness. However, Sanders and Davey's (2011) meta-model proposes a theory but fails to identify the behaviours relating to organisational performance and a basis on which these behaviours can be evaluated in the organisation.

A framework of strategic leadership that reconciles major leadership theories with the organisational effectiveness construct is presented and discussed in section 2.2.6 in order to promote a deeper understanding of the development of thinking in strategic leadership which seeks to explain strategic leadership as a construct. The ensuing sections will provide an overview of the literature on strategic leadership. Strategic leadership in the new competitive landscape, a definition of the current thinking on strategic leadership and the impact of strategic leadership behaviours on the organisation and on innovation are considered.

2.2.5 Strategic leadership
2.2.5.1 Introduction
An examination of the literature in the field of strategic leadership revealed an increasing interest in the topic. In spite of the long history of research on leadership, social scientists, primarily organisation behaviour scholars, have only recently started to single out strategic leadership as a focus of attention (Boal & Schultz, 2007: 412). In the meanwhile, the practice of "strategic leadership" appears to be animated by persistent myths, sometimes created by the trade press, and at other times by the personal experience of leaders. These myths invite critical scholarly scrutiny (Narayanan & Zane, 2009: 380).

Is the concept of strategic leadership self-evident? Should we approach models or frameworks of strategic leadership merely as the extension of generic leadership phenomena to a unique context? Or should we build the concept and associated models and frameworks from the persistent leadership myths? These kinds of questions (Narayanan & Zane, 2009: 381) are fundamental to any theoretical enterprise, perhaps more so in the case of a topic as complex as strategic leadership, because their answers calibrate the implicit, taken-for-granted assumptions within which research projects are conducted.

Are these models or frameworks applicable to the complex and dynamic environment in which strategic leadership functions? The challenges faced by leadership in the new competitive landscape and the behaviours that promote innovation are examined in section 2.2.5.2.

2.2.5.2 Leadership in the competitive landscape

According to Ireland and Hitt (1999: 44), the global economy has created a new competitive landscape in which events change constantly and unpredictably. For the most part, these changes are revolutionary and not evolutionary. Revolutionary changes happen swiftly, are constant, even relentless in their frequency, and affect virtually all parts of an organisation simultaneously (Greenwood & Hinings, 1996).

The uncertainty, ambiguity and discontinuity resulting from revolutionary changes challenge organisations and their strategic leadership to increase the speed of the decision-making processes through which strategies are formulated and implemented (Kessler & Chakrabarti, 1996). In the global economy, knowledge work and knowledge workers are the primary source of economic growth – for both individual organisations and nations. Thus, in the 21st century, the ability to build, share and leverage knowledge will largely replace ownership and/or control of assets as a primary source of competitive advantage. In the 21st-century's global economy, competition will be complex, challenging and fraught with

competitive opportunities and threats (Drucker, Dyson, Handy, Saffo, & Senge, 1997).

Gibney, Copeland and Murie (2009: 9) examine strategic leadership in a knowledge-based economy and maintain that strategic leadership is the leadership of and for the new types of relationships that are emerging in the knowledge-based economy. It is a form of leadership that seeks to generate, renew and sustain the collective learning cycle. It is not time limited but time extensive – it is leadership that is able to look beyond the short-termism of performance goals, the "statutory" and the "contractual". Strategic leaders are leaders of communities, elected political leaders, appointed officials who operate at chief executive and senior executive levels and individuals who hold the equivalent of board-level or cabinet-level positions in the public sector.

At strategic level, leadership is the key issue facing organisations in the 21st century (Ireland & Hitt, 1999: 43). Without effective strategic leadership, a company's ability to achieve or sustain a competitive advantage is greatly constrained. The conceptualisation of leadership at strategic level should be based on the notion that the relational components of leadership constitute the core of strategic leadership. Furthermore, the members of TMTs should be considered the key participants in the strategic leadership process, which conceivably could influence innovation processes at organisational level (Elenkov, 2008: 38).

A major current interest in the topic is reflected in the amount of corporate attention being focused on leadership and leadership development in the new economy, which is the result of numerous changes in the political, economic and information technology environments. According to Kelley (Serfontein, 2009: 69), this new economy can be defined in terms of the following three distinguishing characteristics: it is global, it favours intangible things (ideas, information, and relationships) and it is intensely interlinked. These three attributes produce a new type of marketplace and society referred to as the "new economy", one that is rooted in ubiquitous electronic networks.

According to Ireland and Hitt (1999: 45), certain conditions of the new competitive landscape afford companies opportunities to improve their financial performance Organisations in which strategic leaders adopt a new competitive mindset in which mental agility, organisation flexibility, speed, innovation and globalised strategic thinking are highly valued will be able to identify and competitively exploit opportunities that emerge in the new competitive landscape.

These opportunities surface primarily because of the disequilibrium created by continuous changes (especially technological changes) in the states of knowledge that are a part of a competitive environment. More specifically, although uncertainty and disequilibrium often result in seemingly hostile and intensely rivalrous conditions, these conditions may simultaneously yield significant product-driven growth opportunities (Zahra, 1993). Through effective strategic leadership, an organisation can be mobilised in order to adapt its behaviours and exploit different growth opportunities (Heifetz & Laurie, 1997).

Wheeler *et al*. (2007: 4) concur with this thinking. They maintain that the challenges faced by leaders of organisations are huge in a rapidly changing world. Leaders face incredible pressures to deliver immediate results, do more with less and manage an ever-increasing personal workload. However, in a world of changing conditions and priorities, leaders and individual contributors alike should be able to look beyond the "now" and adopt a more strategic leadership approach to their work and responsibilities.

2.2.5.3 Defining strategic leadership

There have been calls to focus scholarly attention on strategic leadership, in addition to "supervisory leadership" (Narayanan & Zane, 2009: 382), calls that echo House and Aditya's (1997) exhaustive review of the leadership literature. Building on the work of Finkelstein and Hambrick (1996), House and Aditya (1997: 446) formulated the following definition of strategic leaders: they are "executives who have overall responsibility for an organisation" locating strategic leadership at

the nexus of executives and organisations. In other words, if there is no formal organisation, strategic leadership does not come into play.

Strategic leadership is the ability to influence others in the organisation to voluntarily make day-to-day decisions that lead to the organisation's long-term growth and survival, and maintain its short-term financial health (Rowe & Nejad, 2009: 2). The main aspects of strategic leadership are shared values and a clear vision, both of which enable and allow employees to make decisions with minimal formal monitoring or control mechanisms. With this accomplished, a leader will have more time and a greater capacity to focus on other ad hoc issues such as adapting the vision to a changing business environment. In addition, strategic leadership will incorporate visionary and managerial leadership by simultaneously allowing for risk taking and rationality.

A leader is an individual in an organisation who is able to influence the attitudes of others; by contrast, a manager is merely able to influence their actions and decisions (Hosmer, 1982: 55). The true responsibility of the strategic leader is a consistent, analytical and developmental approach to the strategy, structure and systems of an organisation, which is the definition proposed for strategic leadership.

Providing strategic leadership is a critical role for the CEO and many other senior executives (Rowe, 2001: 86). Strategic leadership sets the direction. Hierarchical, autocratic leadership is being replaced by a democratic "synergy" style leadership with team leadership assuming an executive role (Hewson, 1997). The most accurate indicator of future success in today's major companies is the sum of competencies of the entire executive team, as opposed to those of the chief executive only. These competencies are tested in line with proposition 1 of this study, which is to establish the importance of six critical leadership criteria.

Innovation plays a significant role in the success of organisations (Elenkov *et al.*, 2005: 665), and the impact of strategic leadership behaviour on innovation is considered in section 2.2.5.4.

2.2.5.4 Leadership behaviours and innovation

Strategic leadership is the process of forming a vision for the future, communicating it to subordinates, stimulating and motivating followers and engaging in strategy-supportive exchanges with peers and subordinates. Strategic leadership and innovation strategy are crucial for achieving and maintaining strategic competitiveness in the 21st century (Ireland & Hitt, 1999). Finkelstein and Hambrick (1996) maintain that strategic leaders have been repeatedly recognised for their critical decisions that affect innovation processes. Strategic leaders' opportunity recognition and exploitation add considerable business value (Yukl, 1998). The interactions between leadership and innovation variables have attracted increasing attention in empirical studies (e.g. Halbesleben, Novicevic, Harvey & Buckley, 2003; Tierney, Farmer & Green, 1999), but most of these studies have not focused on actual strategic leaders (Antonakis & House, 2002; Yukl, 1998). Nonetheless, there has been progress in exploring the linkage between strategic leaders' demographic characteristics and innovation strategy in the upper echelons perspective (e.g. Bantel & Jackson, 1989), but these studies have failed to directly study actual strategic leadership behaviours and their effects on organisational innovation process (Cannella & Monroe, 1997).

Elenkov *et al.* (2005: 665) investigated the relationship of strategic leadership behaviours with executive innovation influence and the moderating effects of the TMT's tenure, heterogeneity and social culture on that relationship. Their study attempts to open up the "black box" in the top management team dynamics to better understand how strategic leaders affect innovation processes in organisations.

Can leadership make a difference? Some leaders definitely do influence organisational performance (Smith *et al.,* 1984). Perhaps it is time to go beyond describing leader activities or behaviours and focus on identifying effective or influential behaviours. Rare is the business leader who can articulate and instil a long-term vision and manage the day-to-day operations with the requisite obsession for detail (Rowe & Nejad, 2009: 6). A leader who combines both styles is what is known as a "strategic leader" – someone who, more than any other type of leader, is best equipped to increase shareholder value.

Bass (2007: 37) concurs with this view and states that many studies have demonstrated that what top leadership does has a strong influence on a corporation's profitability. The profitability of the organisation depends on the CEO's actions.

The results of the study by Elenkov *et al.* (2005: 679) have generated the idea that each strategic leadership behaviour could and should be viewed independently and separately, because each has its own effects on organisational innovation processes, and each may have different interactions with contextual variables. In particular, each strategic leadership behaviour is likely to be associated with different organisational outcomes, especially in terms of the magnitude of the results, in different social cultures. Strategic leadership behaviours are positively associated with executive influence on innovation processes. Effective strategic leadership has a pervasive effect on organisational innovation. Elenkov *et al.* (2005) state that defining the entire scope of strategic leadership is a broad and difficult concept. The strategy is the plan, and strategic leadership is the thinking and decision making required to develop and effect the plan.

In summary, the conceptualisation of leadership level should be based on the notion that the relational components of leadership constitute the core of strategic leadership. Furthermore, the members of TMTs should be considered the key participants in the strategic leadership process, which conceivably could influence innovation processes at organisational level.

The next section deals with strategic leadership in the organisation.

2.2.5.5 Strategic leadership in the organisation

(a) Introduction

Since the mid-1980s, a growing body of leadership research has focused on strategic leadership, in contrast to managerial and supervisory leadership. House and Aditya (Serfontein, 2009: 32) maintain that strategic leadership focuses on how top leadership makes decisions in the short term which guarantee the long-term viability of the organisation. The best-performing organisations are consciously strategic in their leadership planning. These top leaders also have the ability to effectively align human resources directly to the business strategy.

Waldman *et al.* (2004: 355) recognise that strategic leadership has increasingly become a topic of focus. Over the past 20 years, the field of strategic management has become increasingly concerned with the influence of top-level managers on strategy formulation and organisation performance. Statistics on the number of published books and articles on the subject of leadership show exponential growth since 1970. For example, Storey (2005: 91) states that there were twice as many articles published per month in the years 2001 to 2002 than there were per annum in the equivalent two-year period 30 years earlier.

Strategic leadership theory has evolved from the original upper echelons theory developed by Hambrick and Mason (1984), as stated in 2.2.3 (Vera & Crossan, 2004: 223), to a study of not only the instrumental ways in which the dominant coalition impacts on organisational outcomes, but also the symbolism and social construction of top executives (Hambrick & Pettigrew, 2001). Strategic leadership theory refers to the study of people at the top of organisations, while leadership research focuses on the relationship between leaders and followers.

The presence of a strategic leader leads to a number of outcomes of an organisation that are ultimately linked to shared values in both the short and long term (Rowe & Nejad, 2009: 7). These leaders tend to pay particular attention to

building their organisation's resources, capabilities and competencies in order to gain an appropriate, sustained competitive advantage. Strategic leaders know that focusing on the short term and forgetting about core competencies in the face of changing circumstances and a turbulent environment are likely to lead to organisational failure.

Defining the concept of strategic leadership is one thing – developing its construct has proven to be more difficult. Being a relatively new field in management theory, measurement has been a low priority. Researchers acknowledge that strategic leadership "is a complex, multifaceted competency that has many nuances and subtleties, making it difficult to easily codify". The same is true of foresight or futures research (Gary, 2005: 1). This difficulty is due in part to the broad scope of strategic leadership, which can encompass structure, organisation or environmental variables. This demands a more holistic perspective than is usually is found in leader-follower or supervisory theories of leadership (e.g. path-goal, contingency and LMX).

(b) Value creation
Organisations led by strategic leaders are more successful in learning, both at individual and group level. Studies have shown that both the managerial and visionary aspects of leadership are essential for the success of organisation-wide learning initiatives. While a strategic leader's articulation of a vision helps alter the institutionalised learning of an organisation, his or her managerial approach helps spread and reinforce current learning initiatives. This combination is necessary because the organisation always needs to learn new things and at the same time institutionalise newly discovered avenues of learning (Rowe & Nejad, 2009). Organisational learning and the creation and sharing of knowledge in an organisation are vital prerequisites for long-term viability and are better practised by an organisation led by a strategic leader.

Strategic leadership has a direct effect on an organisation's strategic flexibility and competitive advantage (Hitt *et al.*, 1995: 26). Strategic flexibility and competitive

advantage are affected by strategic leadership through the major actions of (1) developing dynamic core competencies; (2) focusing and building human capital; (3) using new technology effectively; (4) engaging in valuable strategies; and (5) building new organisational structures and culture. Strategic flexibility should be exercised by the TMT who together with the CEO, as the most important member, are the organisation's key decision makers.

Narayanan and Zane (2009: 381) suggest an epistemological vantage point for theory development in strategic leadership which is fuelled by the metaphor of inventing a future for strategic leadership, focusing less on reviews of the existing literature but more on the possibilities for generating insights. They make three points: first, the concept of "strategic leadership" may embrace a richer set of phenomena than that captured in the current preoccupations in the leadership literature. Second, the research and scholarship on leadership can be enhanced by greater variety in terms of focus, perspectives and methods. Third, they argue for integration – building bridges to cross-fertilise ideas between islands of scholarship.

The academic literature is poised to bring leadership back into strategy. Montgomery (Narayanan & Zane, 2009: 381) calls for incorporating the role of leadership into strategy making in order to counterbalance the reliance on objective analysis that the literature spearheaded during the preceding two decades. There has been a wealth of literature on the functions of leadership – thanks to both organisational behaviour and human resource disciplines, disciplines whose insights, theories and concepts have sustained the industry for training and consulting that has grown up around leadership. This literature on leadership has typically conceptualised the construct in terms of leader style and behaviour and leader-follower relations. Cumulatively, findings from this research stream are far from convergent, but more importantly, the applicability of leadership functions articulated by them to strategic levels is yet to be demonstrated.

Narayanan and Zane (2009: 400-1) argue that engagement with strategic leaders is necessary in theory development. Meaningful dialogue and interaction with the senior leaders of organisations of some size are not common occurrences in most social science departments, including many business schools. These interactions have to be designed, and often depend on privileged access. However, creating this access is typically not in the toolkit of most social scientists. Engagement with strategic leaders is an epistemological necessity for both theoretical and pragmatic reasons. The strategic leadership concept offers scholars another potential lever to improve the functioning of organisations. Success depends on the ability of the theories to provide insights and guidelines to current or aspiring leaders. This view was adopted in designing the research approach for this study.

The ultimate goal of a business is to create, capture and distribute wealth in a sustainable manner (Rowe & Nejad, 2009: 9). As indicated in section 2.2.4.4, managerial leaders will, at best, maintain the level of wealth that has been created in the past, but over time may cause wealth to be slowly destroyed. This means that the stewards (the board of directors, CEO and TMT of productive assets are only creating the wealth that the owners of those assets expected them to create (Barney, 1997). Unfortunately, in managerially led organisations, only financial controls are exercised. This leads to a stifling of creativity and innovation and to below-normal performance in the long term (Rowe, 2001: 89).

Visionary leaders may or may not create value. If they do, their style of leadership is rare and difficult for other organisations to duplicate (Rowe, 2001: 85). Unfortunately, some visionaries who are capable of creating value are not supported by their organisations with appropriate structures, controls and rewards, and are more likely to achieve below-normal performance.

Strategic leaders are different from managerial and visionary leaders in the sense that they dream and do something about their dreams. They are a synergistic combination of managerial leaders who never stop to dream, and visionary leaders, who only dream. A strategic leader will probably create more wealth than

a combination of a visionary leader and a managerial leader. These strategic leadership types will create the most wealth for their organisations (Rowe, 2001: 86).

Because strategic leaders are concerned with the future viability and the present financial stability of their organisations, they make decisions that achieve above-average returns, and therefore create wealth for their organisations. According to Rowe (2001: 91), throughout the 1990s, no two appointed CEOs exemplified wealth creation on a consistent basis as well as Jack Welch and Robert Goizueta. From 1992 to 1998, either GE or Coca-Cola was ranked number one and two in market value added (MVA). What characteristics did these two CEOs display during that period? Both believed that their actions affected their companies and determined what happened in the respective industries in which their companies operated. Both refocused their companies in order to regain strategic control. Both relentlessly strove to reduce the stifling effect of bureaucracy on creativity and innovation. These strategic leaders believed that their decisions would affect their companies and their environments. They placed great emphasis on achieving their visions by influencing employees and associates. They also ensured that their visions were achieved in a way that was best for their employees, customers and shareholders. Strategic leaders are more capable of seeing environmental trends that affect the organisation's future and providing more effective communication to the rest of the organisation, which leads to higher levels of organisational innovation (Papadakis & Bourantas, 1998).

As stated above, Rowe (2001: 92) examined the CEOs of GE and Coca-Cola and the characteristics that these two CEOs displayed during the 1980s. What is clear is that organisations require strategic leadership and need to pursue corporate strategies that allow strategic leadership among a critical mass of the senior management team and middle and junior managers. The analysis in this study supports this view and concurs with that of Labovitz and Rozansky (1997: 16), namely that an aligned organisation will achieve above-average performance.

Strategic leadership theory is more of a theory of group composition than leadership, and in the empirical literature, it is not always clear whether strategic leaders or strategic leadership is being studied (Boal & Hooijberg, 2001: 524). Supervisory theories of leadership are about leadership in an organisation, whereas strategic leadership is of an organisation. The above authors suggest a direct link between strategic leadership effectiveness and organisational effectiveness and maintain that strategic leadership is marked by concern for the whole organisation, its evolution, its changing aims and the selection, the development and maintenance of the requisite resources and capabilities to enable it to compete. This view is in contrast to the views previously held, whereby substantial numbers of CEOs adopted the notion that strategic leadership responsibilities are theirs alone (Serfontein, 2009: 38). Owing to the significant choice of options available to the CEO as the organisation's key strategic leader, this individual often works alone in shaping the organisation.

Strategic leadership is specific to the "nominal" head of the organisation whose responsibility in this role is to create an effective organisation. According to Nicholls (1994: 11), the principal components of this strategic leadership role are path finding and culture building. However, leadership is not confined to the head – all managers have a role to play in their area of responsibility, which is confirmed in the views of Boal and Hooijberg (2001).

It is unfortunate that, despite the many benefits, many organisations still implement structures or routines that constrain and discourage strategic leadership. If strategic leadership is to emerge, an organisation must offer these leaders autonomy and protection. They need to be free to envision a future as they see it and implement growth strategies without interference. They need to be protected from the managerial leaders in the organisation who may try to impose rigid financial controls at the expense of strategic controls. This interference is more evident in large diversified organisations with many divisions, and which often fall into the trap of imposing highly bureaucratic controls as a result of

financial restrictions, the political context and the short-term demands of the markets (Rowe & Nejad, 2009: 5).

(c) Characteristics and behaviour of strategic leaders

According to Hambrick and Mason (1984), strategic leadership theory (SLT) assumes that executive behaviour is a product of individual psychology. Personality, values, and beliefs shape the way leaders perceive, interpret and use information to decide what business to compete in, what goods or services to offer, how to allocate resources and what policies to implement (Kaiser, DeVries & Hogan, 2006: 5). Some studies found that there is no relationship between leadership style and organisational performance, while others report a substantial relationship (Day & Lord, 1988). Hambrick and Finkelstein's (1987) analysis of leader discretion resolves this apparent contradiction. They argue that discretion determines the impact leaders have on organisations. This research shows that whoever is in charge affects organisational strategy, structure, policy and culture. Discretion also consistently moderates the relationship between leader characteristics and organisational performance – when discretion is high, there is a strong relationship. For example, this has been shown for tenure and strategy distinctiveness as well as locus of control and strategy formulation. The fact that discretion links individual leaders to organisational outcomes poses a dilemma. Without discretion, leaders are unable to influence a firm's performance, but with it, they can put self-interest ahead of their other responsibilities and obligations (Kaiser *et al.*, 2006: 6).

Individual leadership matters because the quality of a leader's character makes all the difference. The best leaders pay attention to the design of the elements around them: they articulate a lucid sense of purpose, create effective leadership teams, prioritise and sequence their initiatives carefully, redesign organisational structures to make effective execution easier and, most importantly, integrate all these tactics into one coherent strategy. This design of strategic leadership is therefore an integrated group of practices that builds an organisation's capacity for change. The following four critical elements need to be integrated: commitment to

the organisation's purpose, the make-up of top management, the capabilities and motivation of people through the organisation and a sequence of well-chosen strategic initiatives that can take the organisation forward (Wheeler *et al.*, 2007: 4). Strategic leaders view human capital as a key factor in innovation and the creation of core competencies, and they expend considerable effort sustaining the health of this resource (human capital). While managerial leaders focus on the exploitation of current resources and capabilities, strategic leaders combine this focus with a search for new resources, capabilities and core competencies, which will, when needed, be exploited to create wealth. This dual focus on exploitation and exploration, often referred to as ambidexterity, is a prerequisite for long-term organisational success. While managerial and visionary leaders are busy exploiting and exploring, strategic leaders exploit and explore in a way that maintains organisational financial stability in the short term, while building a foundation for long-term viability (Rowe & Nejad, 2009: 9). As stated in section 2.2.5.4, strategic leaders encourage innovation in the face of changing environments and contexts, seeking innovation and change in moving forward.

While it is agreed that there are many passing references to strategic top-level leaders and their crucial importance, the larger part of analytical study has focused on leadership at lower levels in the organisation (Zaccaro & Horn, 2003: 772; Storey, 2005). Less than 5% of the leadership literature focuses on executive leadership as opposed to the majority of studies which focus on lower-level leadership (Storey, 2005: 81). There is a need to distinguish between "leadership in organisations" and "leadership of organisations", and attempts have been made to identify the critical issues relating specifically to executive level leadership.

Davies and Davies (2004: 29-30) identify the characteristics of individuals who fulfil a strategic leadership role successfully. They identify successful activities or strategic behaviours that strategic leaders engage in. These authors identify factors associated with strategic leadership, both at organisational and individual level. They postulate that leaders have the organisational ability to be strategically oriented.

- translate strategy into action
- align people and organisations
- determine effective strategic intervention points
- develop strategic competencies

The criteria associated with strategic leadership include creating and communicating a vision of the future; exploiting and maintaining core competencies; developing organisational structures, processes and controls; developing human capital; sustaining an effective organisational culture; and infusing ethical value systems into an organisation's culture (Ireland & Hitt, 1999: 48-52; Boal & Hooijberg, 2001: 516; Hitt *et. al.*, 2001: 500).

Strategic leaders make and communicate decisions for their organisation's future (Bass, 2007: 36). They formulate the organisation's goals and strategies; develop structures, processes, controls and core competencies for the organisation; manage multiple constituencies; choose key executives; groom the next generation of executives provide direction with respect to organisational strategies: maintain an effective organisational culture; sustain a system of ethical values; and serve as the constituencies, as well as negotiate with them. These concepts are in line with Ireland and Hitt's (1999: 48-52) critical criteria for effective strategic leadership.

Accelerating change in the external environment is increasing the need to view strategy and leadership as two sides of the same coin. Abell (2006: 311) identifies leadership tasks (all strategic), that are emerging as priorities: dual strategies; putting vision and mission ahead of strategy; the fit between market opportunity, leadership purpose and organisation resources; strategy as the hinge between the changing external world and internal company resources; competition between entire business systems; and delegation of strategy making to managers below corporate and business unit levels. For effective reform to take place in organisations in order to meet these challenges of change, the process must be changed (Barron & Henderson, 1995: 2). The change in leadership from

administrator/manager to strategic leadership by focusing, not only on content, but also on process in the four key areas of participation, sensitivity, trust between stakeholders and openness and fairness, is necessary.

Strategic leaders emphasise ethical behaviour (Ireland & Hitt, 1999). They are extremely rare in most organisations (Conger, 1991). They oversee day-to-day operating and long-term strategic responsibilities. Strategic leaders formulate and implement strategies for immediate impact and the preservation of long-term goals in order to enhance organisational growth, survival and viability. They use strategic controls and financial controls, with the emphasis on the former. Strategic leaders have strong positive expectations of the performance they expect from their superiors, peers, subordinates and themselves. They utilise and interchange tacit and explicit knowledge at both individual and organisation level (Nonaka, 1994) and they use both linear and nonlinear thinking patterns.

Finally, they believe in strategic choice – the fact that their choices make a difference in what their organisations do, and that this will affect their organisations' internal and external environments. Strategic leaders manage the paradox created by managerial and visionary leadership models. They are metaphors, analogies and models to allow the juxtaposition of seemingly contradictory concepts by defining boundaries of mutual coexistence. They guide the organisational knowledge creation process by promoting the organisation's capability to combine individual, group and organisational tacit and explicit knowledge to generate the organisational and technological innovations required for enhanced future performance (Rowe, 2001: 87).

In conclusion, the focus on strategic leadership has increased (Waldman *et al.,* 2004; Storey, 2005; Serfontein, 2009) and, in particular, the identification of characteristics and behaviour that impact on value creation (Rowe, 2001; Elenkov *et al.,* 2005). Rowe and Nejad's (2009) contribution aligns with Hitt *et al.'s* (1995) critical criteria that create competitive advantage in organisations. These criteria are discussed in section 2.2.7.

2.2.5.6 *Summary*

This section examined and defined strategic leadership. The true responsibility of strategic leadership is a consistent, analytical and developmental approach to the strategy, structure and systems of an organisation.

Leadership in the competitive landscape was explored and it is clear that effective strategic leadership is a key issue facing organisations in the 21st century, without which, organisations' capability to achieve or sustain competitive advantage is greatly constrained. The characteristics and behaviour of strategic leadership in organisations and its impact on value creation were also discussed.

2.2.6 **Criteria of effective strategic leadership**

2.2.6.1 *Introduction*

A strategic leader's true responsibility is a consistent, analytical and developmental approach to an organisation's strategy, structure and systems. This section deals with the critical criteria required by leadership to fulfil this responsibility.

Top management formulate the strategic purpose and direction of the organisation by articulating and communicating the desired vision of the organisation's future. Effective strategy is needed for an organisation to achieve and maintain a competitive advantage in an effort to keep up with competition in changes in technology and markets. According to Beer and Eisenstat (Bass 2007: 42), the following are required to formulate and implement an effective strategy: (1) top-down direction that accepts upward influence; (2) clear strategies and priorities; and (3) an effective TMT with a general management. Effective strategic leadership practices also include the following: (1) focusing attention on outcomes and processes; (2) seeking to acquire and leverage knowledge; (3) fostering learning and creativity; (4) improving work flows by paying attention to relationships; (5) anticipating internal and external environmental changes; (6) maintaining a global mindset; (7) meeting the diversity of the interests of the

multiple stakeholder; (8) building for the long-term while meeting short-term needs; and (9) developing human capital.

These and other effective practices can afford the organisation advantages in a competitive environment (Ireland & Hitt, 1999). Competitive advantages in a global economy can also be gained from a strategy that depends on the leaders' global leadership skills as well as the organisation's reputation.

2.2.6.2 Critical criteria of strategic leadership

According to Ireland and Hitt (1999: 47–48), what will be different in 21st-century companies is the way in which top leaders discharge their strategic leadership responsibilities.

These responsibilities should be executed through interactions based on the sharing of insights, knowledge and responsibilities for achieved outcomes. These interactions should occur between the organisation's great leaders, top managers and employees.
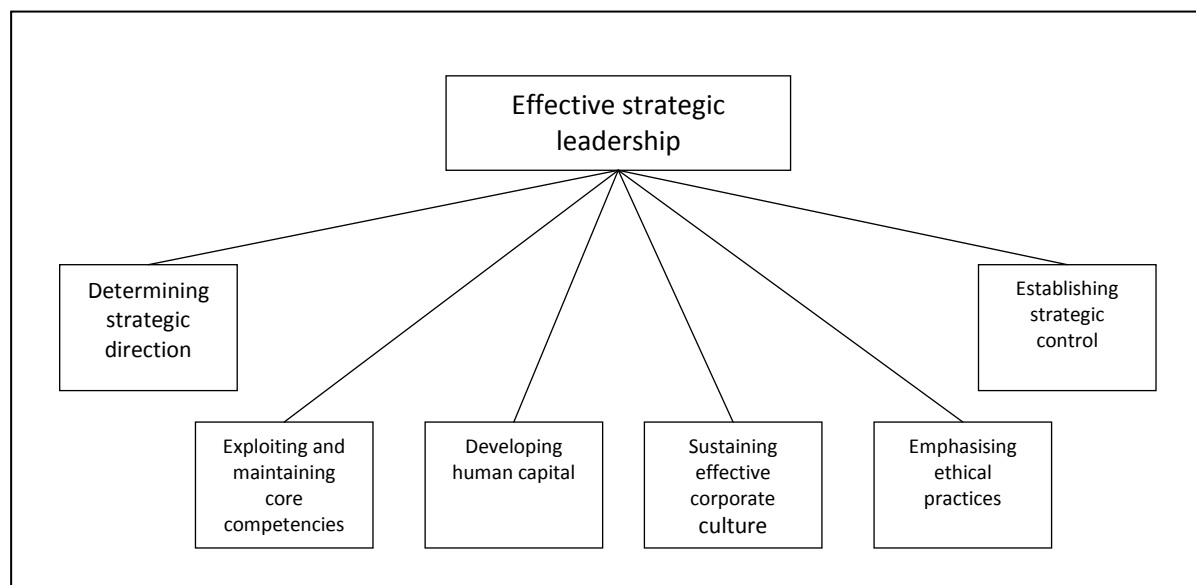
Figure 2.1: Strategic leadership: critical criteria
(**Source:** Adapted from Hitt *et al.*, 2001: 500)

These interactions take place as the organisation satisfies the requirements associated with six key strategic leadership practices, and it is through configuration of all six of these practices or critical criteria that strategic leadership can succeed in the 21st-century organisation (Ireland & Hitt, 1999: 48).

Figure 2.1 indicates the above-mentioned critical criteria of strategic leadership which are as follows:

(1) determining strategic direction

(2) managing the organisation's resource portfolio effectively – exploiting and maintaining core competencies

(3) developing human capital

(4) sustaining an effective corporate culture

(5) emphasising ethical practices

(6) establishing balanced strategic controls

Hagen *et al.* (1998: 2) conducted an empirical study to explore the six critical criteria developed by Hitt *et al.* (1995) in which they examined American CEOs' perceptions of the ranking suggested by the authors and presented in their study.

According to Jooste and Fourie (2009: 52–53), Hitt *et al.*'s (2001) criteria contribute positively to effective strategy implementation. They maintain that strategic management is viewed as a set of decisions and actions that results in the formulation, implementation and control of plans designed to achieve an organisation's vision, mission, strategy and strategic objectives. They state that strategic leaders have a role to play in each of the above-mentioned strategic leadership actions. Each of these strategic leadership actions, in turn, contributes positively to effective strategy implementation (Hitt *et al.*, 2001: 500).

2.2.6.3 Hagen et al.'s (1998) study of strategic leadership criteria

Thus far, six criteria, which Hagen *et al.* (1998) studied empirically, have been discussed. These criteria are critical for strategic leadership. The first purpose of the study by Hagen *et al.* (1998) was to explore the most critical strategic

leadership criteria (Hitt *et al.*, 1995). The second was to investigate American CEOs' perceptions of the ranking of these criteria (Appendix A).

Hagen *et al.*'s (1998) research methods included a survey questionnaire, sample and data collection and statistical techniques. The survey questionnaire was developed by the researchers of this study to include the six critical corporate strategic leadership criteria (Hitt *et al.*, 1995). The questionnaire consisted of six statements to assess the opinions of the surveyed CEOs of the ranking of the suggested leadership criteria. Each statement comprised a five-point Likert response format ranging from "strongly disagree" (1) to "strongly agree" (5).

The survey elicited opinions from executives who had practised some or all of the six leadership criteria suggested. The research sample consisted of 1 000 CEOs randomly selected from companies throughout the United States.

The results indicated that determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining effective corporate culture, emphasising ethical practices and establishing strategic controls are the most critical components of the corporate strategic leadership. However, exercising strategic controls affects the other five criteria as well.

The results showed that CEOs emphasised developing human capital over exploiting and maintaining organisational core competencies to reflect the importance of human resources in the 21st century. Their study therefore concludes that the following, ranked in order of importance, are the six critical criteria of strategic leadership:
(1) determining the organisation's strategic direction
(2) developing human capital
(3) exploiting and maintaining core competencies
(4) sustaining an effective corporate culture
(5) emphasising ethical practices
(6) establishing strategic controls

The study ranked these criteria as significant but did not investigate the relationship between the six critical criteria and organisational performance.

2.2.6.4 Determining strategic direction: vision and strategic intent

(a)   Strategic direction

Determining the strategic direction of the organisation involves developing a long-term vision. An organisation's long-term vision generally looks at least five to ten years into the future (Hitt *et al.* 2001: 497; Hagen *et al.*, 1998: 2). Strategic intent means leveraging the organisation's internal resource capabilities and core competencies to accomplish what may at first appear to be unattainable goals in the competitive environment. Accordingly, strategic intent involves all the employees of an organisation being committed to pursuing a specific performance criterion, believing fervently in the product and industry and focusing totally on doing what they do better than the organisation's competitors (Hamel & Prahalad, 2005).

Porter (Hammonds, 2001: 154) maintains that the chief strategist of an organisation has to be the leader – the CEO. According to Hammonds (2001), a lot of business thinking has stressed the notion of empowerment, of pushing down and involving many people. This is crucial, but empowerment and involvement do not apply to the ultimate act of choice.

To be successful, an organisation must have an extremely strong leader who is willing to make choices and define the trade-offs. According to Hammonds (2001), there is a striking relationship between really effective strategies and really strong leaders.

(b) Vision

Vision is a critical element for anyone in a leadership position because it is closely aligned with future-directed goals (Orndoff, 2002: 59). A vision is simply a view of how one would like the future to be. It will be a description, in reasonable detail, of

a company or department in two, five or more years. A vision is also a "stretch" towards something better.

The development of organisational vision and the ability to manage the change engendered by visions represent core organisational competencies that foster a competitive advantage for organisations (Zaccaro & Banks, 2004: 367). They further argue that effective visions offer an image of what the organisation is changing into. Visions only have value when they are implemented, and to this end, leadership must have strong change management skills. The ability to develop and communicate a vision, as well as enabling the organisation to do so through the broad strategic, structural and policy changes that the vision requires, is critical for the organisation's leadership. Middle-level management need to translate visions into long- and short-term strategic plans, while operational managers function within an extremely short timeframe.

According to Serfontein (2009: 35), visionary leadership is future oriented and concerned with risk taking, and visionary leaders are not dependent on their organisations for their sense of who they are. Under visionary leaders, organisational control is maintained through socialisation and the sharing of and compliance with a commonly held set of norms, values and beliefs.

Zaccaro and Banks (2004: 368) argue, however, that management theorists maintain that, for an organisation to maximise competitive advantage, managers need to clearly define their vision with their strategic plan and have the capability to manage the changes needed to implement the plan. They further postulate that the body of research shows the contribution of organisational vision and the process of leader visioning towards organisational effectiveness, and suggest that leader training and development should focus on developing visioning and change management skills in their leadership training. They argue that organisations need to devote considerable resources to the development of change management as a core competency if they wish to enhance their competitive advantage.

According to Ireland and Hitt (1999), strategic leadership includes the formulation and articulation of a clear vision. De-emphasising the role of strategic choice (Westley & Mintzberg, 1988; Westley, 1989, Cannella & Monroe, 1997: 221), the primary task in strategic leadership, is the formulation of a vision and the creation of conditions for its realisation. Mental models in a leader's vision represent coherent frameworks of social realities; indeed, such models may involve an ultimate reality as well, thus creating a role for religion in leadership vision (Worden, 2005: 224). Behind a vision lies the formulation and articulation of a social reality which lies at the core of leadership, far surpassing the relatively superficial impact of traits and styles that have fascinated quantitative investigations for decades. In fact leadership may be defined in terms of followers' acceptance of a vision's social reality as formulated by a leader.

Accordingly, Nanus and Enderle (Worden, 2005: 224), claim that to lead is to interpret experience and communicate a resultant social reality through the force of vision. A leader's first responsibility is to define reality. Such reality construction is accomplished through a leader's mental model pertaining to his or her vision (Strange & Mumford, 2002). At a basic level, the content of a leader's vision is essentially meaning, structured to reflect a social context. Strategic orients (without collapsing) such socialised meaning towards strategic plans and goals (Worden, 2005: 224).

In "defining the reality of others", leaders influence "the systems of meaning" which circumscribe organisational activity (Rowsell & Berry, 1993: 18). Such circumspection may be in line with strategic objectives and the overall social reality in the vision, even though the latter may go beyond (or may be in tension with) the organisational interests (Worden, 2005).

The role of vision is a filter for strategic choice. In addition, in fashioning a system of meaning in a vision's constructed social reality, a leader can relate individual interests to group purpose and thereby influence any decisions that are made. These in turn can influence the interpretation of reality that characterises the

vision. The influence is not total, for if it were, the vision would collapse into a mere reflection of strategic interests. However, such a leader can still create an effective plan for organisational success (Caldwell, Bischoff & Karri, 2002), even as he or she maintains a credible and distinct vision (Worden, 2005: 224).

(c) Strategic intent

According to Hamel and Prahalad (2005: 150), strategic intent captures the essence of winning. It focuses on a desired leadership position and establishes the requirements the organisation needs to achieve its goals. Strategic intent is more than simply unfettered ambition because it encompasses an active management process that will motivate its people by communicating the value of the target and providing the scope for individual and team contributions. It should also sustain enthusiasm by redefining operations guided by intent as business changes.

A significant factor in organisations that have successfully transformed themselves from those that labour mightily to produce little more than business as usual, is the possession of a long-term strategic intent that aligns the actions and beliefs of everyone in the organisation towards a challenging goal. Formulating and implementing such a strategic intent requires a particular brand of leadership. This process of organisational leadership through the use of strategic intent starts with a personal quest to cast off the shackles of old habits of thought in order to reinvent the future. It takes hold in the present through the effort to enrol others as committed participants in the enactment of a new collective purpose. It gathers momentum with each impossible obstacle that is overcome (Smith, 1994: 66).

Simply attempting to reproduce the cost and quality advantages of its competitors will not create a competitive advantage for a company. Instead, strategic intent incorporates stretch targets that force companies to compete in innovative ways and maximise their use of resources (Hamel & Prahalad, 2005).

2.2.6.5 Exploiting and maintaining core competencies

Core competencies are the resources and capabilities that serve as an organisation's source of competitive advantage (Hitt *et al.*, 2001: 501). Typically, core competencies relate to an organisation's functional skills. As strategic leaders, corporate managers make decisions intended to help their organisation develop, maintain, strengthen, leverage and exploit core competencies. Exploiting core competencies involves sharing resources across units. In general, the most effective core competencies are based on intangible resources, which are less visible to competitors because they relate to employees' knowledge or skills.

Thompson, Strickland and Gamble (2010: 107) define three levels of competency – a competency, a core competency and a distinctive competency. A core competency is a competitively important activity that a company performs better than any other internal activity and it is central to a company's strategy and competitiveness. A core competency is a more valuable resource than a competency because of the well-performed activity's role in the company's strategy and the contribution it makes to the company's success in the marketplace.

According to Clardy (2007: 44), a core competency is the organisational capability to perform some aspect of a production function in a manner consistently superior to its competition, which in turn leads to above-average organisational performance. Core competencies allow the organisation to adapt to changing conditions in a competitive environment and generate more efficient and effective performance. An ideal source of sustainable competitive advantage stems from the organisation's core competencies, which are based on superior organisational routines and processes, and these should be nurtured and developed.

Srivastava (2005: 49) confirms the need to identify an actionable framework for leveraging the concept of core competency in creating a competitive advantage for organisations and proposes a critical competence framework which integrates the various studies on core competencies and proposes a methodology for sustained

success. Core competency, according to Srivastava (2005), is an organisation's ability to successfully deploy its competencies to attain a sustainable competitive advantage. However, having core competencies does not guarantee success – organisations must identify the right ways to deploy them to their advantage.

Competencies refer to intelligent functioning and the abilities to engage in cognitive activities that are the person-generic dispositions necessary for nonroutine or unprogrammed tasks and for a complex volatile environment. Leadership tasks can be described as relatively unstructured, nonspecific, discretionary, complex and subject to constant change. Research indicates that studies agree on the nature of managerial jobs, but the lack of a coherent scheme for understanding and identifying the core skills (Mendonca, 2001: 270).

Even though talent management is the key resource necessary for achieving and sustaining a competitive edge, it is not always easy to find the right person to fit the right job. Few hiring managers can claim to have never experienced the fallout surrounding a bad hire decision, for which the costs are exorbitant and lessons are painfully learnt (Grigoryev, 2006: 16). Core competency modelling is an approach for selecting and developing new hires, which can greatly increase the hiring manager's success rates in finding and developing the talent needed to ensure that the organisation remains competitive.

It is clear that exploiting and maintaining core competencies, being the resources and capabilities that serve as an organisation's source of competitive advantage, are critical criteria for strategic leadership as core competencies are difficult for competing organisations to emulate.

Core competencies cannot be effectively developed or exploited without appropriate human capital. This is discussed in section 2.2.6.6.

2.2.6.6 Developing human capital

Organisations of today have no choice but to mobilise and align their resources with their strategy (Treen, 2000: 62-63). Value can only be created through an organic internal development process that links everyone to a single strategy. Effective human resource recruitment benefits from core competency modelling to ensure the right person is hired for the right job (Grigoryev, 2006: 16). Achieving and sustaining a competitive edge is critically dependant on achieving the right fit. Executive performance matters a lot.   According to Hollenbeck (2009: 130), executives and executive selection are absolute keys to organisation success.

Hagen *et al.* (1998: 3) define human capital as the knowledge and skills of the organisation's workforce – employees as a capital resource. Core competencies cannot be effectively developed or exploited without appropriate human capital.

Understanding and identifying the characteristics for next generation leaders is critical if business is to be successful in tomorrow's large complex organisations. Ready (2004: 36) asks what skills and competencies they will require. Strategic human resource management provides the framework in which these key characteristics can be fostered. The organisation's competencies are the main source of its competitive advantage (Grant, 1995: 140).

Ready (2004: 36) identifies the following characteristics of great leader-builder companies:

- They articulate leadership development as a top-level strategic priority.
- They build outstanding HR functions that create powerful infrastructures for leadership development.
- They reward and support next-generation leaders in multiple ways.
- They create an organisational culture that facilitates the development of leaders.

It is completely within an organisation's power to create a great leadership development machine internally. While many companies struggle to create an

adequate stream of next-generation leaders, top leadership in some companies has made great progress in this regard. These companies understand the importance of articulating leadership development as a top strategic priority (Ready, 2004: 39-40). They have HR executives who think and behave as business leaders and have embedded infrastructures that enable leaders to grow more effectively. In addition, these companies find multiple ways of supporting and rewarding the development of next-generation leaders. Consequently, these companies create corporate cultures that facilitate a continual line of talent that is capable of leading companies into the future. Sustaining the organisation's corporate culture is discussed in section 2.3.2.

In order to succeed, executives must rely heavily on their ability to establish, cultivate and manage meaningful human relationships. Why are relationships important? Strategic is "big", and the bigger the picture, the less a person can know about everything needed from smaller, more specialised areas that help make up the big picture. The greater the involvement in an inherently strategic effort, the greater the need is to rely on the knowledge and expertise of those making up an individual's network of personal relationships. Hence the specific skills relating to the development of sound human relationships become inherently more significant. Developing, maintaining and cultivating relationships will mean inspiring trust in others as well as correctly judging the character of those one has to rely on (Orndoff, 2002: 59). This also means understanding the need for reciprocation and empathy in considering the multiple perspectives of those involved in a person's network of relationships.

Picking the right leaders is crucial (Sorcher & Brant, 2002: 80-81). The characteristics that can help a person succeed in one environment, such as turning around a losing division, may lead to failure in another situation, such as starting a new business. Despite this awareness, costly and painful mistakes are often made in hiring new people for key positions. It is not uncommon for leaders to fall prey to the "halo effect" and emphasising certain attributes while

underemphasising others. Many organisations do not have the right procedures in place to produce a complete and accurate picture of all their top prospects.

Hollenbeck (2009: 131) lists a number of key assumptions, which are based more on philosophy and experience than on data:

- Executive performance matters – a lot. Executive success is predictable; however, this is not the case in practice, because if everything were known, then selections would be perfect.
- People do not change – much. After becoming adults, people have underlying characteristics that serve as the bases for their behaviour over the years – that is, extroverts remain extroverts and introverts remain introverts, the implication being that selection is significant.
- Past performance predicts future performance – sometimes. Given dramatically different performance demands, predicting from past performance may be risky – hence the need to predict from more fundamental perspectives.
- The people make the place – the implication is that executive selection is vital.

Hollenbeck (2009: 133) further states that in addition to the "right" things done in the selection process such as better interviews, better tests, assessment centres, 360 degree feedback, fit, a range of candidates, hiring strategies including talent management, board involvement and behavioural competency models, other factors that were historically ignored, are now being routinely considered in the selection process. Personality is back – after ignoring, if not denying the significance of personality variables, personality is an integral part of current thinking. At the top levels, the range of cognitive ability is often deemed to be so narrow that much of the performance variation lies in these cognitive factors. Leadership is essential – in a world where the terms "leader" and "executive" are largely interchangeable, it may be hard to believe that "leadership" was not a dimension in the original assessment processes. The 1970s and 1980s saw such an emphasis on leadership, that the question that should be asked is not, "Is leadership is important?", but "Is leadership the only thing that is important?" (Hollenbeck, 2009). Assessing leadership is a major priority in executive selection.

Relationships, whether termed emotional intelligence, social intelligence or interpersonal relationships, leadership and executive positions are today viewed as relational. The inability to manage relationships and the so-called "top team" are often seen as the primary cause of executive failure. Identifying not only the success factors but also the derailment factors that may cause executives to fail are now being identified as key factors. The global capabilities required by executives to perform on a global stage are included in the selection and development activities for executives.

The tendency is to overvalue certain characteristics, attributes and skills (Sorcher & Brant, 2002: 80-81), such as the following:

- *Being a team player* – people who manage by consensus. The best leaders are usually not team players; they are independent thinkers and they do not mind making decisions by themselves, decisions that set them apart from the pack. By contrast, consensus managers have trouble making decisions unless everyone is in general agreement with this.

- *Hands-on coaching* – leaders try to develop others through close mentoring relationships. Many excellent leaders prefer to select strong people and delegate fully to them.

- *Operational proficiency* – overvalue people who are effective implementers and problem solvers. Being able to solve problems is one thing; knowing which problems to solve is another. It is critical to have the ability to handle ill-defined and complex situations.

- *Dynamic public speaking* – often overvalued is the ability to comport themselves in front of people. While public speaking is vital, the ability to engage, convince and inspire others, not only large groups but also one on one, is crucial.

- *Raw ambition* – a perceived lack of ambition is often viewed as a negative. Many exceptional leaders are modest and display little ambition with a high degree of personal humility.

- *Similarity and familiarity* – many top executives support those with similar backgrounds, experiences and characteristics to their own and sometimes miss excellent candidates because of a perceived lack of "fit".

It is therefore necessary to properly identify the required leadership skills for an organisation. As the minimum (Sorcher & Brant, 2002), organisations should put in place an evaluation process that results in a full, balanced and accurate picture of candidates. Without this, senior management will remain at risk of making the wrong decisions and misidentifying their leadership talent, and the wrong people will continue to be placed in high-level positions. Studies done in hindsight on why executives fail abound, but the more focused approach on why executive selection fails has not been researched (Hollenbeck, 2009: 141). Demonstrating the effectiveness of executive selection requires going beyond the traditional validation framework of correlating selection data with individual job performance. It requires exploring what happens in the organisation after selection has occurred and whether these outcomes can be attributed to the chosen executives (Hollenbeck, 2009: 149).

As previously discussed, developing human capital is a critical criterion for effective strategic leadership because without appropriate human capital, the core competencies of the organisation cannot be effectively developed or exploited. The ability to develop an organisation's human capital is influenced by its corporate culture (Hagen *et al.*, 1998: 3). This is discussed in section 2.3.2.

2.2.7 Summary

It is clear that, at a strategic level, leadership is the key issue facing 21st-century organisations (Elenkov, 2008: 37; Hitt, *et al.*, 1998). As previously stated, without effective strategic leadership, the capability of a company to achieve or sustain competitive advantage is greatly constrained. The phrase "strategic leadership" emerged from research conducted on strategic management (Sosik *et al.*, 2005: 48) and highlights the six critical criteria identified by Hitt *et al.* (1995), as listed above.

The literature shows that strategic leadership is a series of processes that determine the degree to which organisations are effective in making fundamentally sound connections between people, technology, work processes and business opportunities aimed at adding economic, social and intellectual capital for shareholders, society and employees.

It is critical to understand what strategic leaders actually do in order to produce a strategy-focused organisation. Outstanding strategic leaders are those executives who display key behaviours that enable the organisation to effectively execute its strategy. They are "strategy-focused" leaders (Sosik *et al.*, 2005: 48).

Each of the critical leadership criteria proposed by Hitt *et al.* (1995) was discussed. Research has shown that there is a definite relationship between the leadership's criteria and the organisation's performance. Each of the criteria is crucial and influences the others. As stated in chapter 1, this study explores the significance of these criteria for leadership in high-performing organisations in South Africa, as well as the importance of the relationship between strategic leadership and strategic alignment for these organisations (see section 2.4).

2.3 THE STRATEGIC IMPORTANCE OF CORPORATE CULTURE

2.3.1 Introduction

Culture provides the context within which strategies are formulated and implemented. Organisational culture is concerned with decisions, actions, communication patterns and communication networks. Formed over the life of an organisation, culture reflects what the organisation has learnt across time through its responses to the continuous challenges of survival and growth. Culture is rooted in history and held collectively and is of sufficient complexity to resist many attempts at direct manipulation, because it influences the way the organisation conducts its business, as well as the methods used to regulate and control the behaviour of people in the organisation. Since the way the organisation conducts its business depends largely on the alignment of business process with its

strategy, and needs to be effectively controlled, culture can be a competitive advantage (Serfontein, 2009: 50).   The discussion in this section identifies the importance of organisational culture ethical practices, strategic control and strategic alignment in the context of strategic leadership.

2.3.2 Sustaining an effective corporate culture

An organisational culture consists of a complex set of ideologies, symbols and core values that is shared throughout the organisation and influences the way it conducts business (Hitt *et al.*, 2001: 505).

Corporate culture comprises the core values shared by all or most employees. Strategic leaders should develop and nurture an appropriate culture, one that promotes focused learning and human development, the sharing of skills and resources among units in the organisation, and the entrepreneurial spirit necessary for innovation and competitiveness. An appropriate corporate culture can promote an entrepreneurial spirit, foster and facilitate a long-term vision and create an emphasis on strategic actions linked to the production of high-quality goods and services. Changing culture is more difficult than sustaining it, but effective strategic leadership involves recognising the need to change the culture and implement the changes (Hagen *et al.*, 1998: 3).

The behaviours of top-level leaders become symbols for the organisation's new culture, and for an organisation to become more transformational, top management must articulate the changes required (Bipath, 2007: 66).

2.3.3 The impact of culture on performance

A major reason for the interest in culture in the organisation arises from the assumption that certain organisational cultures lead to positive organisational performance. Positive organisational performance is dependent on the values of the organisational culture being widely communicated and shared in the organisation. Organisations with strong cultures outperform those with weak cultures (Bipath, 2007: 68).

Much of the literature on organisational culture and the performance of the organisation indicates that culture can have significant positive economic value for an organisation (Barney, 1986: 659). Consistency between policies and actions as a strong determinant of culture is influenced by the ethics of the organisation (Mendonca, 2001: 267).

Without the proper cultural nurturing, organisations will be unable to produce sustainable results and a lasting competitive advantage. The transformation of a culture requires relentless commitment from top management – a role that cannot be delegated or outsourced. It is top management that drive the culture of an organisation, and while many leaders will admit that culture is a powerful influence that is able to create and sustain organisational performance, it is not always given the focus that will achieve the transformation (Panico, 2004: 58). Culture can be defined as those characteristics that differentiate one organisation from another and these comprise values, beliefs and behaviours. In any organisation, the culture is a consequence of the influence of past leadership, whether good or bad. Collins (2001: 13) maintains that all companies have a culture, some companies have discipline, but few companies have a culture of discipline. When a culture of discipline is combined with the ethic of entrepreneurship, the result is great performance.

While many leaders concede that culture is a powerful influence that can create and sustain organisational performance, few afford it the time and attention it deserves. The reasons lie in complexity and duration. Transforming a culture requires relentless commitment from top management, a commitment that cannot be delegated or outsourced (Panico, 2004: 58).

The transformation of culture is a long-term process and cannot be accomplished overnight. However, the reputation and culture of an organisation can be destroyed in a moment of indiscretion. A leadership team whose behaviour and conduct have generated mistrust cannot possibly drive positive cultural change, because trust is the one factor that is the most crucial for successfully transforming

a culture. Trust is a function of two things: character and competence. Character includes integrity, motive and intent with people. Competence includes capabilities, skills, results and track record – and both are vital (Panico, 2004: 59; Covey & Merrill, 2006: 30).

Leaders are totally responsible for the climates they create. In companies and society, too often, leaders focus on those characteristics and beliefs that separate rather than unite (Panico, 2004: 60).

2.3.4 Characteristics of organisational culture

According to Panico (2004: 59), the following characteristics of organisational culture are consistently apparent in high-performing organisations:

- There is clear communication of values to ensure they are defined, understood and practised in the organisation.
- Everyone understands the vision and where the organisation is going.
- The business purpose is clearly understood and is more than just profitability.
- There are a small number of unambiguous strategic priorities.
- There is clear communication of performance progress, both positive and negative, which is regularly measured.
- Responsibility and accountability are individually owned.
- Standards of performance are fixed.
- There is reward for contributions both at individual and group level.
- Work is seen as fun.
- People at all levels treat one another with dignity and respect.
- Human resources in the organisation are managed as its most important asset.
- Trust reigns supreme.

Although this list is far from comprehensive, it does establish a baseline for references to an effective culture since these same characteristics appear consistently in high-performing organisations (Panico, 2004: 59).

All organisations have a culture, but not all cultures have a positive influence on the organisation's performance. A positive corporate culture is driven by the organisation's strategic leadership and is a critical criterion in organisational performance. Such a positive culture includes emphasising ethical practices. This is discussed in section 2.3.5.

2.3.5 Emphasising ethical practices

There is a considerable body of literature which addresses the topic of ethical leadership. However, many of the sources deal with the topic of leading ethically without clarifying the attributes and actions that comprise ethical leadership. This is a vital concept and organisations must gain a better understanding of the factors that influence ethical leadership (Resick, Hanges, Dickson & Mitchelson, 2006: 346; McCann & Holt, 2009: 212). A lapse of ethical standards by leaders in recent years has resulted in ethical leadership coming under the spotlight of public attention.

The meaning of ethical is that which is morally good and right, as opposed to legally or procedurally right (Sauser, 2005: 345). Ethics has to do specifically with moral behaviour in society. It is becoming more apparent that organisational leaders need to be more sensitive to their moral obligations to all stakeholders, including employees, suppliers, consumers, governments and local communities. (Mendonca, 2001: 268; McCann & Holt, 2009: 211).

Ethics or integrity is a set of moral standards of what is proper and right behaviour. The extent to which one's behaviour measures up to societal standards is typically used as a gauge of one's ethicality. Integrity in leadership is vital for a corporation to achieve its goals. It is assumed that the personal values a leader holds will influence corporate beliefs, behaviour and decisions (McCann & Holt, 2009: 211).

The leaders of organisations are responsible for maximising shareholder profit while maintaining a high standard of business practices. It is not sufficient for organisations to simply provide codes of ethics – they must develop an ethical

decision-making process based on a shared understanding of the values of the organisation. Values not only influence individuals' behaviour, but also have an impact on the achievement of specific goals and objectives (Ncube & Wasburn, 2006: 78, 90). Ethical decision making in organisations is not only the right thing to do, it is also vital to the organisation's survival. The real challenge in ethical decision making is to ensure that the decision made will not only meet the needs of the individual but advance organisational goals as well. Executives today work in a virtual moral minefield, where a seemingly innocent decision can explode and cause considerable damage to the reputations of both the organisation and the decision maker (Messick & Bazerman, 1996: 9).

The effectiveness of processes to implement strategy increases when the processes are based on ethical practices. Ethical companies encourage and enable people at all organisational levels to exercise ethical judgement. To properly influence employees' judgement and behaviour, ethical practices must shape the organisation's decision-making process and be an integral part of its culture. A value-based culture is the most effective means of ensuring that employees comply with the organisation's ethical requirements (Hitt *et al.*, 2001: 508). Hagen *et al.* (1998: 3) maintain that effective strategic leaders emphasise ethical practices in their organisations, and seek to infuse them through the organisational culture. The ethics that guide individual actions are based on principles formed by long-term influences that extend beyond the organisation.

Leading ethically in a culturally appropriate way requires managers to understand the interface between societal culture and ethical leadership. Keating, Martin, Resick & Dickson, (2007: 23) build on the four components of ethical leadership identified.

A long-held view is that while production and profitability goals are the leader's primary objectives, leaders are also responsible for setting the standards of moral and ethical conduct in their environments (Resick *et al.*, 2006). These researchers state further that, essentially, ethical leadership involves leading in a way that

respects the rights and dignity of other people. According to Beschorner (2006: 127), business takes ethics into account only if it pays, the last resort being profit maximisation. In an environment characterised by numerous corporate scandals, restoring trust and applying ethical standards have become challenges for business. In United States of America, the Sarbanes Oxley Act of 2002 requires certification by the top management of corporations of the accuracy of financial statements and reports (Ncube & Wasburn, 2006).

Does an organisation need ethical leadership in order to be effective and successful? Undoubtedly. An organisation's long-term success is determined by the leader's character, which makes the organisation trustworthy and builds the confidence of its stakeholders in the organisation (Mendonca, 2001: 268). Organisational effectiveness on an enduring basis is greatly enhanced by the self-transformation of the leader and the followers, which is inherent in ethical leadership.

The organisation's moral environment is a natural overflow of ethical leadership manifested by the leader's altruistic motive, empowering influence over strategies and moral character formation (Mendonca, 2001: 275). The practice of personal mastery through the exercise of virtue and managerial resourcefulness ensures ethical leadership through the leader's commitment to the ethical principles and values expressed, not only in terms of intellectual assent, but also in the leader's continuous struggle to live by them.

Resick *et al.* (2006: 345) examine ethics cross-culturally. Business faces the challenge of international competition for customers and resources who may be located anywhere in the world, requiring leaders to interact regularly with colleagues from a different culture. It has become imperative for leaders to be aware of the cultural differences that impact on business – hence the significance of clarifying the attributes and behaviours of ethical leadership to address the question of what ethical leadership is. Keating *et al.* (2007: 7) define ethical leadership as the way in which leaders use their social power in the decisions they

make, actions they engage in and ways they influence others. Ethical leadership is fundamentally about leading in a way that respects the rights and dignity of others (Resick *et al.*, 2006: 346).

A cognitive component consisting of leaders' values and knowledge is at the core of ethical leadership. Resick *et al.* (2006: 346) identify six key attributes that appear to characterise ethical leadership. These include character and integrity, ethical awareness, community/people orientation, motivating, encouraging and empowering and managing ethical accountability.

The findings of the study conducted by Resick *et al.* (2006) indicate that four components that characterise ethical leadership – that is, character/integrity, altruism, collective motivation and encouragement – are viewed as behaviours and characteristics that contribute to a person being an effective leader across cultures. These components are universally supported. However, the degree of endorsement for each dimension differs from culture to culture. Keating *et al.*'s (2007) study provides support for the use of the four-factor ethical leadership construct.

2.3.6 Ethical behaviour in organisations

Reputation and others' perceptions of one are key aspects of executive ethical leadership. Those "others" include all stakeholders, employees at all levels and key external stakeholders. In order to develop a reputation for ethical leadership, a leader should be strong on two dimensions namely – he or she should be a moral person and a moral manager (Treviño, Hartman & Brown, 2000: 128, 133). The CEO is regarded as the chief ethics officer of the organisation and therefore creates a strong ethics message which influences the thoughts and behaviours of employees. The executive ethical leader must find ways to focus on ethics and values that will infuse the organisation with the principles that guide employee behaviour. Leadership behaviour, in the sense of leading, assesses the followers' needs and expectations and inspires them to realise the organisation's vision (Mendonca, 2001: 266). In this regard, the leader's integrity and moral behaviour

give credibility to the vision, because, if this is in question, no matter how noble and well presented the vision, it will be viewed with scepticism and lose credibility in the eyes of the followers, and will not move them to achieve it.

According to Zhu, May and Avolio (2004: 16), leaders exhibit ethical behaviours when they are doing what is morally right, just and good, and when they help to elevate their followers' moral awareness and moral self-actualisation.

The characteristics of a moral person and a moral manager are identified. Traits are stable personal characteristics resulting in predictable behaviour, which is determined by integrity, honesty and trustworthiness. Trustworthiness is a key characteristic of the leader and has to do with consistency, credibility and predictability in relationships (Treviño *et al.*, 2000: 130, 131). Behaviour is what is seen and reflects the character of the leader. Accordingly, the leader's behaviour has a strong influence on the organisation. So-called "right behaviour" is evidenced by doing the right thing, concern for people, being open and the leader's personal morality.

Ethical leaders are expected to treat their employees fairly and in an unbiased and impartial manner. When a leader's behaviour is perceived as genuine and authentic, employees will respond positively. However, the strength of the relationship between such behaviours and employees' responses will weaken if the moral intention behind the leader's behaviour becomes suspicious (Zhu *et al.*, 2004: 17).

Executive leaders are deemed to have to a solid set of ethical values and principles in their decision-making role. They aim to be objective and fair and are also perceived to have a perspective that goes beyond the bottom line to include concerns about the broader society and community (Treviño *et al.*, 2000).

The mental model of the individual is a critical factor that influences his or her ability to make quality decisions in addition to creating a framework for the beliefs

and values (Caldwell *et al.,* 2002: 153) that ultimately determine the leader's ethical framework.

The causes of poor ethical decision making are often the same as the general causes for poor decision making, with decisions possibly being based on inaccurate theories about the environment in which they operate (Messick & Bazerman, 1996: 20). Improving ethical decision making may benefit from the same method of improving general decision making – broadly speaking, executives can focus on quality, breadth and honesty.

Moral managers recognise the need to put ethics at the forefront of their leadership agenda. The challenge for executives is to make values and ethics prominent in the business landscape where messages about beating the competition and achieving quarterly goals and profits dominate (Treviño *et al.*, 2000: 133). A number of ways in which moral managers can increase the impact of an ethics and values agenda and enhance a reputation for ethical leadership are identified. These include role modelling through visible action, rewards and discipline and communicating about ethics and values.

Strategic leaders emphasise ethical behaviour and are extremely rare in most organisations (Rowe, 2001: 87). They oversee day-to-day operations and long-term strategic responsibilities and formulate and implement strategies for immediate impact and the preservation of long-term goals to enhance organisational growth, survival and viability. They use strategic controls and financial controls, with the emphasis on the former and have strong positive expectations of the performance that they expect from their superiors, peers, subordinates and themselves. They use and interchange tacit and explicit knowledge at both the individual and organisational levels and use both linear and nonlinear thinking patterns. Finally, they believe in strategic choice, namely that their choices make a difference in what their organisations do, and that this will affect their organisations' internal and external environments.

As discussed earlier, integrity in leadership is vital if a corporation is to achieve its goals (McCann & Holt, 2009). A leader's personal values will influence corporate beliefs, behaviour and decisions. Emphasising ethical practices is a critical criterion for leadership in organisations and it should be driven from the top leadership team throughout the organisation.

Ethical practices are essential for effective strategic control in organisations. Establishing strategic control is discussed in section 2.3.7.

2.3.7 Establishing strategic control

Organisational control has long been viewed as a major part of the strategy implementation process. Controls are necessary to help ensure that organisations achieve their desired outcomes of strategic competitiveness and above-average returns (Hitt *et al.*, 2001: 511). According to Hagen *et al.* (1998: 4), strategic control refers to corporate leaders' understanding of the strategies being implemented in the various business units. Strategic control focuses on the content of strategic actions in order to achieve appropriate outcomes. Strategic control therefore encourages lower-level managers to make decisions that incorporate moderate and acceptable levels of risk. Effective use of strategic controls by corporate leaders is frequently integrated with appropriate autonomy for the subunits so they can gain a competitive advantage in their respective markets. Autonomy provided by strategic control allows for the flexibility and innovation necessary to take advantage of specific market opportunities. Strategic leadership promotes the simultaneous use of strategic controls and autonomy.

During the 1980s and early 1990s, performance measurement received considerable criticism for being limited to financial measures as indicators of organisations' profitability (Bipath, 2007).

Although change is part of business development, it is often difficult to manage, and control is essential. Most organisations focus on attention to goals, particularly financial goals, as the main variable in strategic control. Tavakoli and Perks (2001:

304) developed a five-factor model for a strategic control system for the management of strategic change. The five factors in this model focus on competitive advantage, strategic capabilities, industry key success factors, strategic goals and planning premises. Building the five factors into an organisation's strategic control system can assuage the likelihood of the impact of strategic change being underestimated by managers.

Kaplan and Norton (1996: 24-25) developed the widely used balanced scorecard as a means of identifying targets and measuring performance. The balanced scorecard provides executives with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures organised into four different perspectives: financial, customer, internal business process and learning and growth. These topics are discussed in more detail in sections 2.4.2 to 2.4.5.

The five-factor model is built on the conceptual base of the balanced scorecard with the emphasis on the monitoring of competitive advantage factors, strategic capabilities and key success factors. The process variables and external dynamic forces, as key measures incorporated into the balanced scorecard, represent a significant advance on previous models of strategic control (Tavakoli & Perks, 2001: 303).

According to Narayanan and Zane (2009: 394), if leadership does not directly impact organisational performance, then leadership does not matter to organisational life.

Virtually no one disputes the fact that investors need as much information as possible to accurately evaluate a company, and academic studies show that companies with greater transparency have higher valuations. In addition to providing annual forecasts, many companies are providing forward-looking information, including key operating ratios plus qualitative information about the

company and its industry. Ratio analysis can help investors to evaluate company performance (Brigham & Ehrhardt, 2008: 122).

As discussed, controls are necessary to help ensure that organisations achieve their desired outcomes of strategic competitiveness and above-average returns. Strategic leadership promotes the simultaneous use of strategic controls and autonomy.

2.3.8 Summary

Effective cultures are ones in which people understand that competitive advantages do not last forever and that the organisation must move forward continuously.   When employees are comfortable with the reality of constant change and the need for a never-ending stream of innovations, patterns and practices are in place that can enhance global competitiveness (Serfontein, 2009: 51).

The challenge for the strategic leader is how to instil normative values that guide corporate action and individuals' behaviour. In the final analysis, ethical decision-making processes result in the use of organisational resources to obtain the benefits desired by legitimate stakeholders. A strategic leader's commitment to pursuits in which legal, ethical and social concerns have been taken into account is deemed to be both morally right and economically efficient (Serfontein, 2009: 52).

Strategic leaders' commitment to serve stakeholders' legitimate claims will contribute to the establishment and continuation of an ethical organisational culture. The necessity of controls to help ensure that organisations achieve their desired outcomes was discussed.

The literature confirms the importance of culture, ethics and control as critical criteria for effective strategic leadership in organisations in the context of this study.

2.4   STRATEGIC ALIGNMENT

2.4.1   Introduction

As noted earlier, the presence of a strategic leader leads to a number of short- and long-term outcomes that largely determine the success of an organisation (Rowe & Nejad, 2009: 2), especially where these leaders focus on building their organisation's resources, capabilities and competencies in order to gain a sustained competitive advantage.

In this section, the strategic alignment of organisational resources and capabilities with strategy is discussed in an effort to gauge the value of alignment in enabling an organisation to deliver on its strategy and meet customer needs.   An understanding of the concepts of and approaches to alignment will be explored, and its impact on organisational performance discussed.

2.4.2   What is strategic alignment?

Alignment is that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits. Aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for shareholders (Labovitz, 2004: 30).   He maintains that alignment gives managers at every level of the organisation the ability to rapidly deploy a coherent business strategy, be totally customer focused, develop world-class people and continuously improve business processes – all at the same time. Strategic alignment furthermore provides a means to measure the effectiveness of organisations.

According to Khadem (2008: 29), two people are aligned when they move in the same direction. They are integrated when they cooperate with each other. Total alignment encompasses both alignment and integration.   It is possible to be aligned but not integrated. This is evidenced when two people move in the same direction but without cooperation. Khadem (2008) maintains that alignment needs a centre of focus or frame of reference for all employees, which is the vision, values and strategy of the organisation.   Alignment therefore means alignment

with the organisation's vision, values and strategy. Hence, according to Khadem (2008: 29), the most effective way to make an organisation's business strategy effective is through alignment and follow-up. This state of alignment means that everyone in the organisation understands the strategy, buys into it, knows how to make a real contribution and strives to make a contribution to its realisation.

 As previously discussed in section 1.3.3, Kaplan and Norton (2006: 3) maintain that alignment matters and that it produces dramatic benefits in organisations. These authors (2006) developed the four-perspective framework of a business unit's balanced scorecard, which describes how the unit creates shareholder value through enhanced customer relationships driven by excellence in internal processes. These processes are continually improved by aligning people, strategy, systems and culture. The four perspectives are as follows:

(1) *Financial.* What are our shareholders' expectations for financial performance?
(2) *Customer.*To achieve our financial objectives, how do we create value for our customers?
(3) *Internal processes.* What processes must we excel at to satisfy our customers and shareholders?
(4) *Learning and growth.* How do we align our intangible assets – people, systems and culture – to improve the critical processes?

Each of these four perspectives is linked in a chain of cause-and-effect relationships (Kaplan & Norton, 2006: 6-7). For example, a training programme to improve employee skills (the learning and growth perspective) improves customer relations (internal processes), which, in turn, leads to greater customer satisfaction and loyalty (customer) and, eventually, increased revenues and margins (financial).

The four-perspective framework for business unit strategies extends naturally to developing an enterprise balanced scorecard. Alignment is critical if enterprises

are to achieve synergies through their business and support units (Kaplan & Norton, 2006: 26–27).

Kaplan and Norton's (2006:15) key focus is on aligning strategy with the organisation's employees and management processes. Aligning and integrating strategies in all organisational units will yield little if employees are not motivated to help their organisational unit implement these strategies.

Kaplan and Norton (2006) conclude that the successful execution of strategy requires the effective alignment of the following four components:

- the strategy
- the organisation
- the employees
- the management systems

Underlying this is the guiding hand of strategic leadership. Each of these alignment components is a necessary but not sufficient condition for success. In concert, however, they provide a recipe around which a successful management process can be developed.

The concepts presented by Kaplan and Norton (2006) reflect similar components to those inherent in Labovitz and Rosansky's (1997) model, whose four components are strategy, customers, processes and people (employees).

While the necessity for an alignment between the organisation's strategy and operations is theoretically founded (Raymond & Croteau, 2009: 192, 199), only a few researchers have empirically studied the nature of alignment as well as its influence on the organisation's performance. Their research objectives were to identify the consequences of alignment for the operational and business performance of medium-sized manufacturing enterprises and to verify whether these consequences are valid for all types of business strategy or for only some. Their study confirmed the existence of many relationships, a number of these

depending on the business strategy. Examples of these included a positive association between alignment and productivity and between alignment and profitability.

Alignment is essential in all organisations, but alignment issues are critical in service organisations. Services are intangible because they involve acts and processes rather than producing tangible goods. Great service is rare, but it is not an impossible dream. It is rare because it is complicated, requiring the alignment of numerous internal practices that contribute to the creation and reinforcement of a service tradition, strategy and culture (Schneider, Godfrey, Hayes, Huang, Lim, Nishi, Raver & Zigert, 2003: 123). The result of excellent service accordingly impacts positively on profitability.

Despite the accepted need for strategic alignment in the manufacturing strategy, according to the literature, there has been relatively little research aimed at simultaneously aligning decisions in the structural and infrastructural areas with the competitive priorities of an organisation (Kathuria & Partovi, 2000: 215). In order to bridge this gap, they presented a conceptual model based on the premise that the process of aligning workforce management practices to competitive priorities involves the identification of the key managerial tasks underlying various competitive priorities. These tasks are then matched with the process technology characteristics and workforce management practices to seek a good fit, which is expected to improve performance.

Alignment appears to be a necessary condition for organisational effectiveness. Alignment means having common agreement about goals and means (Fonvielle & Carr, 2001: 5). It is in the achievement of goal congruency that all parts and functions of an organisation's value chain work towards the same purpose. These authors (2001) further emphasise that when alignment is strong, people feel a clear and shared sense of purpose, inspiration and energy, and both individual and team effectiveness increase. When alignment is weak, people work at cross-purposes and actions become less effective.

Khadem (2008: 29) poses the following question: If alignment and follow-up are crucial to success, why are so many organisations with competent, creative and determined resources lacking these two elements? The reason, according to Khadem (2008) is that a strength can sometimes become the weakness. Organisations that lack alignment often have competent, creative and determined resources that do not agree with the strategy, do not share the vision or do not buy into the culture of the organisation as defined by the TMT.

Strategic alignment must start at the top of the organisation with its top level of leadership and cascade down through all levels in the organisation. This will have a unifying effect on functions, teams and individuals and impact positively on the organisation's performance. In order for this to be effective, communication of the organisation's strategic direction and performance measures throughout the organisation is critical to achieve alignment. Without measures, many organisations fail to communicate and cascade their strategy through the organisation (Fonvielle & Carr, 2001: 60). The empirical study by Jooste and Fourie (2009: 65) concludes that a poor understanding of the strategy by the workforce and ineffective communication of it to the workforce are the principal barriers to strategy implementation in this regard. The successful transition from strategy formulation to the implementation of strategy ultimately depends on the organisation's strategic leaders.

The literature examines the four constructs of strategic alignment, namely strategy, customers, processes and people, and the significance of their relationship with each other to effect organisational performance. Alignment links strategy to people and integrates them with customers and process improvement. Alignment ensures that the organisation is in balance.

The next section examines a model of alignment for measuring effectiveness in organisations.

2.4.3 The strategic alignment model

The strategic alignment model presented by Labovitz and Rosansky (1997) provides a tool for measuring effectiveness in organisations. Alignment gives managers at every level of the organisation the ability to rapidly deploy a coherent business strategy, be totally customer focused, develop world-class people and continuously improve business processes – all at the same time. Labovitz and Rosansky (1997) further maintain that their research and experience have convinced them that growth and profit are ultimately the result of alignment between people, customers, strategy and processes.

They have found that organisations that consistently land on their feet during turbulent times are managed by people who keep everyone focused on the key business objectives and, in the midst of change, have generated sustained business results. To understand the concept of strategic alignment (Labovitz & Rosansky, 1997: 38; Lear, 2000: 23), the analogy of landing a small aircraft is used to describe the challenge of becoming and staying aligned when many

Out of alignment   **In alignment**
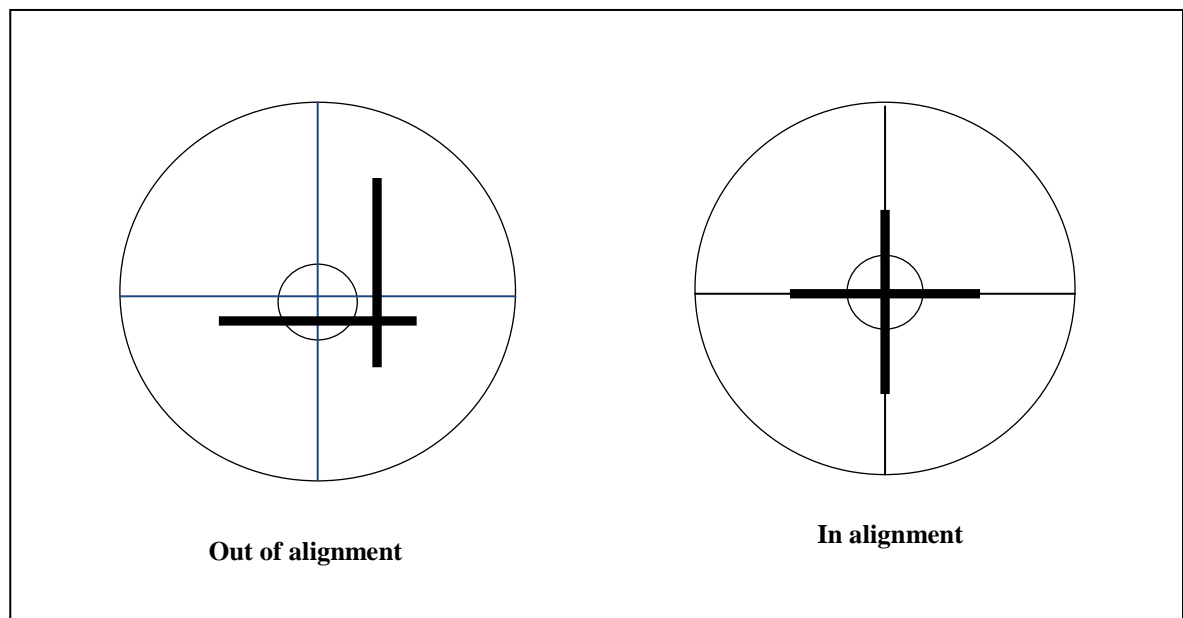
 Figure 2.2: Instrument out of alignment and in alignment
(**Source**: Adapted from Labovitz & Rosansky, 1997: 39)

factors are changing at once. The instrument landing system helps the pilot align vertically and horizontally with the runway during the approach. In line with this analogy, the same focus is needed to keep a business centred on its main objectives.

In figure 2.2, the instrument indicates that the plane is too high. By lowering the nose of the aircraft, the pilot will see the horizontal bar move up towards the centre. The vertical bar indicates that the aircraft is not aligned with the runway and is too far to the left and must turn to the right in order to land on the runway. When both bars are aligned in the centre, as illustrated in figure 2.2, the aircraft is on the proper glide path for a safe landing.

Because factors such as crosswinds, air speed and rate of descent all conspire to move the plane off this perfect course, it is necessary for the pilot to continually adjust altitude and direction all the way down to the runway for a safe landing. In the same way, business leaders must continually be centred on the ultimate objective of the business in order to be effective.
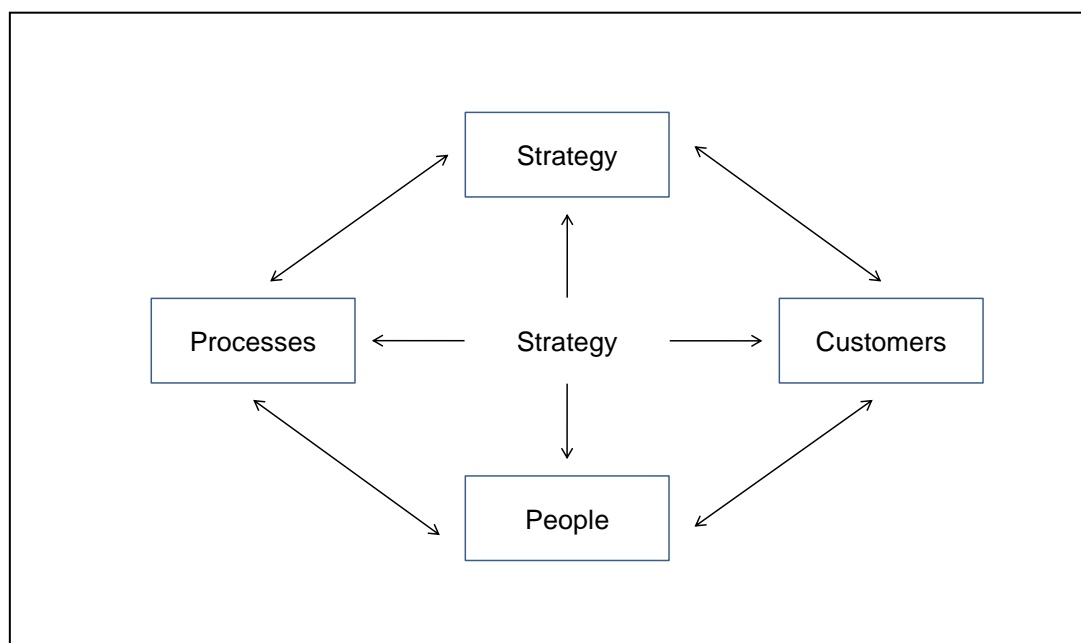
Figure 2.3: Model of strategic alignment

(**Source**: Adapted from Labovitz & Rosansky, 1997: 44)

What serves as the central point for alignment? Labovitz and Rosansky (1997: 38) maintain that the central focus of leadership is the organisation's goals and objectives. Alignment is the optimal state where the key elements of an organisation – people, strategy, customers and processes – are aligned and integrated to work in concert with each other. People in aligned organisations have a clear line of sight to customer requirements and organisational goals. Hence strategic alignment is defined as linking strategy and people, and integrating them with customers and process improvement (figure 2.3).

Sustained excellence emerges when all the key elements of a business are connected and simultaneously linked to the marketplace. There is increasing evidence that strategic alignment is a vital factor in achieving business success (Lear 2000: 24, 26).

The hallmark of aligned organisations is that they consistently deliver measurable improvements in customer loyalty, customer satisfaction, employee retention and return to shareholders, all at the same time (Labovitz, 2004).

Labovitz (2004) has done extensive research on strategic alignment and developed a tool to measure strategic alignment in organisations, which provides a basis for measuring organisational success. This diagnostic profile is used as a measure of the impact of strategic leadership on companies (Labovitz & Rosansky 1997: 53). The diagnostic profile can be used across the entire spectrum of the organisation. In this way it can be ascertained whether there are levels in which alignment does or does not occur in the organisation.

Schneider *et al.* (2003: 124) examined the experiences of strategic alignment by employees in a service organisation. They maintain that organisational researchers describe the relationship between the environment and the internal organisation in terms such as "fit", "congruence", "consistency", "alignment" and "matching".

These concepts indicate that a high level of both internal and external alignment is more likely to lead to greater quality and efficiency of operations than a low level of alignment. This is because the various systems in the organisation reinforce instead of disrupt one another, thus making organisational effectiveness more likely. They conclude from their study that the key to great service is in the alignment of all the organisation's practices, which emphasises the shared message that service excellence is who we are and what we value. They further conclude that great service is rare but not impossible. It is rare because it requires the alignment of numerous internal practices that contribute to the creation and reinforcement of a service tradition, strategy and culture. Where organisations are able to render great service they are in fact profiting from their efforts (Schneider *et al.,* 2003: 124).

Aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for their shareholders. They focus employees and their work on key goals. In an aligned organisation, every employee understands not only the organisation's strategy and goals, but also how his or her work contributes to satisfying the needs of the customer. This is discussed in sections 2.4.4 and 2.4.5.

2.4.4 Vertical and horizontal alignment

Alignment relies on two essential dimensions which lie on the vertical and horizontal axes. The vertical dimension is concerned with organisational strategy and the people who must transform the strategy into meaningful work. According to Labovitz and Rosansky (1997: 73), the difference is the way strategy is formulated, and the way in which people are engaged with it will determine the degree of deployment throughout the organisation.

According to Kim and Mauborgne (2009: 73), there are two types of strategy: structuralist strategies that assume that the operating environment is given and reconstructionist strategies that seek to shape the environment (Appendix G). In choosing which of the two would be most appropriate for the organisation, the

following factors need to be considered: environmental attractiveness, the capabilities and resources and whether the organisation has a strategic orientation for competing or innovating. Whichever type of strategy is chosen, success will depend on creating an aligned set of strategy propositions targeted at customers, the people working for or with the organisation and processes in the organisation aligned to execute the strategy. Kim and Mauborgne (2009: 80) maintain that failure to achieve alignment is the key reason why many market-creating innovations fail to become sustainable business. The challenge for leaders is therefore to ensure that there is robust debate on what the right strategic approach is for each business. The real difference between success and failure is strategic alignment. Strategy that reflects the contributions of the workforce and is executed rapidly and effectively will align activities with the intentions of the business and invigorate employees.

According to Labovitz and Rosansky (1997: 76-77), a hierarchy that stresses command and control can claim to do neither. Measurements tied to company objectives are the key to vertical alignment. The importance that the TMT attributes to determining the organisation's strategic direction must be matched with the communication and deployment of the strategy throughout the organisation. Involving employees in the process of strategy determination will result in faster more effective deployment. When the TMT not only values these criteria, but ensures that they are implemented in the organisation, alignment is impacted on positively. According to Khadem (2008: 33), if an organisation intends to be aligned, it needs a centre of focus or frame of reference for all its employees. This frame of reference is the vision, values and strategy of the organisation.

Vertical alignment energises people and provides direction and offers opportunities for involvement. It implies more than employee compliance with strategy as determined by top leadership. Instead, strategy should be determined by customer requirements and shaped by the people who implement it at operational level. Strategies that are created by top leadership in isolation do not

align with customer needs. Vertical alignment alone is only half the challenge – the other half is implementation. Excellent strategy execution requires aligning competencies with strategy (Khadem, 2008).

In the same way as vertical alignment ensures that company strategy is reflected in the behaviour of every employee, the horizontal dimension involves the organisation's processes that create what the customer values, and infuses the concerns of the customer into everything the organisation does. Horizontal alignment links a company's actions with customer needs in ways that delight and create loyalty (Labovitz & Rosansky, 1997: 109). This influences the company's strategy, processes and behaviour. Horizontal alignment informs strategy and people.

Ensuring that organisational processes focus on the customer, as the overarching goal, a powerful horizontal alignment will be achieved (Labovitz & Rosansky, 1997: 131).

Becoming aligned does not simply happen. Someone in a position of power has to make it happen with a huge push or some type of Herculean effort (Labovitz & Rosansky, 1997: 175). Real change almost always starts at the top. To achieve the vision, the organisation needs to produce results through the existing processes in the organisation, and the creation of new processes to deliver additional results (Khadem, 2008: 34).

As previously stated, alignment is that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits (Labovitz, 2004: 30). Once alignment is achieved, performance measures are needed to keep the organisation aligned.

The next section discusses the impact of alignment on organisational performance.

2.4.5 Strategic alignment and organisational performance

The performance measurement system is ultimately responsible for maintaining alignment and coordination in an organisation. No organisation can succeed unless it has an effective and efficient metrics system that aligns all the strategic objectives of the organisation. Melnyk, Calantone, Luft, Stewart, Zsidisin, Hanson and Burns (2005: 314) explore the relationship between customer, corporate strategy and tactical execution level as it affects the implementation, development, use and management of metrics.

Studies on strategic alignment have focused on the alignment of IT processes to the organisation's objectives (Peak & Guynes, 2003) and have examined its impact on business performance. The literature suggests that organisations cannot be competitive if their business and information technologies are not aligned. According to Labovitz (2004: 31), organisations must align and improve their core processes in order to meet customer requirements and drive the organisation's strategy.

Economic performance can be enhanced by alignment by finding the right fit between external positioning and internal arrangements. By focusing on the alignment of strategy and infrastructure, organisations may not only achieve synergy and facilitate the development of business plans, but also increase profitability and efficiency (Ciborra, 1997: 70; Avison *et al.*, 2004: 225).

Alignment is necessary between strategic priorities and measurement activities in order to impact on operational performance. Once strategic priorities have been selected and defined, their impact on operations is determined by how well they are communicated, as well as by how frequently and systematically they are evaluated or measured. The measures used to monitor an organisation's operational excellence in supporting desired strategic priories are influenced by the measures used to monitor the organisation's value-added activities (Fawcett, Smith & Cooper, 1996: 411).

Total alignment provides a system for strategy execution. Once this system is in place, it will soon be apparent how well current strategies are working. Then when the organisation searches for a better business strategy, it will be because it needs one, not because the organisation cannot get the existing strategy to work (Khadem, 2008: 35).

In conclusion, achieving improved business performance occurs through alignment between the organisational strategies, customers, people and process, which affects business performance (Papke-Shields & Malhotra, 2001).

Once alignment has been achieved across the four dimensions in the organisation, maintaining alignment through measurement is vital in a dynamic and changing organisational environment.

2.4.6 Summary

Without effective strategic leadership, the probability of an organisation achieving superior or even satisfactory performance when confronting the challenges of the global economy will be greatly reduced (Ireland & Hitt, 1999: 43).

From the body of literature examined in this chapter, there is no doubt that strategic leadership matters. Identifying the criteria whereby strategic leadership influences performance is therefore critical to the organisation's success.

Several identifiable actions characterise strategic leadership that contribute positively to effective implementation (Hitt *et al.*, 1999; Jooste & Fourie, 2009), namely

- determining strategic direction
- exploiting and maintaining core competencies
- developing human capital
- sustaining an effective organisational culture
- emphasising ethical practices
- establishing balanced organisational controls

The literature suggests that organisations cannot be competitive if their businesses are not aligned. However, achieving strategic alignment continues to be a major concern for business executives (Avison *et al.*, 2004). Alignment is essential and produces dramatic benefits for organisations (Kaplan & Norton, 2006: 3), and alignment is critical if organisations are to achieve synergies through their business and support units (Kaplan & Norton, 2006: 26-27).

Aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for their shareholders (Labovitz, 2004: 30). This is achieved when employees in the organisation are aligned with the organisation's strategy, which is geared to customer needs and processes to ensure the business is able to deliver on the strategy.

While the necessity for an alignment between the organisation's strategies, customers, processes and people is theoretically founded, only a few researchers have empirically studied the nature of alignment and its influence on the organisation's performance. Alignment of the four constructs of strategic leadership, strategy, customers, processes and people, falls within the context of the current research.

2.5 CONCLUSION

This chapter dealt with the theory and the empirical research findings relating to the development of leadership themes and theories, including strategic leadership, organisational culture and strategic alignment.

While the topic of leadership has been the focus of studies over the past 30 years that have reflected a range of views, only recently has there been evidence of an increasing focus on strategic leadership.

Effective leaders are those who are able to assess a diverse set of dynamic environmental forces to identify performance demands on the organisation in terms of specific outputs the organisation has to produce to enable it to optimally align with its environment. In essence, the challenge of leadership is to envision how to change the organisation in order to achieve the set of organisational results that best fits with environmental demands while maintaining the organisation as a functioning social system (Sanders & Davey, 2011: 45).

While it is agreed that there are many passing references to strategic, top-level leaders and their vital importance, the larger part of analytical study has focused on leadership at lower levels in the organisation. Less than 5% of the leadership literature has focused on executive leadership as opposed to the majority of studies which have focused on lower-level leadership (Zaccaro & Horn, 2003: 772; Storey, 2005: 81).

Research has confirmed that leader behaviour influences group and organisational behaviour, but less is known about how top leadership ensure that group and organisational members implement their decisions. It is the alignment across hierarchical levels that matters (O'Reilly *et al.*, 2010: 104,112).

International studies such as that of Elenkov (2008), who conducted an empirical study to determine the effects of strategic leadership on innovation, and an earlier study by Elenkov *et al.* (2005) explored strategic leadership and executive innovation influence. The results of this study found that leadership at strategic level had a strong relationship with the influence of top management on two types of innovation – product market and administrative innovations. The study further indicated that possessing relevant strategic leadership skills appears critical to top leadership's ability to influence innovation. Raymond and Croteau's (2009: 192) study confirmed the existence of a positive association between alignment and productivity and alignment and profitability and found significant performance outcomes of alignment. O'Reilly *et al.* (2010) examined the effects of a leader's alignment on strategy implementation and concluded that it is only when leaders'

effectiveness at different levels is considered in the aggregate that significant performance improvement occurs. This conclusion emphasises the need for alignment across all levels of the organisation.

According to Elenkov (2008: 37), little empirical evidence has been provided for the effects of leadership at strategic level on organisational processes with distinctive strategic importance. The need for further research on the relationship between strategic leadership and alignment in organisations in the South African context has been established and informs the problem statement, research question and research objectives of this study.

In the South African context, only eight doctoral studies have been completed on strategy and leadership in South Africa and none of these has focused in particular on the direct and indirect impact of strategic leadership and alignment on the operational strategy and performance of business organisations in South Africa (Serfontein, 2009: 22). Some of the studies relating to this study include that of Van Schalkwyk (1989), entitled "Leadership and strategic management in organisational development"; a study by Serfontein (2009), entitled "The impact of strategic leadership on operational strategy and performance of business organisations in South Africa"; and a study by Jooste and Fourie (2009) entitled "The role of strategic leadership in effective strategy implementation: Perceptions of South African strategic leaders", which explores the role of strategic leadership in effective strategy implementation from a director's perspective. Other research conducted by South African researchers has been mainly of a theoretical conceptual nature and of limited scope (e.g. MCom and MBA dissertations). Except for the above-mentioned studies, no empirical research has been done in South Africa that specifically relates to strategic alignment in the context of high-performing companies.

Serfontein's (2009: 150) study confirms the relationship between strategic leadership, operational strategy and performance. The limitation of this study was self-reporting by a single respondent, namely the CEO. This study confirms the

existence of a definite relationship between the leadership's characteristics, an organisation's strategies and its performance. However, no research has been conducted that explores the relationship between strategic leadership and alignment in relation to high-performing companies. This confirms the research gap in strategic leadership in organisations that has been identified and forms the basis of the current research.
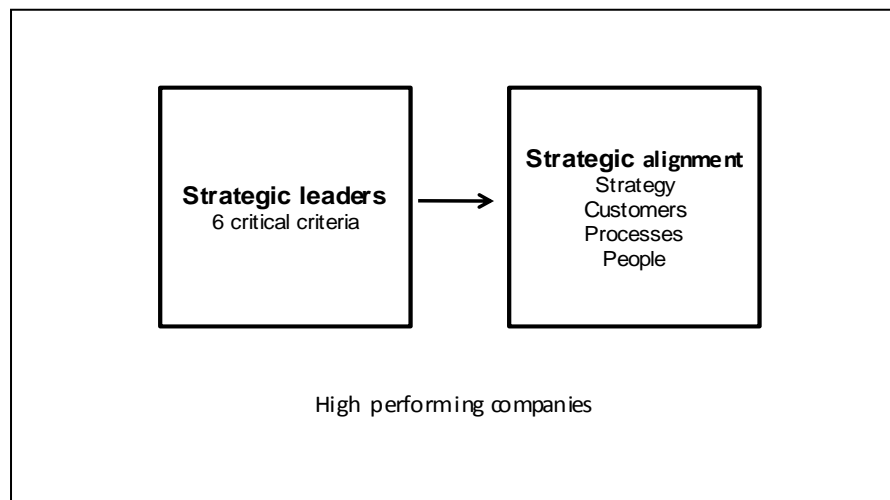
Figure 2.4: Strategic leadership – researcher's compilation

The diagram in figure 2.4 illustrates the intended relationship between strategic leadership and strategic alignment in high-performing companies.

In order to further examine the relationship between strategic leadership and strategic alignment, an empirical research study was conducted on high-performing companies. More specifically, the focus of this study was to establish the importance of the strategic leadership criteria and the extent of the relationship between the strategic leadership criteria and strategic alignment in high-performing companies in South Africa.

Chapter 3 deals with the research design and research methodology employed in this empirical study.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCION

Chapter 1 explored the context and aims of the study. The chapter provided an overview of the study, the need for the study was explored, the research problem was discussed and the general research questions and research objectives were formulated.

In chapter 2, the theoretical and empirical knowledge of strategic leadership and strategic alignment were reviewed.

This chapter provides a description of the research design and methodology. This is followed by a discussion of quantitative research methods and a theoretical discussion of the research approach and methodology employed in this study. Thirdly, the methods selected to collect and analyse the data are described.

3.2 RESEARCH PARADIGM

The ultimate purpose of research is scientific explanation - to discover and document universal laws of human behaviour. Because research is systematic and controlled, it has the potential for fewer errors. People accordingly have confidence in the outcomes of empirical scientific research. Empirical refers to the way scientific information is collected through the senses and specialised scientific techniques. In scientific research, the researcher's personal beliefs are put outside the scientific investigation and the ideal of objectivity is pursued (Neuman in Bipath, 2007: 84).

The basic aim of science is to build theory. Kerlinger and Lee (2000: 11) define theory as a set of interrelated constructs, definitions and propositions that present a systematic view of phenomena by specifying relationships between variables, the purpose of explaining and predicting the phenomena. Theories are regarded

as working truth until they are reviewed during empirical research. Each theory is evaluated empirically to determine how well it predicts new findings. Theories can be used to guide the research plan by generating testable hypotheses and organise facts from testing these hypotheses (Bipath, 2007: 82).

A research design is a plan for selecting the sources and types of information used to answer the research question. It is a framework for specifying the relationships between the study's variables and a blueprint that outlines each procedure from the hypotheses to the analysis of data (Cooper & Schindler, 1998: 130).

Different techniques may be used to accomplish the objective of exploration of a particular issue. Broadly speaking, both qualitative and quantitative techniques can be used and are the most frequently used approaches. These two research paradigms are often positioned as opposing approaches. Even though there is no specific rule prescribing that only one approach may be used in research, researchers usually embrace only one of the two approaches (Bipath, 2007: 82).

Mixed methods research has gained visibility in the last few years, although limitations persist regarding the scientific calibre of certain mixed methods research designs and methods. The need exists for rigorous mixed methods designs that integrate various data analytic procedures for a seamless transfer of evidence across qualitative and quantitative modalities. Such designs can offer the strength of confirmatory results drawn from quantitative multivariate analyses, along with "deep structure" explanatory descriptions as drawn from qualitative analyses (Castro, Kellison, Boyd & Kopak, 2010: 342).

In quantitative research, the aim is to determine the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population. Quantitative research designs are either descriptive (subjects usually measured once) or experimental (subjects measured before and after a treatment). A descriptive study establishes only associations between variables,

whereas an experiment using an empirical study establishes causality (Hopkins, 2000: 1).

Given the primary research question, the current study was framed within the positivist research paradigm (approach) – that is, it is quantitative in nature, its main purpose being to describe and explain (Neuman, 2000: 22). The quantitative paradigm was deemed appropriate for this study because it involved the systematic collection of measurable data, the statistical analysis of the data and the development of an analytical framework. The aim was to empirically examine the relationship between variables that were measureable and had accepted validated measurement instruments. In addition, the research attempted to quantitatively link the relationship between a specified set of variables.

According to Kerlinger and Lee (2000: 14), a scientific approach to research can be defined as "the systematic, controlled, empirical, amoral, public and critical investigation of natural phenomena. It is guided by theory and hypotheses about the presumed relations amongst such phenomena."

This study makes a contribution to the body of knowledge about the relationship between strategic leadership and organisational alignment in high-performing companies.

3.2.1 Problem statement and objectives of the study

The purpose of this research was to examine the relationship between strategic leadership and strategic alignment in organisations in the 200 top listed companies in South Africa.

The focus of empirical study has been on leadership and to a lesser extent on alignment, and only recently on strategic leadership. As discussed in chapter 2, hardly any in-depth research on the impact of strategic leadership has been conducted in the South African context. Few doctoral studies have been completed on strategy and leadership in South Africa and even fewer have

focused particularly on the direct and indirect impact of strategic leadership on the operational strategy and performance of business organisations in South Africa.

A study completed by Serfontein (2009) explored the impact of strategic leadership on the operational strategy and performance of business organisations in South Africa. The central theme of this study was that executives must accept full responsibility for strategic leadership (Serfontein, 2009: 23). A limitation of the study was the use of only one respondent per organisation, since it is possible that the use of more respondents per organisation could have provided a different picture and result of the implementation of strategic leadership practices (Serfontein, 2009: 246). However, this study did not explore the in-depth and complex nature of strategic leadership. Since only CEOs and senior executives of the organisation were consulted, it is possible that another study which examines the perception of top, middle and lower management would yield other results (Serfontein, 2009: 28).

As discussed in chapter 2, there are few studies on strategic leadership, but the limitation in most of the studies has been self-reporting by the CEO only, with no cross-verification included in the study to test if the responses of the CEO align with those of employees in the organisation. Serfontein (2007) maintains that the CEO is the best person to respond to questions on strategy for example. However, implementation of strategy occurs at operational level and numerous factors impact the effective implementation.

The linkage between strategic leadership and strategic alignment has not been empirically investigated in South Africa. This study explores that relationship. To achieve this objective, quantitative techniques were considered appropriate for this study because it involves the systematic collection of measurable data and their statistical analysis. The aim is to empirically examine the relationship between variables that are measurable and have accepted validated measurement instruments.

3.3 RESEARCH PROPOSITION AND HYPOTHESES

The research literature disagrees on the meanings of the terms "proposition" and "hypothesis". Cooper and Schindler (1998: 43) define a proposition as a statement about concepts that may be judged as true or false if the statement refers to observable phenomena. When a proposition is formulated for empirical testing, it is called a hypothesis. As a declarative statement, a hypothesis is of a tentative and conjectural nature.

A hypothesis is a statement about the population. It may be right or wrong, and the data enables one to make a decision about which hypothesis to accept (Siegel, 1997: 342). Hypothesis testing uses data to decide between two possibilities.

In research, the main function of a hypothesis is to guide the direction of the study. Cooper and Schindler (1998: 45) maintain that an acceptable hypothesis should fulfil the following three conditions:
- It must be adequate for its purpose.
- It must be testable.
- For explanatory purposes, it must be better than its rivals.

As already stated, the aim of this study was to explore the relationship between strategic leadership and strategic alignment. The criteria being examined were identified as critical to strategic leadership (Hitt *et al.*, 1999) and subsequently supported by considerable research, as outlined in the literature review in chapter 2.

In order to achieve the general aim of this research, the following proposition and hypotheses were formulated for examination in this study:

Proposition 1:
The six selected critical criteria, namely determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining

effective corporate culture, emphasising ethical practices and establishing strategic controls are important for strategic leadership.

Hypotheses:

$H0_1$ There is no relationship between the following strategic leadership constructs: strategy, customers, processes and people.

$H1_1$ There is a relationship between the following strategic leadership constructs: strategy, customers, processes and people.

$H0_2$ There is no relationship between the four strategic leadership constructs and the six critical criteria of strategic leadership.

$H1_2$ There is a relationship between the four strategic leadership constructs and the six critical criteria of strategic leadership.

$H0_3$ Strategic leadership does not positively influence strategic alignment in high performance companies.

$H1_3$ Strategic leadership positively influences strategic alignment in high performance companies.

These hypotheses are empirically assessed in chapter 4, according to the research design outlined in this chapter.

3.4 VARIABLES AND MEASURES

Scientists operate at both theoretical and empirical levels. At theoretical level, there is a preoccupation with identifying constructs and their relations to propositions and theory – at this level, constructs cannot be observed. At the empirical level, where the propositions are converted to hypotheses and testing occurs, the scientist is likely to be dealing with variables (Cooper & Schindler, 1998: 40).

3.4.1 Independent and dependent variables

The relationships between variables are of great interest to researchers. Variables can be both independent and dependent.

Table 3.1: Defining independent and dependent variables

Independent variable	Dependent variable
• Presumed cause	➢ Presumed effect
• Stimulus	➢ Response
• Predicted from …	➢ Predicted to …
• Antecedent	➢ Consequence
• Manipulated	➢ Measured outcome

(**Source**: Cooper & Schindler, 1998: 41)

In the research process, the independent variables are used to predict the relationship with the dependent variables. In study situations, such a simple one-on-one relationship needs to be conditioned or revised to take other variables into account. In these instances, the moderating variable is used. A moderating variable is a second independent variable that is included because it is believed to have a significant contributory or contingent effect on the originally stated relationship. Whether a given variable is treated as an independent or a moderating variable depends on the hypothesis (Cooper & Schindler, 1998: 41–42).

There are an almost infinite number of extraneous variables that could affect a particular relationship. Some are considered to be independent or moderating, but most are either assumed or excluded from the study. In some cases, they are important, but the impact is random, which results in little effect. Cooper and Schindler (1998: 42-43) define an intervening variable as "that factor which theoretically affects the observed phenomenon but cannot be seen, measured, or

manipulated; its effect must be inferred from the effects of the independent and moderator variables on the observed phenomena".

3.4.2 Measurement of key variables

The two key variables examined in this study are as follows:

1. the independent variable, strategic leadership
2. the dependent variable, strategic alignment.

The relationship between the independent variable, strategic leadership (six critical criteria), and the dependent variable, strategic alignment (strategy, people, customers and processes) is shown in table 3.2.   A construct is an image or idea specifically invented for a given research and/or theory-building purpose. Constructs are built by combining the simpler concepts (Cooper & Schindler, 1998: 37) and must be measured by means of multiple indicators.   A construct represents a hypothesis that a variety of behaviours will correlate with one another in studies of individual differences and/or will be similarly affected by experimental treatments (Nunnally, 1978: 97, 98).   The groupings of strategy, people, customers and process were considered constructs as they measured similar concepts with multiple indicators.

A detailed definition of each of the critical criteria being measured is provided in table 3.4.   Associations are drawn between the similarities of independent and dependent variables.   Core competencies is associated with customers but could also be associated with people and processes.   The impact on customers is the outcome of effective people and processes, thus the association drawn between core competencies and customers.

Questioning is a widely used stimulus for measuring concepts. A manager may be asked his or her views on an employee, giving a response such as, "a good machinist", "a troublemaker", "a union activist" or "a fast worker with a poor record of attendance". These answers represent different frames of reference for

evaluating the worker and are often of limited value to the researcher (Cooper & Schindler, 1998: 186).

Table 3.2: Independent and dependent variables

Independent variable Strategic leadership	Dependent variable Strategic alignment (strategy, customers, people and process)	
Q1 Determining strategic direction	Strategy	Q1 Organisational strategies are clearly communicated to me
		Q2 Organisational strategies guide the identification of skills and knowledge I need to have
		Q3 People here are willing to change when new organisational strategies require it
		Q4 Our senior managers agree on the organisational strategy
Q2 Exploiting and maintaining core competencies	Customers	Q5 For each service our organisation provides, there is an agreed-upon, prioritised list of what customers care about
		Q6 People in this organisation are provided with useful information about customer complaints
		Q7 Strategies are periodically reviewed to ensure the satisfaction of critical customer needs
		Q8 Processes are reviewed to ensure they contribute to the attainment of customer satisfaction
Q3 Developing human capital	People	Q9 Our organisation collects information from employees about how well things work
		Q10 My work unit or team is rewarded for our performance as a team
Q4 Sustaining effective corporate culture		Q11 Groups in the organisation cooperate to achieve customer satisfaction
		Q12 When processes are changed, the impact on employee satisfaction is measured
Q5 Emphasising ethical practices	Process	Q13 Our managers care about how work gets done as well as about the results
		Q14 We review our work processes regularly to see how well they are functioning
Q6 Establishing strategic controls		Q15 When something goes wrong, we correct the underlying reasons so that the problem will not happen again
		Q16 Processes are reviewed to ensure they contribute to the achievement of strategic goals

3.5 RESEARCH METHODS

Two approaches improve the usefulness of such replies: firstly, various properties may be separated and the respondent asked to judge each specific facet, with several questions being substituted for a single one. Secondly, one can replace the free-response reply with structuring devices. Thus, in order to quantify dimensions that are essentially qualitative, rating scales or ranking scales are used (Cooper & Schindler, 1998: 186).

3.5.1 Research instruments

The use of questionnaires is one of a range of methods to obtain information from people or answers to research questions. Questionnaires have both advantages and disadvantages and one of their weaknesses is that they elicit answers by asking questions (Gillham, 2000: 2). One of the strengths of questionnaires is that they make it possible to collect data designed to answer specific questions which can be statistically tested. Questionnaires were deemed the most suitable method to collect data in this study.

Gillham (2000: 26) identifies the following three main categories into which research topics usually fall:

- questions of fact
- questions about opinions, beliefs and judgements
- questions about behaviour

When designing survey questionnaires, the potential inclusion of existing questions is a possibility that is not often contemplated by researchers and students, despite it being perfectly feasible. This is partly due to the pressures of being "original" in the academic and research worlds. Question "recycling" also has many advantages such as savings that can be made in terms of both time and money, and the removal of any need for question testing. One advantage of using these pre-existing questions is that they will have been extensively tested at the time of first use. Using the questions that have already been developed in this way

has several advantages. The most obvious one is that since the questions would have already been tested at the time of their first use, researchers can be fairly confident that they are effective indicators of their concepts of interest (Hyman, Lamb & Bulmer, 2006: 1, 3 & 8).

The research instruments used in this study were developed to assess the impact of strategic leadership on strategic alignment of business organisations in South Africa. In order to ensure the validity and reliability of the measurement instrument, it was essential to define the key variables accurately and clearly. For this purpose, questions from existing measuring instruments that had proven reliable and valid in previous research studies were used.

3.5.1.1 Measurement of strategic leadership

The critical criteria of strategic leadership were measured by the TMT in their organisation. The research instrument consisted of a questionnaire using a seven-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (7), which measured the TMT's rating of the importance of these critical criteria in their organisation, as shown in table 3.3.

The six critical criteria developed by Hitt *et al.* (1995) and empirically tested by Hagen *et al.* (1998), Bipath (2007), Serfontein (2009) and Jooste and Fourie (2009) were utilised to measure strategic leadership in the organisations studied.

Table 3.3: Strategic leadership questionnaire

Strategic leadership questionnaire
(Instructions for completing the questionnaire)
To be completed by the top management team.
Please respond to each statement by marking the appropriate box with an "x" that best represents your view of the importance of the critical criteria. Should you require an explanation, one for each criteria is provided in the definition tab.

	Company	_____					
	Role	_____					
Q		*Strongly disagree*					*Strongly agree*
1	Determining strategic direction	①	②	③	④	⑤	⑥ ⑦
2	Exploiting and maintaining core competencies	①	②	③	④	⑤	⑥ ⑦
3	Developing human capital	①	②	③	④	⑤	⑥ ⑦
4	Sustaining an effective corporate culture	①	②	③	④	⑤	⑥ ⑦
5	Emphasising ethical practices	①	②	③	④	⑤	⑥ ⑦
6	Establishing strategic controls	①	②	③	④	⑤	⑥ ⑦

A definition of each critical criteria was provided to ensure consistency in the interpretation of the criteria by each respondent, as indicated in table 3.4.

Table 3.4: Definition of critical criteria

Definition of criteria	
Critical criteria	**Definition**
Determining strategic direction	Determining the strategic direction of the organisation refers to developing a long-term vision. Strategic intent means leveraging the organisation's internal resource capabilities and core competencies to accomplish what may at first appear to be unattainable goals in the competitive environment. Strategic intent involves all employees of an organisation being committed to pursue a specific performance criterion, believing fervently in the product and industry and focusing totally on doing what they do better than competitors. A long-term vision of the organisation's strategic intent usually requires a view of at least five to 10 years in the future.
Exploiting and maintaining core competencies	Core competencies are the resources and capabilities that serve an organisation's source of competitive advantage. Typically, core competencies relate to an organisation's functional skills. As strategic leaders, corporate managers make decisions intended to help their organisation develop, maintain, strengthen, leverage and exploit core competencies. Exploiting core competencies involves sharing resources across units. In general, the most effective core competencies are based on intangible resources, which are less visible to competitors because they relate to employees' knowledge or skills. Effective strategic leaders promote the sharing of intangible resources across business units in their organisations.
Developing human capital	Human capital refers to the knowledge and skills of the organisation's work force – employees as a capital

	resource. Core competencies cannot be effectively developed or exploited without appropriate human capital.
Sustaining an effective corporate culture	Corporate culture refers to the core values shared by all or most employees. It consists of a complex set of shared ideologies, symbols and values that influence the way the organisation conducts its business. Corporate culture is the social energy that drives or fails the organisation. Strategic leaders must develop and nurture an appropriate culture, one that promotes focused learning and human development, the sharing of skills and resources among units in the organisation and the entrepreneurial spirit necessary for innovation and competitiveness. An appropriate corporate culture can encourage an entrepreneurial spirit, foster and facilitate a long-term vision, and create an emphasis on strategic actions linked to the production of high-quality goods and services. Changing a culture is more difficult than sustaining it. But effective strategic leadership involves recognising the need to change the culture and implement the changes.
Emphasising ethical practices	Effective strategic leaders emphasise ethical practices in their organisations and seek to infuse them through the organisational culture. The ethics that guide the individual actions are based on principles formed by long-term influences that extend beyond the organisation. However, organisations can shape and control employees' and managers' behaviour.
Establishing strategic controls	Strategic control refers to the corporate leaders' understanding of the strategies being implemented in the various business units. Strategic control focuses

	on the content of strategic actions in order to achieve appropriate outcomes. Strategic control therefore encourages lower-level managers to make decisions that incorporate moderate and acceptable levels of risk. Effective use of strategic controls by corporate leaders is frequently integrated with appropriate autonomy for the subunits to enable them to gain a competitive advantage in their respective markets. Autonomy provided by strategic control fosters the flexibility and innovation necessary to take advantage of specific market opportunities. Strategic leadership promotes the simultaneous use of strategic controls and autonomy.

3.5.1.2 Measurement of strategic alignment

Strategic alignment influences organisational performance, and aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for shareholders, which is a significant competitive advantage (Labovitz, 2004: 30). In the current study, strategic alignment was measured using a questionnaire adapted from the questionnaire developed by Labovitz and Rosansky (1997), which measured the degree of alignment of strategy, processes, customers and people in an organisation. The tool has been refined over the years, based on continual learning, and has been administered to thousands of people in scores of organisations. It simply presents each individual with a series of statements and indicates how his or her organisation's behaviours and practices measure up against each. According to Labovitz and Rosansky (1997: 55-56), this diagnostic tool has several benefits for respondents – it is easy to understand, score and interpret and is an effective way to reveal misalignment problems. The alignment research instrument's validity was tested (Lear, 2000) in a study measuring strategic alignment in organisations and found to be valid and reliable.

Table 3.5: Employee questionnaire

Employee questionnaire

(Instructions to complete the questionnaire)

To be completed by a cross-section of employees across the company

Please respond to each statement by marking the appropriate box with an "x" that best represents your view.

Company: _____

Division: _____

My role in the organisation is:
  Senior management ○
  Management ○
  Operations ○

Q		Strongly disagree						Strongly agree
1	Organisational strategies are clearly communicated to me	①	②	③	④	⑤	⑥	⑦
2	Organisational strategies guide the identification of skills and knowledge I need to have	①	②	③	④	⑤	⑥	⑦
3	People here are willing to change when new organisational strategies require it	①	②	③	④	⑤	⑥	⑦
4	Our senior managers agree on the organisational strategy	①	②	③	④	⑤	⑥	⑦
5	For each service our organisation provides, there is an agreed-upon, prioritised list of what customers care about	①	②	③	④	⑤	⑥	⑦
6	People in this organisation are provided with useful information about customer complaints	①	②	③	④	⑤	⑥	⑦
7	Strategies are periodically reviewed to ensure the satisfaction of critical customer needs	①	②	③	④	⑤	⑥	⑦
8	Processes are reviewed regularly to ensure that they contribute to the attainment of customer satisfaction	①	②	③	④	⑤	⑥	⑦

9	Our organisation collects information from employees about how well things work	① ② ③ ④ ⑤ ⑥ ⑦
10	My work unit or team is rewarded for our performance as a team	① ② ③ ④ ⑤ ⑥ ⑦
11	Groups in the organisation cooperate to achieve customer satisfaction	① ② ③ ④ ⑤ ⑥ ⑦
12	When processes are changed, the impact on employee satisfaction is measured	① ② ③ ④ ⑤ ⑥ ⑦
13	Our managers care about how work gets done as well as about the results	① ② ③ ④ ⑤ ⑥ ⑦
14	We review our work processes regularly to see how well they are functioning	① ② ③ ④ ⑤ ⑥ ⑦
15	When something goes wrong, we correct the underlying reasons so that the problem will not happen again	① ② ③ ④ ⑤ ⑥ ⑦
16	Processes are reviewed to ensure they contribute to the achievement of strategic goals	① ② ③ ④ ⑤ ⑥ ⑦

The questionnaire used a seven-point response format ranging from "strongly disagree" (1) to "strongly agree" (7). The questionnaire was tested for both reliability and validity and was determined to be both reliable and valid for the purpose.

The questionnaire comprised 16 questions measuring the respondent's view of the importance of alignment of strategy, people (employees), customers and processes.

3.5.1.3 Validity and reliability of the strategic alignment testing instrument

The characteristics of an effective measurement tool are that it should be an accurate counter or indicator of what is being measured. In addition, it should be easy and efficient to use. There are three major criteria for evaluating a measurement tool: validity, reliability and practicality. Cooper and Schindler (1998: 166) define these terms as follows:

- Validity refers to the extent to which a test measures what we actually want it to measure.
- Reliability has to do with the accuracy and precision of a measurement procedure – that is, obtaining the same result under the same circumstances.
- Practicality is concerned with a wide range of factors of economy, convenience and interpretability.

The scientific requirement of a project calls for the measurement process to be reliable and valid, while the operational requirements demand that it should be practical (Cooper & Schindler, 1998).

The strategic alignment instrument was subjected to validity and reliability testing to ensure that it met the demands of scientific study.

(a) Validity

According to Nunnally (1978: 86), in a general sense, a measuring instrument is valid if it does what it is intended to do. Psychological measures serve the following three major functions: (1) establishment of a statistical relationship with a particular variable, (2) representation of a specified universe of content, and (3) measurement of psychological traits. Corresponding to these are the following three types of validity: (1) predictive validity, (2) content validity, and (3) construct validity (Nunnally, 1978: 87).

Predictive validity is at issue when the purpose is to use an instrument to estimate some important form of behaviour that is external to the measuring instrument itself, the latter being referred to as the criterion. Predictive validity is determined by, and only by, the degree of correspondence between the two measures involved. If the correlation is high, no other standards are necessary (Nunnally, 1978: 88).

Content validity rests mainly on appeals to reason about the adequacy with which significant content has been sampled and on the adequacy with which the content

has been cast in the form of test items. Content validity also relates to a somewhat direct issue in scientific generalisation – the extent to which one can generalise from a particular collection of items to all possible items that would be representative of a specified domain of items (Nunnally, 1978: 91, 94).

Construct validity refers to how well the results obtained from the use of the measures fit the theories around which the test is designed (Sekaran, 1992: 173). The use of factor analysis can determine the construct validity of a measuring instrument (Cooper & Schindler, 1998: 167). To the extent that a variable is abstract rather than concrete, it is referred to as a construct. A construct represents a hypothesis (usually only half formed) that a variety of behaviours will correlate with one another in studies of individual differences and/or will be similarly affected by experimental treatments. Nunnally (1978: 97, 98) distinguishes the following three major aspects of construct validation: (1) specifying the domain of observables related to the construct; (2) from empirical research and statistical analyses, determining the extent to which the observables tend to measure the same things; and (3) subsequently performing studies of individual differences and/or controlled experiments to determine the extent to which supposed measures of the construct produce results which are predictable from highly accepted theoretical hypotheses concerning the construct.

(b)   Factor analysis

Factor analysis is a statistical approach that can be used to analyse interrelationships between a large number of variables and explain them in terms of their common underlying dimensions (factors). The objective is to find a way of condensing the information contained in a number of original variables into a smaller set of variates (factors) with a minimal loss of information.

 A researcher can use factor analysis, for example, to better understand the relationships between customers' ratings of a fast-food restaurant. Assume customers are asked to rate the restaurant on the following six variables: food taste, food temperature, freshness, waiting time, cleanliness and friendliness of

employees. The analyst would like to combine these six variables into a smaller number. By analysing the customer responses, the analyst might find that the variables, food taste, temperature and freshness, together form a single factor of food quality, while waiting time, cleanliness and friendliness of employees combine to form another single factor, service quality (Hair, Black, Babin, Anderson & Tatham, 2006: 17, 18).

The alignment measuring instrument was tested for validity, and table 3.6 shows the results of testing the instrument where the Kaiser-Meyer-Olkin measure of sampling adequacy indicates 0.895. High values of between 0.5 and 1.0 indicate that factor analysis is appropriate. Values less than 0.5 indicate factors that may not be appropriate. These results indicate a high level of validity of this questionnaire.

Table 3.6: Factor analysis: forced four factors

Kaiser-Meyer-Olkin measure of sampling adequacy		0.895
Bartlett's test of sphericity	Approx. chi-square	1,143.175
	Df	120
	Sig.	0.000

Bartlett's test of sphericity (table 3.6) is a statistical test for overall significance of all correlations in a correlation matrix. It provides the statistical significance that the correlation matrix has significant correlations between at least some of the variables (Hair *et al.,* 2006: 102, 114).

Eigenvalues (also referred to as the latent root) are a column sum of squared loadings for a factor. They represent the amount of variance accounted for by a factor. Eigenvalues (table 3.7) greater than one are considered significant, whereas all factors with latent roots of less than one are considered insignificant and disregarded. The squared factor loadings indicate what percentage of the variance in an original variable is explained by a factor (Hair *et al.,* 2006: 102,

120). Factor analysis was applied to the alignment instrument and the results are tabled in 3.7 and 3.8 below.

Table 3.7: Total variance

	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
Component	Total	% of variance	Cumula-tive %	Total	% of variance	Cumula-tive %	Total	% of variance	Cumula-tive %
1	9.414	58.840	58.840	9.414	58.840	58.840	4.497	28.106	28.106
2	1.231	7.695	66.534	1.231	7.695	66.534	3.176	19.852	47.958
3	1.032	6.450	72.984	1.032	6.450	72.984	2.875	17.968	65.926
4	0.977	6.107	79.092	0.977	6.107	79.092	2.107	13.166	79.092
5	0.640	4.000	83.091						
6	0.536	3.349	86.441						
7	0.454	2.841	89.281						
8	0.348	2.173	91.454						
9	0.274	1.711	93.165						
10	0.264	1.652	94.817						
11	0.221	1.383	96.200						
12	0.172	1.074	97.274						
13	0.136	0.848	98.121						
14	0.111	0.695	98.816						
15	0.106	0.664	99.481						
16	0.083	0.519	100.000						

Table 3.8: Rotated component matrix[a]

	Component			
	1	2	3	4
q14	0.831	0.273	0.267	0.037
q16	0.815	0.226	0.238	0.284
q15	0.811	0.261	0.144	0.329
q13	0.774	0.190	0.439	0.138
q11	0.663	0.466	0.244	0.344
q9	0.609	0.412	0.398	0.254
q12	0.515	0.428	0.476	0.118
q8	0.314	0.816	0.127	0.165
q6	0.164	0.752	0.295	0.158
q7	0.324	0.730	0.047	0.398
q5	0.267	0.601	0.426	-0.353
q2	0.292	0.125	0.851	0.171
q3	0.228	0.185	0.690	0.201
q10	0.303	0.345	0.622	0.410
q1	0.237	0.230	0.403	0.781
q4	0.470	0.173	0.227	0.720

Extraction method: principal component analysis
Rotation method: varimax with Kaiser normalisation
a Rotation converged in seven iterations.

In factor rotation, the reference axes of the factors are turned about the origin until some other position has been reached. The ultimate effect of rotating the factor matrix is to redistribute the variance from earlier factors to later ones to achieve a simpler, theoretically more meaningful factor pattern. Factor rotation assists in the interpretation of the factors by simplifying the structure through the maximisation of the significant loadings of a variable (Hair *et al.,* 2006: 123). Rotation in table 3.8 indicated convergence in seven iterations, a computational procedure in which a cycle of operations is repeated to approximate the desired result more clearly.

The results of this factor analysis of 0.895 indicated a significant correlation between the variables and the fact that the alignment questionnaire measures what it was designed to measure.

(c) Reliability

Reliability refers to the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003: 300). The Cronbach alpha test is regarded as useful for indicating reliability (Cooper & Schindler, 1998: 171).

Table 3.9: Case processing summary

		N	%
Cases	Valid	82	91.1
	Excluded$_a$	8	8.9
	Total	90	100.0

a Listwise deletion based on all variables in the procedure

The Cronbach alpha is commonly used to establish internal consistency and construct validity, with 0.60 being considered acceptable for exploratory purposes, 0.70 adequate for confirmatory purposes and 0.80 good for confirmatory purposes (Garson, 1998: 2). The results of the Cronbach alpha 0.952 (table 3.10) indicated that an extremely reliable result would be obtained from the use of this questionnaire.

Table 3.10: Reliability statistics

	Cronbach alpha	N of items			
	0.952	16			

	Scale mean if item deleted	Scale variance if item deleted	Corrected item -total correlation	Cronbach alpha if item deleted
q1	72.52	257.018	0.684	0.950
q2	72.90	255.842	0.680	0.950
q3	73.32	258.935	0.591	0.951
q4	72.66	256.129	0.698	0.949
q5	73.17	263.699	0.504	0.953
q6	73.20	257.517	0.631	0.951
q7	72.85	258.991	0.686	0.950
q8	72.90	261.546	0.685	0.950
q9	73.18	239.238	0.844	0.946
q10	73.10	246.139	0.771	0.948
q11	72.93	246.760	0.864	0.946
q12	74.07	242.513	0.778	0.948
q13	72.71	248.136	0.818	0.947
q14	72.84	250.481	0.770	0.948
q15	72.82	250.695	0.793	0.947
q16	72.82	251.188	0.812	0.947

Extraction method: principal component analysis

The instrument was deemed statistically to be both valid and reliable and its practicality and easy administration enabled it to be used effectively for the purpose of this study.

3.5.2 Rating scales

In research, measurement consists of assigning numbers to empirical events in compliance with a set of rules. Measurement typically uses some sort of scale to classify or quantify the data collected. There are four scale types – nominal, ordinal, interval and ratio. Nominal scales classify without indicating order, distance or unique origin. Ordinal data show the magnitude relationships of more than and less than but have no distanced or unique origin. According to Cooper and Schindler (1998: 159–164), interval scales have both order and distance but no unique origin, while ratio scales possess all the features.

Rating scales are used to judge the properties of objects without reference to other similar objects. These ratings may be in such forms as "like–dislike", "approve–indifferent–disapprove" or other classifications using even more categories. The most widely used scales range from three to seven points. A simple category scale has two response choices: these could be "yes" and "no", "important" and "unimportant" or "agree" and "disagree". This scale is particularly useful for demographic questions or in instances where a dichotomous response is adequate (Cooper & Schindler, 1998: 189).

Likert scales help one compare one person's score with a distribution of scores from a well-defined group. They are useful when one expects to conduct an experiment in order to undertake a programme of change or improvement. Accordingly, we can measure attitudes before and after the experiment to judge whether our efforts have had the desired effect. Likert scales produce interval data (Cooper & Schindler, 1998: 189).

According to Cooper and Schindler (1998: 189, 197), the Likert scale is the most frequently used variation of the summated rating scale. Summated scales consist of statements that express either a favourable or an unfavourable attitude towards the object of interest. In terms of these scales, the respondent is asked to agree or disagree with each statement on the basis of a numerical score to reflect its degree of attitude favourableness, and the scores may be totalled to measure the respondent's attitude. The measuring instruments in this study used Likert-type scales on the basis of (1) strongly disagree to (7) strongly agree for each statement in the questionnaire.

3.6   SAMPLING FRAME

A population is the total collection of elements about which inferences are to be made. The research frame is closely related to the population. It is the list of elements from which the sample is actually drawn (Cooper & Schindler, 1998: 215, 221).

The population selected for this study was the 200 top performing organisations in South Africa, as published in the *Financial Mail* survey of 2007. All of these organisations are publicly listed on the Johannesburg Securities Exchange and conform to generally accepted accounting principles (GAAP). The ranking of the top 200 organisations was measured by the *Financial Mail* over a five-year period to ensure consistency in their performance (*Financial Mail*, 2007).

In their study, in which they sought to establish the role of strategic leadership in effective strategy implementation, Jooste and Fourie (2009: 54) and Serfontein (2009) used the *Financial Mail*'s Top 200 Companies list as their population sample frame. The main reasons for selecting strategic leaders in the *Financial Mail* Top 200 companies as the target population include the following:

- The names of these organisations are published in an annual special edition of the *Financial Mail,* which is a respected South African financial magazine.

- All of these organisations are publicly listed companies on the Johannesburg Securities Exchange (although some are dually listed on more than one stock exchange), and vast amounts of information on these organisations are a matter of public record.

- All of these organisations are South African, which makes it a study of a geographically comparable population with similar exposure to the factors in the external business environment.

- These organisations represent several industries of the South African economy, which increases the possibility of generalising the findings to organisations in all industries.

- These organisations can be regarded as financially successful, because the criteria used by the *Financial Mail* in selecting the Top 200 include internal rate of return (IRR), earnings per share (EPS) growth, return on equity (ROE), return on assets (ROA), dividend yield and growth in pretax profits calculated over a five-year period.

The *Financial Mail* Top 200 Companies list was used in preference to other study population lists that were considered, including normal listed companies on the JSE Securities Exchange (JSE) and the Decision Makers Database. The JSE companies were rejected, since it could be argued that public companies may be more risk averse than private companies, that they will be scrutinised by their shareholders and that they have a need to comply with JSE rules and regulations.

The Decision Maker Database was considered for the study but its cost is prohibitive, and since it is used for commercial purposes, the researcher felt that it might not provide a representative picture of the study population. The 2008 *Financial Mail* 200 Top Performers list was thus selected as the population for the study conducted by Serfontein (2009: 156).

In order to explore the relationship between strategic leadership and strategic alignment, the sample for this study was required at two levels:
1. the TMT of the organisation
2. a cross-section of employees

The TMT is typically the top six to eight leaders in an organisation. In order to meet the threshold of the minimum number of 30 respondents being the minimum ratio of observations to variables of 5:1 (Hair *et al.,* 2006: 197) for inferential statistics for exploratory research, six organisations were required to participate in the study. The population sample for the TMT was therefore 48. The population sample for employees was 100 employees from each organisation, totalling an employee population of 600.

The CEOs in organisations on the list of *Financial Mail* 200 Top Companies, commencing with the highest ranking organisations on the list, were approached and invited to participate in the research with the intent of obtaining the participation of a random sample of six organisations. Holding organisations were not included in the population because the requirement was that of an operational entity with a TMT and employees, as opposed to a holding organisation.

Organisations were requested to participate both in the Leadership Questionnaire with their top management team and the Employee Questionnaire with questionnaires sent to a sample of 100 employees across the organisation.

3.7   DATA COLLECTION PROCEDURES

The primary data collection was done by means of two questionnaires (table 3.3), which measured critical criteria and strategic alignment (table 3.5) in the organisation.

The first step in the research was to make telephonic contact with the CEO's office in each organisation to explain the nature of the study. The approach thereafter to the CEO comprised a letter of invitation (appendix E), a brief (appendix F) outlining the objectives and scope of the study, and the leadership and employee questionnaires.   These documents were mailed electronically to the CEO. Commitment of the organisation by the CEO was deemed critical to secure the participation of the TMT and employees in the study. In each case, the CEO assigned a designated senior person to assist with the data collection in the organisation.

The second step was the selection of the sample of employees. The organisation used systematic sampling to select the sample.   In this approach, every *k*th element in the population is sampled, beginning with a random start of an element in the range of 1 to *k*. According to Cooper and Schindler (1998: 237), the major advantage of systematic sampling is its simplicity and flexibility.

In the third step of the research process, the questionnaires were electronically distributed to the TMT and employee sample by the designated senior person in the organisation. Participation was voluntary, anonymous and confidential.

In the fourth step, each respondent submitted the questionnaires electronically directly to the researcher by clicking the *"submit"* button on the completed

questionnaire. This process ensured content integrity, confidentiality and the anonymity of respondents.

The final step of the process comprised the electronic collation of the data into a database. The results were then analysed using the statistical inferential techniques of correlation and regression analysis in terms of the stated hypotheses. The results are discussed in chapter 4.

3.8   ETHICAL CONSIDERATIONS

Ethics in research involves what is right and not right in conducting research (Neuman, 2000: 90) and forms an integral part of any research study.

Neuman (2000: 90-91) states that ethics in research span the entire research process: from the nature of the problem being investigated; the reporting of the theoretical framework thereof; the context in which the research is conducted; the data collection instruments utilised; the data collection methods used; the research subjects; the procedures followed to analyse the data; and the way in which the data are reported.

In particular, the research should be conducted ethically. This means that the research question should be framed objectively within the theoretical framework to ensure confidence in the research process (Neuman, 2000: 283-285).

The issue of ethics in research methodology is mainly concerned with studies involving human beings, that is, the people the study is targeting. Although a researcher has the right to search for new knowledge, he or she cannot do so at the expense of the individuals being studied. According to Neuman (2000: 92), the following are especially important:

- The aims of the research should be communicated to the research subjects.
- Participation in the research study should be voluntary.

- Information provided by participants should be treated as confidential at all times (i.e. no information on any particular subject should be released).

In the current study, the organisations and respondents involved were promised anonymity and the study was endorsed by the CEO. Confidentiality was adhered to so that the respondents were free to rate their responses honestly without fear or favour.

The ethical integrity of this study was maintained by the respondents submitting the completed questionnaire electronically, directly to the researcher. On completion of the study, none of the individual scores will be provided to the organisation participating in the study, only the overall results pertaining to the company. The names of the participating companies will also not be released to maintain their confidentiality.

3.9   DATA ANALYSIS

The data were analysed by means of the Excel 2010 Data Analysis package to answer the empirical research questions. The specific statistical instruments were correlation, scatterplots and regression analysis.

3.10   RESEARCH ANALYSIS METHODOLOGY

In order to examine the research questions and relationships between variables, inferential statistical analysis techniques were applied.

3.10.1 Measuring and predicting relationships

Statistics can summarise the relationship between two factors based on a bivariate data set. The correlation will indicate how strong the relationship is, and

regression will make it possible to predict one factor from another (Siegel, 1997: 365).

3.10.2 Correlation

Correlation coefficients reveal the magnitude and direction of relationships. The magnitude is the degree to which variables move in unison or opposition. The coefficient's sign (+/-) signifies the direction of the relationship. Direction indicates whether large values on one variable are associated with large values on the other +1, indicating a perfect positive relationship and -1 indicating a perfect negative or reverse relationship (as one variable grows larger, the other variable grows smaller) (Cooper & Schindler, 1998: 517).

A p-value is a measure of how much evidence there is against the null hypothesis (H0). The smaller the p-value, the more evidence there is against H0. The null hypothesis is rejected when the p-value is less than the significance level (α) of 0.05. When the null hypothesis is rejected, the result is statistically significant (Cooper & Schindler, 1998: 476).

3.10.3 Scatterplots

Scatterplots are essential for understanding the relationship between variables. They provide a means for visual inspection of data that a list of values for two variables cannot. Both the direction and the shape of a relationship are conveyed in a plot. When stronger relationships are apparent, the points cluster close to an imaginary straight line passing through the data. The weaker relationships depict a more diffuse data cloud with points spread further away from the line. The shape of linear relationships is characterised by a straight line, whereas nonlinear relationships have curvilinear, parabolic and compound curves representing their shapes. Pearson's *r* measures relationships in variables that are linearly related. It cannot distinguish linear from nonlinear data (Cooper & Schindler, 1998: 518-9). According to Siegel (1997: 368), a scatterplot displays each elementary unit using two axes to represent the two factors. If one variable is seen as causing, affecting

or influencing the other, then it is called *X* and defines the horizontal axis. The variable that might respond or be influenced is called *Y* and defines the vertical axis. If neither causes nor influences the other, either factor may be selected as *X* or *Y*.

3.10.4 Regression analysis

Multiple regression analysis is a statistical technique that can be used to analyse the relationship between a single dependent (criterion) variable and several independent (predictor) variables. The objective of multiple regression analysis is to use the independent variables whose values are known to predict the single dependent value selected by the researcher. Each independent variable is weighted by the regression analysis procedure to ensure maximum prediction from the set of independent variables. The weights denote the relative contribution of the independent variables to the dependent variables to the overall prediction and facilitate interpretation of the influence of each variable in making the prediction (Hair *et al.*, 2006: 176).

Regression analysis involves predicting one variable from another when the two have a linear relationship. By convention, the variable being predicted is denoted as Y, and the variable that helps with the prediction as *X*. The regression model is $Y = b_0 + b_1 X_1$. This is the numerical value of the parameter estimate directly associated with an independent variable. In the model, for example, the value b_1 is the regression coefficient for the variable X_1. The regression coefficient represents the amount of change in the dependent variable for a one-unit change in the independent variable. In the multiple predictor model (e.g. $Y = b_0 + b_1 X_1 + b_2 X_2$), the regression coefficients are partial coefficients because each takes into account not only the relationships between *Y* an X_1, and between *Y* and X_2, but also between X_1 and X_2. The coefficient is not limited in range because it is based on both the degree of association and the scale units of the independent variable (Hair *et al.*, 2006: 174).

Linear regression involves predicting one variable from another when the two have a linear relationship. In the same way as the average is used to summarise a single variable, a straight line can be used to summarise a linear predictive relationship between two variables. A straight line is described by the slope, *b,* and the intercept, *a.* The slope indicates how steeply the line rises or falls if *b* is negative. The intercept is the vertical value for *Y* when *X* is 0. The slope is also known as the regression coefficient of *Y* on *X*, and the intercept is also referred to as the constant term in the regression (Siegel, 1997: 389-10)*.*

Siegel (1997) maintains that for statistical inference to be valid, the data set must be a random sample from the population of interest. This ensures that the data set represents the population in an exact controlled way.

Multivariate regression predicts a single *Y* variable from two or more *X* variables. Inference commences with the F test, an overall test to establish if the *X* variables explain a significant amount of the variation in *Y* (Siegel, 1997: 447). If the *p*-value is less than 0.05, the result is significant. If p-value is less than 0.01, then it is highly significant.

If the regression is significant, it indicates that one or more of the *X* variables is helpful in predicting *Y* and inference proceeds with *t* tests for individual regression coefficients. The *t* test shows whether an *X* variable has a significant impact on *Y*, holding all other *X* variables fixed.

The *t* test is significant if the reference value 0 (indicating no effect) is not in the confidence interval. The *t* test is a test for the effect of *X* on *Y* after an adjustment has been made for all other factors (Siegel, 1997: 454).

3.10.5 Statistical tests applied to the proposition and hypotheses

In order to test the proposition and hypotheses formulated in this study, the methodology used to analyse the data collected is indicated in table 3.11.

Table 3.11: Statistical tests applied to the proposition and hypotheses

Proposition 1	Statistical tests
The six selected critical criteria, namely determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining effective corporate culture, emphasising ethical practices and establishing strategic controls are important for strategic leadership.	Descriptive statistics Pearson's correlation coefficient test
Hypotheses	
$H0_1$ There is no relationship between the following alignment constructs: strategy, customer, processes and people $H1_1$ There is a relationship between the following alignment constructs: strategy, processes, customers and people	Descriptive statistics Pearson's correlation coefficient test Radar diagrams Scatterplots
$H0_2$ There is no relationship between the four alignment constructs and the six critical criteria by leadership. $H1_2$ There is a relationship between the four alignment constructs, and the six critical criteria by leadership.	Descriptive statistics Scatterplots Pearson's correlation coefficient tests the critical criteria in relation to the four constructs of strategic alignment, namely strategy, customers, processes and people and the strategic leadership critical criteria
$H0_3$ Strategic leadership does not positively influence strategic alignment in high performance companies.	Descriptive statistics Regression analysis to determine causal relationship and interpretation of statistical analysis.

H1$_3$ Strategic leadership positively influences strategic alignment in high performance companies.	Evaluate impact of effectiveness/ ineffectiveness and explain the gap

3.11   SUMMARY AND CONCLUSIONS

This chapter explained the research methodology used in this study. In terms of this, the research objective and research questions were also stated.

Different research paradigms were discussed and the use of the quantitative approach in the study was justified. The research process followed by the researcher was described. This commenced with the problem to be investigated (chapter 1), followed by the study of theoretical concepts and theories in the literature review (chapter 2) and the statement of the proposition and the hypotheses to be tested in the study. The instruments and the data sources were identified for the dependent and independent variables.

The data collection instruments that were identified were tested for validity and reliability and the sampling design and data collection process described. Chapter 4 will deal with the analysis of the results.

CHAPTER 4: ANALYSIS OF FINDINGS

4.1 INTRODUCTION

This chapter reports the results of the empirical studies. Statistical techniques to provide answers to the empirical research questions formulated in chapter 3 are explained. The framework used in chapter 3 to identify the relationships between respective variables is used to report the results. A detailed analysis using the statistical techniques discussed in chapter 3 was undertaken to test the hypotheses and systematically provide answers to the following questions:

- Empirical question 1: What level of importance do the top leadership team assign to the selected critical leadership criteria identified in this study?
- Empirical question 2: What level of strategic alignment exists between the four alignment constructs of strategy, processes, customers and people?
- Empirical question 3: Is there a relationship between the critical leadership criteria and strategic alignment in these top-performing companies?
- Empirical question 4: If so, what is the relationship?

Correlation analysis and Spearman correlation coefficients were used to describe the relationship between the independent and dependent variables and to test the hypotheses. Scatterplots were utilised to depict the relationships and regression analysis performed to determine the inferential relationships between the variables.

4.2 PROFILE OF THE POPULATION AND POPULATION SAMPLE

The target population comprised the *Financial Mail's* (2007) Top 200 Companies in South Africa in June of that year, from which a convenient sample was drawn. The figures and the tables to establish the Top 200 companies were provided by the McGregor Bureau for Financial Analysis (BFA) and were calculated according

to the standardisation definition as summarised below (*Financial Mail,* 2007: 9–11). The companies' consolidated audited financial statements were used in the *Financial Mail* rankings.

As far as the standardisation of financial data is concerned, the BFA standardises all the published financial statements. This is because the accounting conventions used by companies differ, which makes it practically impossible to rank companies on the basis of their published data. The term "standardisation" is therefore used because certain adjustments are made to the published financial statements of companies to obtain comparable information. In interpreting and allocating specific items, basic accounting principles are followed.

A convenient number of six companies was included in the sample, from the population frame of the *Financial Mail*'s (2007) Top 200 list as per the methodology discussed in chapter 3.

The researcher experienced great difficulty obtaining the commitment of the organisations that were willing to participate. The majority responded negatively or did not respond at all, despite numerous follow-up contacts.

An in-depth study was conducted focusing on the views of the top leadership team and the employees in the organisation, compared with other studies (e.g. Serfontein, 2009) that examined the views of only one respondent who had completed the survey on behalf of the organisation. Serfontein's (2009) study was completed by the organisation's CEO or his or her respondent only, whereas in Jooste and Fourie's (2009) study, the directors, who were not involved in the day-to-day operations of the organisation, were required to complete the survey.

This study required a greater commitment from the organisation and at the same time afforded operational environment employees the opportunity to present their responses on the organisational impact of the decisions taken by the TMT.

The approach made to the sample was twofold: Firstly, the TMT was requested to complete the leadership questionnaire; and, secondly, a sample of approximately 100 employees spread throughout the organisation was requested to participate by completing the strategic alignment questionnaire.

Participation was voluntary and the questionnaires were completed anonymously. In order to provide more valuable feedback to the participating companies, the participants were asked to supply the name of the division in the company in which they work, as well as their level of seniority. Not all respondents elected to provide this information.

A total of 35 top leaders out of a population of approximately 40 voluntarily participated in the study, a response rate of 87.5%. Of a population of 600 employees, a sample of 350 voluntarily participated in the study, a response rate of 58.3%.

Each of the organisations that participated was listed on the Johannesburg Securities Exchange (JSE).

The research approach outlined in chapter 3 was followed.   The initial approach was made to the CEO of each company, requesting the company's participation in the study. The approach outlined the aims of the study, explained the methodology and included the questionnaires that would be used.

The study required that a questionnaire be completed by the TMT, rating their perceptions of the importance of the critical leadership criteria in the organisation. The questionnaire contained six statements on the critical criteria. To ensure clarity of understanding, the questionnaire included a definition of each statement to ensure consistency in interpretation. One hundred employees were invited to complete the strategic alignment questionnaire which contained 16 statements. These questions focused on the dimensions of strategy, customers, processes (operations) and people (employees).

Having obtained the CEO's commitment to the organisation's participation in the study, the critical leadership criteria questionnaire was distributed electronically to its top leadership team and the strategic alignment questionnaire to 100 employees across the company. The research instruments that were used comprised structured, self-administered electronic questionnaires.

On completion of the questionnaire, each respondent submitted it electronically directly to the researcher. The responses were anonymous, which afforded the respondents the opportunity to be candid in their scoring.

4.3   ANALYSIS OF THE RESULTS

The Excel 2010 Data Analysis Tool was used to answer the empirical research questions:

- Empirical question 1: What level of importance do the top leadership team ascribe to the selected critical leadership criteria identified for this study?
- Empirical question 2: What level of strategic alignment exists between the four alignment constructs of strategy, processes, customers and people?
- Empirical question 3: Is there a relationship between the critical leadership criteria and strategic alignment in these top performing companies?
- Empirical question 4: If so, what is the relationship?

Descriptive statistics were applied to the data to determine these relationships and test the proposition and hypotheses.

4.4   NATURE OF THE RESULTS

The completed questionnaires were received electronically by the researcher. The raw data were captured into a database. Statistical analysis of correlation and regression was applied to test the hypotheses in accordance with the analysis

methodology discussed in chapter 3 and scatterplots to show the relationships between subvariables demonstrated.

4.5   PROPOSITION 1

The six selected critical criteria: determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining effective corporate culture, emphasising ethical practices and establishing strategic controls are important for strategic leadership.

The following statements were made with a definition for each statement in the questionnaire provided (table 3.4) to ensure consistency of interpretation:
(1) determining strategic direction
(2) exploring and maintaining core competencies
(3) developing human capital
(4) sustaining an effective corporate culture
(5) emphasising ethical practices
(6) establishing strategic controls

Table 4.1 provides a summary of the descriptive statistics for the critical criteria. The mean is the sum of the observed values in the distribution divided by the number of observations. It measures the central tendency, that is, the average response of respondents.

The mean for these data is indicated for each question with the highest score being 6.23 and the lowest at 5.80 on a rating scale ranging from (1) to (7). This indicates an extremely high rating by all the respondents.

The standard error indicates approximately how far the observed value of the statistic is from the mean and shows the amount of uncertainty in a summary number representing the entire sample. By contrast, the term "standard deviation"

is normally used to indicate the amount of variability among individuals, or elementary units, specifically indicating how far individuals are from the average.

The mode indicates that the most frequently occurring value in the rating of the critical criteria is 7.00. The range is the largest data value minus the smallest data value, representing the size or extent of the entire data set. The mode for this sample is 7.00.

Table 4.1: Summary of descriptive statistics for the critical criteria

Summary of descriptive statistics for the critical criteria						
	Q1	Q2	Q3	Q4	Q5	Q6
Mean	6.23	6.03	5.94	5.94	5.80	5.80
Standard error	0.21	0.20	0.20	0.19	0.22	0.20
Median	7.00	6.00	6.00	6.00	6.00	6.00
Mode	7.00	7.00	6.00	7.00	7.00	7.00
Standard deviation	1.21	1.20	1.19	1.14	1.28	1.21
Range	5.00	4.00	5.00	4.00	5.00	4.00
Minimum	2.00	3.00	2.00	3.00	2.00	3.00
Maximum	7.00	7.00	7.00	7.00	7.00	7.00
Sum	218.00	211.00	208.00	208.00	203.00	203.00
Count	35.00	35.00	35.00	35.00	35.00	35.00

Correlation analysis refers to the degree to which changes in one variable are associated with changes in another. According to Cooper and Schindler (1998: 524), interdependencies between variables are a common characteristic of most multivariate techniques. A correlation analysis reveals the magnitude and direction of relationships. The magnitude is the degree to which variables move in unison or opposition. Direction indicates whether large values on one variable are associated with large variables on the other (Cooper & Schindler, 1998: 517).

The descriptive measure coefficient or correlation (*r*) is a measure of the degree of association between two variables, and indicates the estimated extent to which the changes in one variable are associated with changes in the other, on a range of +1.00 to -1.00. A correlation of +1.00 indicates a perfect positive relationship, a correlation of 0.0, no relationship, and a correlation of -0.00, a perfect negative relationship. As a rule of thumb, a correlation of -0.3 indicates a weak negative correlation between two variables, while 0.7 indicates a strong positive correlation (Sanders, Lewis & Thornhill, 1997).

In the case of a positive correlation between two variables, a higher score on one variable tends to indicate a higher score on the other. If the correlation is negative, a higher score on one variable tends to indicate a lower score on the second variable. Correlation analysis was performed to test the relationships between the critical criteria. Table 4.2 shows the results of the correlation between the variables in the data set. All the correlations in this data set are positive.

Table 4.2: Correlation matrix for relationship between critical criteria

Pearson correlation matrix for critical criteria

	Q1	Q2	Q3	Q4	Q5	Q6
Q1	1					
Q2	0.7418411	1				
Q3	0.6825864	0.723939	1			
Q4	0.6490817	0.691499	0.739183	1		
Q5	0.5036351	0.44461	0.534895	0.599229	1	
Q6	0.4530429	0.511315	0.525286	0.548703	0.811206	1

Level of significance 0.05

N = 35

Determining strategic direction is the most important critical criterion. Whilst importance of all the criteria was tested, it was noted that this criterion has an influence on all the other criteria.

Table 4.3 indicates the mean scores of each organisation's rating of the critical criteria.

Table 4.3: Mean scores of critical criteria for each organisation

Organisation	A	B	C	D	E	F	Mean
1 Determining strategic direction	7.00	7.00	6.32	6.18	4.61	6.27	6.23
2 Exploiting and maintaining core competencies	6.75	6.80	6.51	5.68	4.41	6.01	6.03
3 Developing human capital	6.38	6.77	6.37	6.27	4.24	5.58	5.94
4 Sustaining an effective corporate culture	6.18	6.69	6.37	5.69	5.10	5.58	5.94
5 Emphasising ethical practices	5.29	6.79	5.98	5.88	5.05	5.78	5.80
6 Establishing strategic controls	5.50	6.50	5.60	6.00	5.20	6.00	5.80
Mean	6.18	6.76	6.19	5.95	4.77	5.87	5.95
Sum (maximum 42)	37.10	40.55	37.13	35.70	28.60	35.22	35.72

N = 35

An examination of the scores for the critical criteria indicated that 'determining strategic direction' was rated the highest criteria and 'exploiting and maintaining core competencies' the next highest of the criteria. 'Developing human capital' and 'sustaining an effective corporate culture' followed with 'emphasising ethical practices' and 'establishing strategic controls' the lowest rated. The high rating of mean scores indicates that the critical criteria are important to leadership. Determining strategic direction is the key criteria for strategic leadership in organisations. Proposition 1 is therefore accepted.

4.6   HYPOTHESIS 1

$H0_1$ There is no relationship between the following alignment constructs: strategy, customers, processes and people.

$H1_1$ There is a relationship between the following alignment constructs: strategy, customers, processes and people.

Alignment was tested by utilising the questionnaire comprising 16 questions measuring alignment across the four alignment constructs of strategy, customers, people and processes. A total of 350 responses was received from employees in the six organisations. In order to conduct statistical analysis of correlation and regression with the X and Y variables, the data were collapsed into 35 groups of ten, thus reducing the sample size to equal the number of the sample size for strategic leadership, making it possible to conduct statistical analysis tests on the data. A primary goal of statistics is to collapse data into easily understandable summaries. These summaries may then be used to compare sets of numbers from different sources or to evaluate relationships among sets of numbers (Sonnad, 2002: 622).

Table 4.4 provides a summary of the descriptive statistics for the four alignment constructs of strategic alignment. The mean is the sum of the observed values in the distribution, divided by the number of observations. It measures central tendency – in other words, the average response of the respondents. The mean for this data set is indicated for each alignment construct with the highest score being 4.57 for the processes construct and the lowest score 3.82 for the people construct on a scale ranging from (1), strongly disagree, to (7), strongly agree.

The mode indicates that the most frequently occurring value in the rating of alignment is 4.00. The standard error indicates approximately how far the observed value of the statistic is from the mean and the amount of uncertainty in a summary number representing the entire sample. The standard error for this sample ranges between 0.11 and 0.15. The term "standard deviation" is usually

indicated to show the amount of variability among individuals or elementary units, specifically indicating how far individuals are from the average, 0.60 to 0.89.

Table 4.4: Summary of descriptive statistics for strategic alignment

Summary of descriptive statistics for strategic alignment				
	Strategy	*Customers*	*People*	*Processes*
Mean	4.40	4.22	3.82	4.57
Standard error	0.11	0.13	0.15	0.11
Median	4.00	4.00	4.00	4.00
Mode	4.00	4.00	3.00	4.00
Standard deviation	0.69	0.80	0.89	0.69
Range	3.00	4.00	3.00	2.00
Minimum	3.00	3.00	3.00	4.00
Maximum	6.00	7.00	6.00	6.00
Sum	154	148	134	160
Count	35	35	35	35

Sum = 35
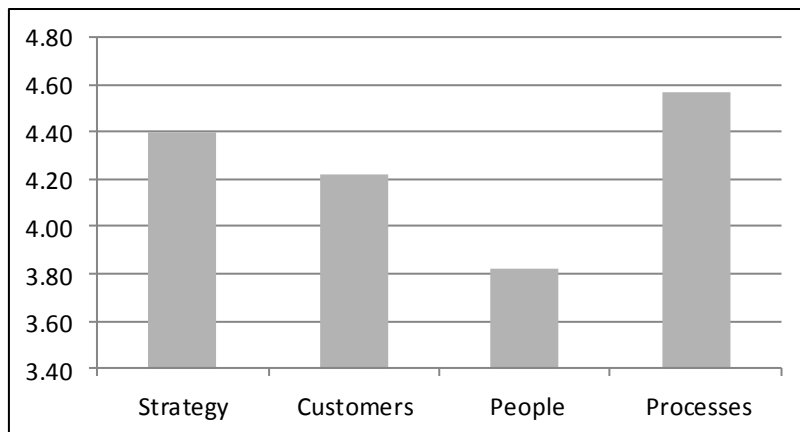
Figure 4.1: Mean scores for strategic alignment

The bar diagram (figure 4.1) graphically depicts the mean scores for each of the four alignment constructs, strategy, customers, people and processes, indicating their comparative mean scores.

The correlation score in table 4.5 indicates the relationship between the alignment of strategy, customers, people and processes. Correlation analysis for this variable shows a high correlation between the alignment of customers and people of 0.71, with a P-value of (.000); customers and processes of 0.75, with a P-value of (.000); people and processes of 0.72, with a P-value of (.000); strategy and people of 0.63, with a P-value of (.000); and strategy and customers of 0.61, with a P-value of (.000). There is a moderate correlation of 0.54 for strategy and processes, with a P-value of (.001).

Table 4.5: Pearson correlation for strategic alignment indicating P-values

		Strategy	Customers	People	Processes
Strategy	Pearson correlation	1	.619**	.637**	.546**
	(P-value)		(.000)	(.000)	(.000)
Customers	Pearson correlation	.619**	1	710**	.753**
	(P-value)	(.000)		(.000)	(.000)
People	Pearson correlation	.637**	.710**	1	.730**
	(P-value)	(.000)	(.000)		(.000)
Processes	Pearson correlation	.546**	.753**	.730**	1
	(P-value)	(.001)	(.000)	(.000)	

The P-value (table 4.5) for each alignment construct shows a significance level that is less than 0.05, indicating that the relationship is statistically significant. The implications of these correlations will be discussed in chapter 5.

The key consideration in the alignment analysis is that each construct is aligned to the other constructs, thereby indicating alignment across all four constructs of strategic alignment. The alignment of the sample mean is illustrated in the radar diagram in figure 4.2 for the four alignment constructs of strategy, customers, processes and people.
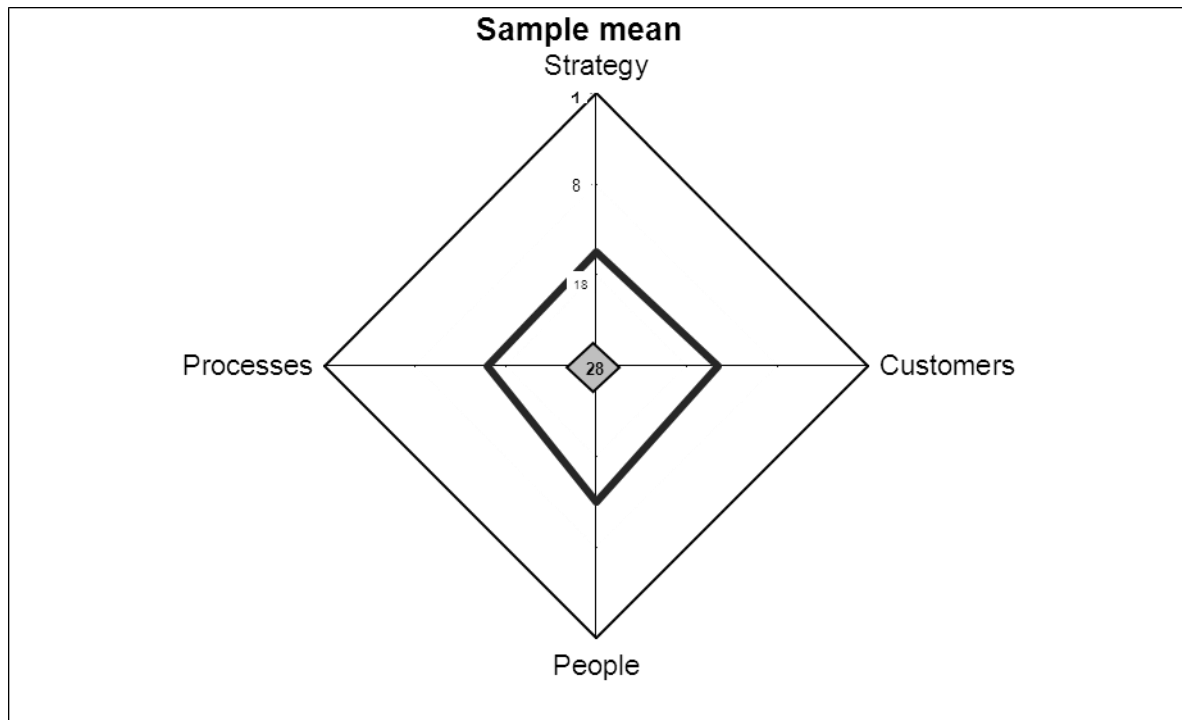
Figure 4.2: Radar diagram illustrating strategic alignment for the sample mean of the alignment constructs of strategy, customers, processes and people

Analysis of the mean scores for each organisation shows a greater degree of variability. Table 4.6 presents the mean scores for each organisation across the four alignment constructs. Organisation B had the highest level of alignment, whereas A and E displayed the lowest level of alignment.

The comparison of the two sets of sample scores indicating the highest and the lowest level of alignment across the dimensions of strategy, people, customers and processes will be discussed in detail in chapter 5.

Table 4.6: Mean scores for strategic alignment for each organisation

Organisation	A	B	C	D	E	F	Mean
Strategy	4.50	5.20	4.36	4.00	4.13	4.20	4.40
Customers	4.00	5.50	4.00	4.00	3.72	4.10	4.22
People	3.23	5.40	3.71	3.50	3.50	3.60	3.82
Processes	4.00	5.80	4.43	4.50	4.21	4.50	4.57
Mean	3.93	5.47	4.00	4.00	3.89	4.10	4.25
Sum (28)	15.73	21.90	16.00	16.00	15.56	16.40	17.02

N = 35

The bar diagram in figure 4.3 graphically depicts the mean scores for organisations A to F for the four alignment constructs of strategy, customers, processes and people.
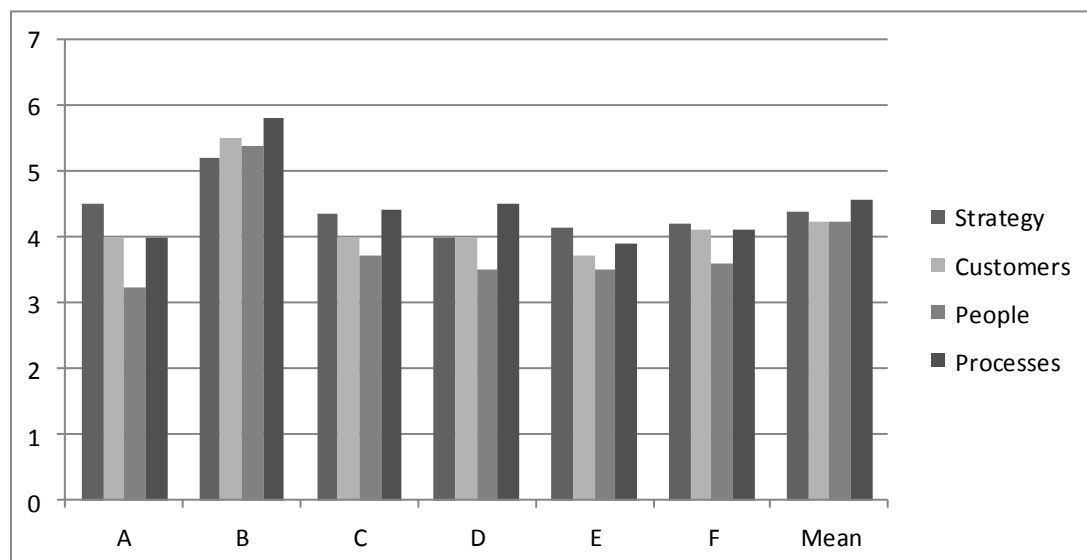
Figure 4.3: Bar diagram showing mean scores for strategic alignment for organisations A to F
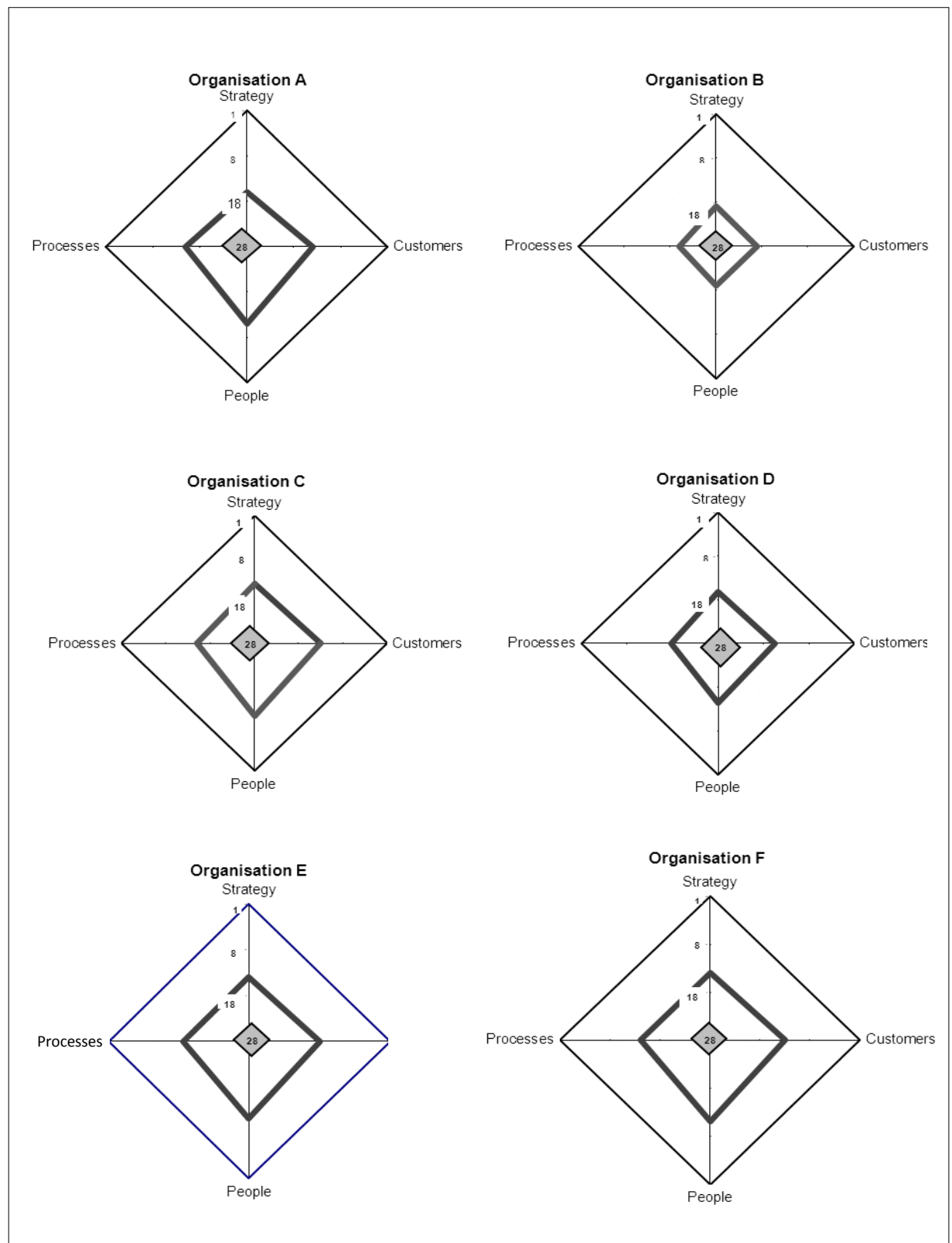
Figure 4.4: Radar diagrams illustrating the strategic alignment means for organisations A to F

Figure 4.4 depicts the radar diagrams illustrating the alignment means for the alignment constructs, strategy, customers, processes and people, for organisations A to F in the sample.

In the following section, scatterplots are used to demonstrate the relationships between the two variables graphically. A scatterplot displays each elementary unit using two axes to represent the two factors. If one variable is seen as causing, affecting or influencing the other, then it is called X and defines the horizontal axis. The variable that may respond or be influenced is called Y and defines the vertical axis (Siegel, 1997: 368). Both direction and the shape of a relationship are conveyed in the plot. When stronger relationships are apparent, the points cluster close to an imaginary straight line passing through the data. The weaker relationships depict a more diffuse data cloud with points spread farther from the line (Cooper & Schindler, 1998: 518-519). Scatterplots enable one to understand the relationship between variables and provide a means for visual inspection of data which a list of values for two variables cannot do.

4.6.1 Vertical alignment

In vertical alignment, the data for the sample show a strong correlation of 0.63 between strategy and people.
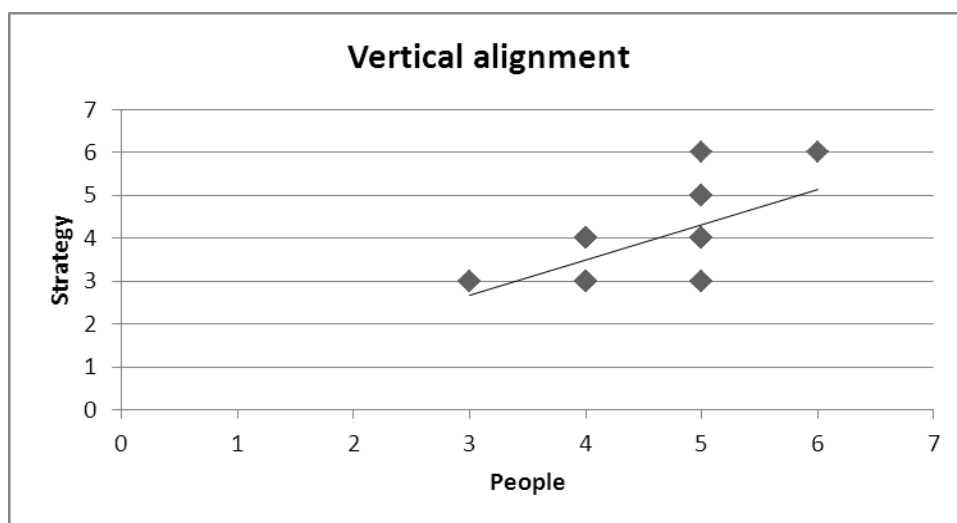
Figure 4.5: Scatterplot depicting vertical alignment: strategy – people

The scatterplot in figure 4.5 indicates this relationship graphically. This relationship has a correlation of .637 and a P-value of (.001), which indicates that the vertical relationship between strategy and people is statistically significant.

4.6.2 Horizontal alignment

In horizontal alignment, the data for the sample show a strong correlation of 0.75 and a P-value of (.000) between customers and processes, which indicate that the relationship is statistically significant. The scatterplot in figure 4.6 is a graphical representation of this relationship.

The horizontal alignment is stronger than the vertical alignment. The implications of this will be discussed in chapter 5.
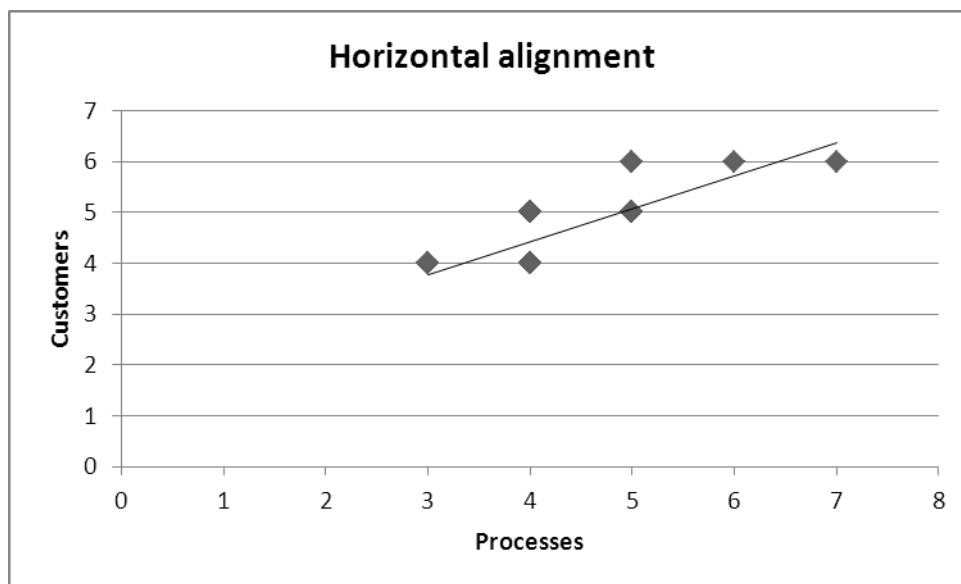
Figure 4.6: Scatterplot depicting horizontal alignment: customers – processes

The correlation analysis indicates a strong positive alignment between the four alignment constructs indicating that they are important. The P-values show that they are statistically significant.

Hypothesis 1, which states that there is no relationship between the alignment constructs of strategy, customers, processes and people, is rejected. The alternative hypothesis, which states that there is a relationship between the alignment constructs of strategy, customers, processes and people, is accepted.

4.7 HYPOTHESIS 2

$H0_2$ There is no relationship between the four alignment constructs and the six critical criteria of strategic leadership.

$H1_2$ There is a relationship between the four alignment constructs and the six critical criteria of strategic leadership.

Table 3.2 depicts the relationship between the independent variable, critical criteria, and the dependent variable, alignment constructs of strategy, people, customers and processes. The questions measured the employees' rating of the implementation of the critical criteria in the organisation. The sections below discuss the responses to each critical criterion and its corresponding alignment construct response. These are displayed in scatterplots in order to indicate the degree of alignment between the two variables.

4.7.1 Q1: Determining strategic direction – strategy

The scatterplot in figure 4.7 shows the responses to Q1, namely, determining strategic direction, while alignment's "strategy" construct shows a weak positive correlation (table 4.8) of 0.20 and a P-value of (.244), which is statistically insignificant.
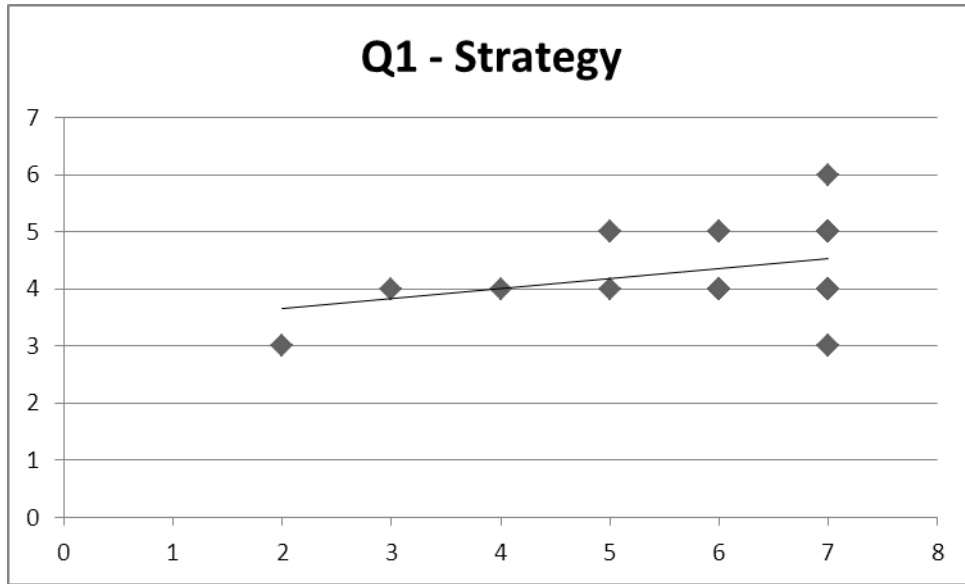
Figure 4.7: Scatterplot depicting Q1 – strategy

4.7.2   Q2: Exploiting and maintaining core competencies – customers

The scatterplot in figure 4.8 depicting the relationship between Q2, Exploiting and maintaining core competencies, and alignment's "customers" construct shows a weak positive correlation (table 4.8) of 0.05 and a P-value of (.759), which is statistically insignificant. Core competencies could also be associated with people and processes, however the ultimate impact of these competencies is their impact on customers.
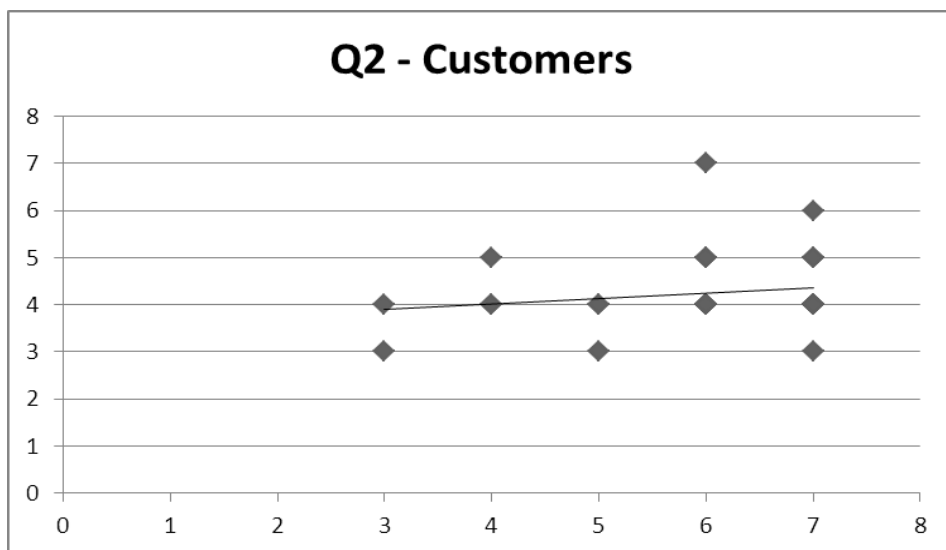
Figure 4.8: Scatterplot depicting Q2 – customers

4.7.3   Q3: Developing human capital – people

The scatterplot in figure 4.9 depicts the relationship between Q3, Developing human capital, and alignment's "people" construct, indicating a weak positive correlation (table 4.8) of 0.15 and a P-value of (.366), which shows that this relationship is statistically insignificant.
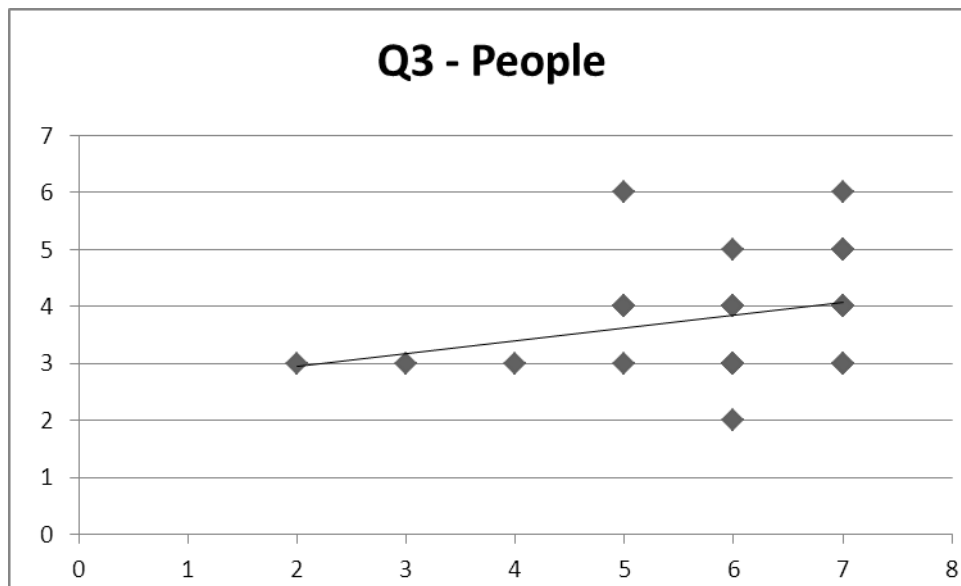
Figure 4.9: Scatterplot depicting Q3 – people

4.7.4   Q4: Sustaining an effective corporate culture – people

The scatterplot in figure 4.10 depicts the relationship between Q4, Sustaining an effective corporate culture, and alignment's "people" construct, and indicates a weak positive correlation (table 4.8) of 0.19 with a P-value of .265. The relationship is therefore statistically insignificant.
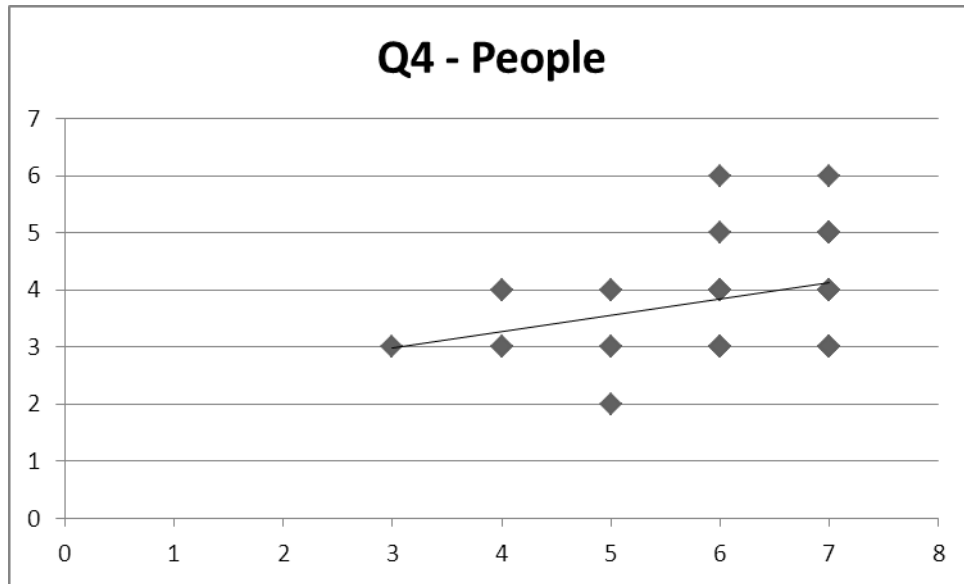
Figure 4.10: Q4 – Scatterplot depicting Q4 - people

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4.7.5 Q5: Emphasising ethical practices – processes

The scatterplot in figure 4.11 depicts the relationship between Q5, Emphasising ethical practices, and alignment's "processes" construct, and indicates a weak positive correlation (table 4.8) of 0.23 with a P-value of (.183), which is statistically insignificant.
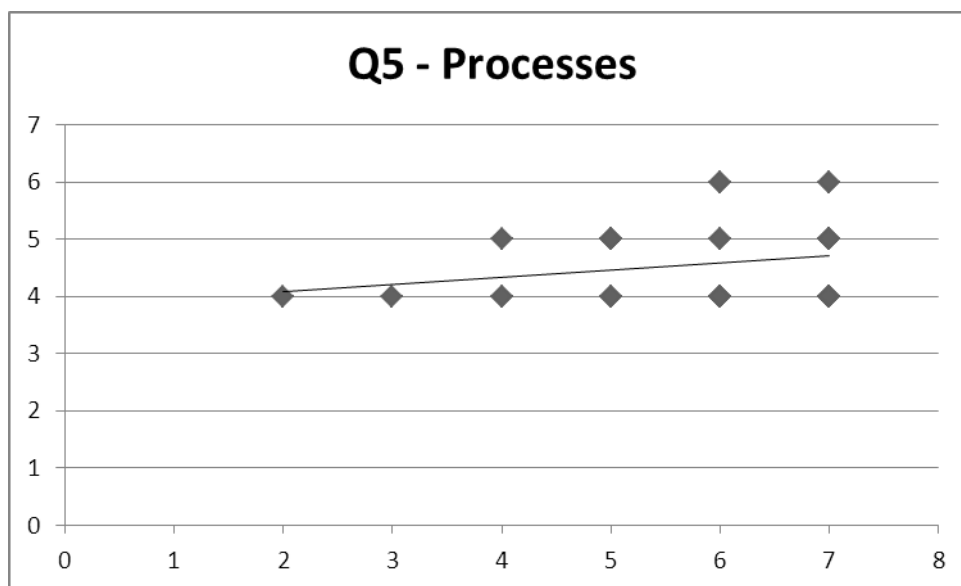
Figure 4.11: Scatterplot depicting Q5 – processes

4.7.6 Q6: Establishing strategic controls – processes

The scatterplot in figure 4.12 depicts the relationship between Q6, Establishing strategic controls, and alignment's "processes" construct and indicates a weak positive correlation (table 4.8) of 0.13 with a P-value of (.424), which shows that the relationship is statistically insignificant.
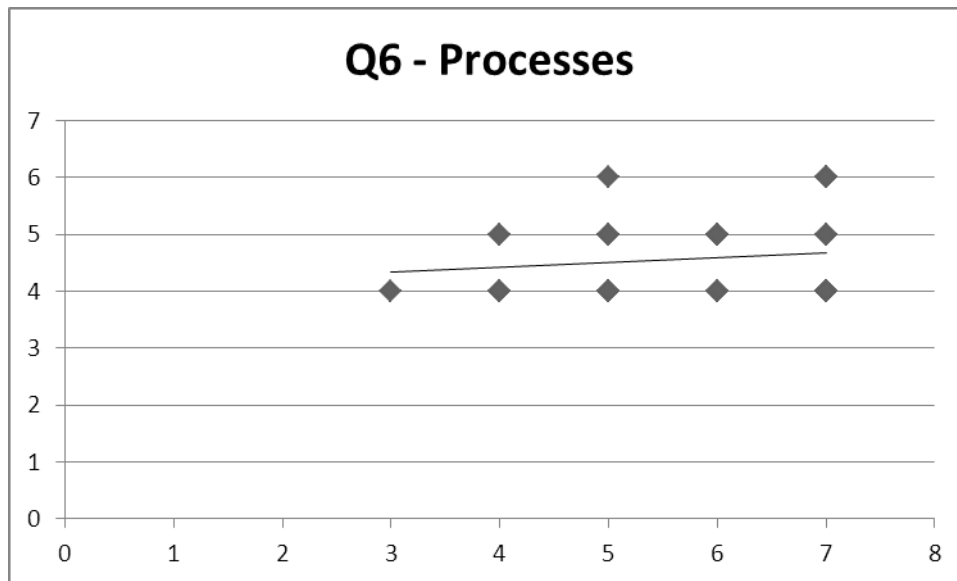
Figure 4.12: Scatterplot depicting Q6 – processes

4.7.7 Scatterplot depicting the relationship between the X and Y variables

The scatterplot in figure 4.13 indicates the relationship between the independent and dependent variables in the data set for this sample. The mean values obtained for X is the sum of the observed values for each leadership response divided by the number of constructs (four). The mean values obtained for Y is the sum of the observed values for each employee response divided by the number of critical criteria (six).
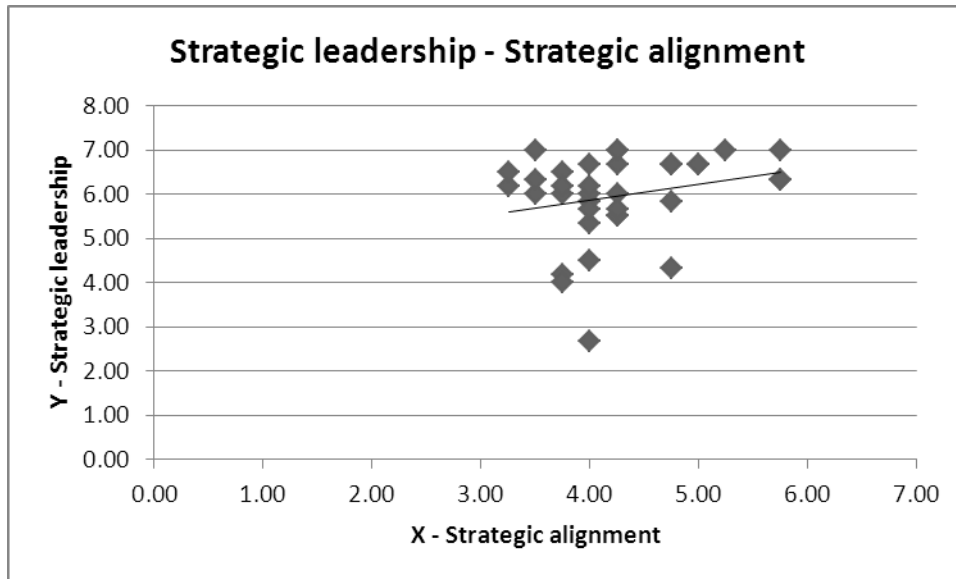
Figure 4.13: Scatterplot depicting the X and Y variables

The scatterplot depicts a weak positive relationship between the two variables, X and Y, with the points clustered in a cloud in relation to the straight line depicting a linear relationship. Some outliers are shown. These outliers indicate low scores with a rating of "2" on critical criteria and "3" on strategic alignment on certain responses. The scatterplot for the sample indicates a weak positive relationship between the X and Y variables.

4.8 CONCLUSION

The correlation between the variables for the sample is depicted in Table 4.7. The correlation shows a weak positive relationship between the X and Y variables. The relationships are all positive. No variables show a negative relationship. The correlation indicates a weak positive relationship. The null hypothesis is rejected when the P-value is less than the significance level of 0.05. The P-values indicate that the relationship is statistically insignificant. Hypothesis $H0_2$, which states that there is no relationship between the four alignment and the six critical criteria of strategic leadership, is not rejected.

Table 4.7: Correlation for the critical criteria and strategic alignment of strategy, customers, people and processes

		Q1	Q2	Q3	Q4	Q5	Q6	Strategy	Customers	People	Process
Q1	Pearson correlation	1	.752**	.683**	.649**	.54**	.453**	.202	.125	.146	.258
	P-value		(.000)	(.000)	(.000)	(.002)	(.006)	(.244)	(.474)	(.403)	(.135)
Q2	Pearson correlation	.742**	1	.724**	.691**	.445**	.511**	.092	.054	.115	.261
	P-value	(.000)		(.000)	(.000)	(.007)	(.002)	(.600)	(.759)	(.511)	(.130)
Q3	Pearson correlation	.638**	.724**	1	.739**	.535**	.525**	.136**	.167	.157	.254
	P-value	(.000)	(.000)		(.000)	(.001)	(.001)	(.437)	(.336)	(.366)	(.142)
Q4	Pearson correlation	.649**	.691**	.739**	1	.599**	549**	.179	.175	.193	.265
	P-value	(.000)	(.000)	(.000)		(.000)	(.001).	(.304)	(.315)	(.265)	(.124)
Q5	Pearson correlation	.504**	.445**	.535**	.599**	1	.811**	.258	.103	.279	.231
	P-value	(.002)	(.007)	(.001)	(.000)		(.000)	(.134)	(.558)	(.105)	(.183)
Q6	Pearson correlation	.453**	.511**	.525**	.549**	.811**	1	.168	-0.42	.268	.140
	P-value	(.006)	(.002)	(.001)	(.001)	(.000)		(.334)	(.810)	(.120)	(.424)
Strategy	Pearson correlation	.202	.092	.136	.179	.258	.168	1	.619**	.637**	.546**
	P-value	(.244)	(.600)	(.437)	(.304)	(.134)	(.334)		(.000)	(.000)	(.001)
Customers	Pearson correlation	.125	.054	.167	.175	.103	-.042	.619**	1	.710**	.753
	P-value	(.474)	(.759)	(.336)	(.315)	(.558)	(.810)	(.000)		(.000)	(.000)
People	Pearson correlation	.146	.115	.157	.193	.279	.268	.637**	.710**	1	.730**
	P-value	(.403)	(.511)	(.366)	(.265)	(.105)	(.120)	(.000)	(.000)		(.000)
Process	Pearson correlation	.258	.261	.254	.265	.231	.140	.546**	.753**	.730**	1
	P-value	(.135)	(.130)	(.142)	(.124)	(.183)	(.424)	(.001)	(.000)	(.000)	

** Correlation is significant at the 0.01 level (2-tailed)

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4.9 HYPOTHESIS 3

$H0_3$ Strategic leadership does not positively influence strategic alignment in high performance companies.

$H1_3$ Strategic leadership positively influences strategic alignment in high performance companies.

Linear regression analysis predicts one variable from another when the two have a linear relationship.

By convention, the variable being predicted is denoted as Y, strategic alignment, while the variable that helps with the prediction is denoted as X, strategic leadership. The straight line intercept, the slope, indicates how steeply the line rises for a positive relationship or falls if the relationship is negative (Siegel, 1997: 389-10).

Multiple regression predicts a single Y variable from two or more X variables. In this analysis, the dependent variable, strategic alignment, is predicted from the independent variable, the six critical criteria. Inference commences with the f-test, an overall test to establish whether the X variables explain a significant amount of the variation in Y (Siegel, 1997: 447). If the P-value is less than 0.05, the result is significant. If the regression is significant, it indicates that one or more of the X variables is useful in predicting Y.

Table 4.8 depicts a multiple regression analysis for this sample.

The regression analysis for this data sample is not statistically significant because the P-value is greater than 0.05. Hypothesis $H0_3$, which states that strategic leadership does not positively influence strategic alignment in high performance companies, is not rejected.

Table 4.8: Multiple regression analysis for the X and Y variables

SUMMARY OUTPUT - Multiple regression for X Strategic Alignment and Y Strategic Leadership

Regression Statistics	
Multiple R	0.294516868
R Square	0.086740185
Adjusted R Square	-0.108958346
Standard Error	0.706668747
Observations	35

ANOVA

	Df	SS	MS	F	Significance F
Regression	6	1.328054196	0.22134237	0.443233706	0.843478435
Residual	28	13.98266009	0.49938072		
Total	34	15.31071429			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	3.316262888	0.746392196	4.44305675	0.000126871	1.787347782	4.845177993	1.787347782	4.845177993
Q1	0.04796199	0.162547506	0.29506445	0.770121507	-0.285001481	0.380925461	-0.285001481	0.380925461
Q2	-0.04255164	0.180099493	-0.2362674	0.814945017	-0.411468727	0.326365447	-0.411468727	0.326365447
Q3	0.030088688	0.174255698	0.17266975	0.864153117	-0.326857929	0.387035305	-0.326857929	0.387035305
Q4	0.065779803	0.180256791	0.36492275	0.717911028	-0.303459494	0.4350191	-0.303459494	0.4350191
Q5	0.139837324	0.177934249	0.78589324	0.438530493	-0.224644463	0.504319111	-0.224644463	0.504319111
Q6	-0.083123851	0.181378336	-0.4582899	0.650281409	-0.454660531	0.288412828	-0.454660531	0.288412828

4.10   SUMMARY AND CONCLUSIONS

This chapter discussed the findings of the research study. The profile of the sample was the 200 top performing organisations in South Africa, as published by the *Financial Mail* (2007). A total of 35 valid responses was received from top leadership and 350 employees from across all levels in six organisations.

Descriptive analysis was utilised to describe the data by comparing and discussing the mean, mode, standard error and standard deviation. Scatterplots and correlation analysis were used to determine the relationships between strategic leadership and strategic alignment as well as each critical criterion and the alignment constructs of strategy, customers, processes and people. Regression analysis was conducted to determine the causal relationships between the X and Y variables.

These findings were also suggested and supported by the literature review in chapter 2 and the methodology in chapter 3.

The empirical findings indicate the following:
–   Proposition 1 is accepted.
–   Hypothesis $H0_1$ is rejected.
–   Hypothesis $H0_2$ is not rejected
–   Hypothesis $H0_3$ is not rejected.

The conclusions and recommendations for the study are presented in chapter 5.

CHAPTER 5: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

"Does strategic leadership matter? Indeed the quality of individual leadership matters" (Wheeler *et al.*, 2007: 2).

"Under what conditions? Where? How? On what criteria?" (Boal & Hooijberg, 2001: 518).

The study of leadership has progressed from early studies on the topic by House (1977), in which he focused on charismatic leadership, through a range of studies including the following: the upper echelons theory (Hambrick & Mason, 1984); the study of TMTs (Bryman, 1992); charismatic theories (House, 1977; Shamir, House & Arthur, 1993); transformational theories (Bass, 1985); visionary theories (Bennis & Nanus, 1985; Kouzes & Posner, 1987); supervisory theories (House & Aditya, 1997); and strategic leadership theories (Cohen & Levinthal, 1990; Black & Boal, 1996; Hitt *et al.*, 1998; Boal & Hooijberg, 2001 Rowe, 2001; Elenkov *et al.*, 2005; Abell, 2006; Elenkov, 2008).

Much emphasis has been placed on identifying leadership traits, leadership style, charismatic leaders or whether leaders are born or made. As House and Aditya (1997) note, prior to about the mid-1980s, there were very few empirical studies on the strategic leadership process and strategic leader behaviour. However, since 1989, the interest in strategic leadership has grown in significance with many more recent studies on the topic. Strategic leadership is increasingly becoming a top focus in academic and business studies alike. Leadership at strategic level is the key issue facing 21st-century organisations (Hitt *et al.* 1998; Elenkov, 2008). Without effective strategic leadership, the capability of a company to achieve or sustain a competitive advantage is greatly constrained (Elenkov, 2008: 37).

Strategic leadership that results in the successful organisational performance and implementation of strategies is exemplified by several key actions. The most critical of these involve determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining an effective organisational culture, emphasising ethical practices and establishing balanced organisational controls (Hitt *et al.*, 2001: 499, 500). With the recognition of the significance of these critical leadership criteria developed by Hitt *et al.* (1998), an empirical study was conducted to determine the ranking by U.S. leaders of the importance of these components (Hagen *et al.*, 1998). Following this study, interest has increased in both the topics of strategic leadership and strategic alignment.

According to Elenkov (2008: 27), there has been little empirical evidence concerning the effects of strategic leadership on organisational processes that have distinctive strategic significance. Studies by Hitt *et al.* (1995) and Hagen *et al.* (1998) identify and examine the criteria that they have determined as being critical to strategic leadership. Labovitz and Rosansky (1997) link organisational performance to strategic alignment. Companies seek to be top performers and identifying factors that contribute to that performance has been the object of much interest and investigation.

In the South African context, Serfontein (2009) conducted an empirical study of the impact of strategic leadership on the operational strategy and performance of business organisations in South Africa and concluded that strategic leadership has a significant impact on operational performance. However, Serfontein (2009) further states that a limitation of this study was that only one person from each organisation, typically the CEO, completed the survey. It is possible that another study that examines the perception of top, middle and lower management could yield different results (Serfontein, 2009: 28).

A further study by Jooste and Fourie (2009) explored the role of strategic leadership in effective strategy implementation. The limitation of this study is that

it was aimed at directors only, with no reference to the measurement of implementation in the organisation. The findings of this study concur with those of Serfontein's study (2009).

Building on these arguments and the literature on strategic leadership discussed in chapter 2, the conceptual framework was systematically examined by means of empirical and analytical methods. The framework was tested in six companies.

The purpose of this study is to establish whether effective strategic leadership will result in strategic alignment. The view that this is indeed the case is gaining increasing support and is held by Ireland and Hitt (1999), who maintain that being able to exercise strategic leadership in a competitively superior manner facilitates an organisation's performance. The aim is to explore the relationship between strategic leadership and strategic alignment in an attempt to provide greater understanding of strategic leadership's impact on organisational success. This chapter discusses the results of this study.

The chapter reviews the results presented in chapter 4 and discusses the empirical findings of the study as set out in the proposition and hypotheses that were tested. The contributions and limitations of the study and recommendations for further research are also discussed.

5.2 EMPIRICAL FINDINGS

The database from which the participating companies was drawn was compiled by the *Financial Mail* (2007) in which this publication ranked the top-performing listed companies on the JSE out of a total of 419 (in 2007) listed companies. The results of the sample show a weak positive but not statistically significant correlation between the critical leadership criteria and strategic alignment in high-performing organisations in South Africa. In examining the companies individually, the following section summarises the findings.

5.3 FINDINGS ON STRATEGIC LEADERSHIP

5.3.1 Proposition 1

The six selected critical criteria – determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining effective an corporate culture, emphasising ethical practices and establishing strategic controls – are vital for strategic leadership.

The purpose of this study was to determine the importance the TMT attributed to each criterion. An analysis of the results of the strategic leadership questionnaire shows that each of the critical criteria was highly rated by the leadership in the sample. The results indicate that these criteria are regarded as crucial components of strategic leadership, based on the current research.

An analysis of the raw data shows that many of the respondents rated all the criteria at 7, indicating that an equal level of importance was assigned to each criterion. On closer examination of the sample results, the mean scores (table 4.1) were Q1 - 6.23, Q2 – 6.03, Q3 – 5.94, Q5 5.80 and Q6 – 5.80. Q1 had the highest mean score of 6.23, and Q5 and Q6, the lowest mean score of 5.80. (Slight variations on the mean scores in the various tables occurred as a result of the summarising and rounding off of scores to the next decimal point).

5.3.1.1 Analysis of the highest-rated criterion: determining strategic direction

Determining strategic direction focuses the organisation on a long-term vision with a view to at least five years in the future. Strategic intent means leveraging the organisation's internal resources, capabilities and core competencies to accomplish what may at first appear to be unattainable goals in the competitive environment (Hamel & Prahalad, 2005). Strategic intent exists when all employees in an organisation are committed to pursuing a specific performance criterion. This correlates with strategic alignment, which measures the degree to which all

employees in the organisation are aligned across the four dimensions of strategy, customers, processes and people.

The choice of strategic direction is of vital importance to the organisation's success. This is confirmed by the results of this survey, where the mean score for criterion 1 was 6.23. The mean scores of organisations A to F (table 4.3) were 7.00, 7.00, 6.32, 6.18, 4.61 and 6.27 respectively.   Organisation E rated this criterion with a moderate score of 4.61, while all the other organisations rated the criterion with a high score of 6.18 to 7.00.

5.3.1.2 *Analysis of the lowest-rated criterion: emphasising ethical practices and establishing strategic controls*

All the participants gave two criteria the lowest scores, namely "emphasising ethical practices and "establishing strategic controls". The overall mean for each of these criteria was 5.8.

The mean scores for the criterion emphasising ethical practices for organisations A to F were (table 4.3) 5.29, 6.79, 5.98, 5.88, 5.05 and 5.78 respectively.

Effective strategic leaders emphasise ethical practices in their organisations, and seek to infuse them through the organisational culture. The ethics that guide individual actions are based on principles formed by long-term influences that extend beyond the organisation. However, organisations can shape and control their employees' and managers' behaviour through formalised rules, economic rewards and sanctions and the values and norms that represent corporate culture (Hagen *et al.*, 1998). While this score was the lowest at 5.8, it is still highly rated compared to the top score of 7.

To the extent that managers and employees share a common set of ethical principles, there is a strong likelihood that ethical practices will be observed (Hagen *et al.*, 1998).

Thomas, Schermerhorn and Dienhart (2004: 57) link ethical business practice to company performance and maintain that an accurate appreciation of the full costs of ethical failures is crucial to creating a sense of urgency in ethical business behaviour.

For business executives, the strategic leadership responsibility for initiating changes has to include the goals of creating and sustaining ethical climates within which employees act ethically as a matter of routine (Thomas *et al.*, 2004: 58). These authors contend that some of these costs are chronically undervalued in executive decision making.

Business executives can and must realise that the bottom line of business success always includes an ethics component (Thomas *et al.*, 2004: 65). Strategic control refers to corporate leaders' understanding of the strategies being implemented in the various business units. It focuses on the content of strategic actions in order to achieve appropriate outcomes. Strategic control focuses on the content of strategic actions in order to achieve appropriate outcomes.

Strategic control therefore encourages lower-level managers to make decisions that incorporate moderate and acceptable levels of risk. Effective use of strategic controls by corporate leaders is frequently integrated with appropriate autonomy for the subunits so they can gain a competitive advantage in their respective markets. The autonomy of strategic control allows for the flexibility and innovation necessary to take advantage of specific market opportunities. Strategic leadership promotes the simultaneous use of strategic controls and autonomy.

In their study, Hagen *et al.* (1998:6) conclude that exercising strategic controls affects the other five criteria. Strategic controls balance the evaluation of strategic actions with the outcomes of such actions (e.g. quality, creativity, finance, etc.). For instance, the autonomy, flexibility and innovation provided by strategic control help leaders to take advantage of particular marketplaces.

The score of 5.8 (table 4.3), with mean scores for organisations A to F of 5.50, 6.50, 5.60, 6.0, 5.20 and 6.00 respectively, for strategic control in this study, indicates that leadership assign a relatively high level of importance to strategic control in the organisation.

5.3.1.3 *Exploiting and maintaining core competencies*

Core competencies are the resources and capabilities that serve an organisation's source of competitive advantage. Typically, core competencies relate to an organisation's functional skills such as manufacturing, finance, marketing and research and development. Core competencies allow organisations to produce and deliver products that have unique benefits and value for customers (Hamel & Prahalad, 2005). As strategic leaders, corporate managers make decisions intended to help their organisation develop, maintain, strengthen, leverage and exploit core competencies. Exploiting core competencies involves sharing resources across units. In general, the most effective core competencies are based on intangible resources, which are less visible to competitors because they relate to employees' knowledge and skills. Effective strategic leaders promote the sharing of intangible resources across the organisation's business units.

The mean scores for exploiting and maintaining core competencies for organisations A to F were 6.75, 6.80, 6.51, 5.68, 4.41 and 6.01 respectively, with a sample mean of 6.03. This reflects a high level of importance placed by the TMT of all the organisations on this criterion, with the exception of organisation E, whose score was 4.41, which was significantly lower than the other scores. As with the rating for strategy, organisation E had the lowest rating on this criterion. The high scores in this study indicate the significance of the TMT's rating of this criterion.

5.3.1.4 *Developing human capital*

Human capital refers to the knowledge and skills of the organisation's workforce – employees as a capital resource. Core competencies cannot be effectively developed or exploited without appropriate human capital.

An effective approach to developing human capital is through training and development programmes. However, management development programmes can help to build skills and facilitate communication between employees by providing a common language, building employee networks and constructing a common vision of the organisation.

Because development programmes socialise employees and help inculcate a common set of core values, they promote cohesion. Furthermore, they should help employees to improve the skills that are critical to the organisation's primary operations, core competencies and customers (Hagen *et al.*, 1998).

The mean scores for developing human capital for organisations A to F were 6.38, 6.77, 6.37, 6.27, 4.24 and 5.58 respectively, with an overall mean of 5.94. These scores reflect a high rating by all the organisations, with the exception of organisation E whose score for this criterion was only 4.24.

5.3.1.5 Sustaining an effective corporate culture

Corporate culture refers to the core values shared by all or most employees. It consists of a complex set of shared ideologies, symbols and values that influence the way in which the organisation conducts its business. Corporate culture is the social energy that either drives the organisation or leads to its failure. Strategic leaders must develop and nurture an appropriate culture, one that promotes focused learning and human development, the sharing of skills and resources among units in the organisation and the entrepreneurial spirit crucial for innovation and competitiveness.

An appropriate corporate culture can encourage an entrepreneurial spirit, foster and facilitate a long-term vision and emphasise strategic actions linked to the production of high-quality goods and services. Corporate culture helps regulate and control employee behaviour. Changing culture is more difficult than sustaining it – but effective strategic leadership involves recognising the need to change the

culture and implement the changes. Restructuring may provide an appropriate time to effect change (Hagen *et al.*, 1998).

The mean scores (table 4.3) for sustaining an effective corporate culture for organisations A to F were 6.18, 6.69, 6.37, 5.67, 5.69 and 5.10 respectively, with an overall mean of 5.94. This indicates that the TMT in each company assigned an overall importance value to culture.

The high value placed on sustaining effective corporate culture by these TMTs correlates with the degree of strategic alignment in the companies that were studied. Companies that place a low value on effective corporate culture tend to have a command and control style of management, which is not conducive to releasing the untapped energy of employees and does not align activities with intentions (Labovitz & Rosansky, 1997: 74).

An effective corporate culture will engender a high trust environment. Covey and Merrill (2006: 13) maintain that trust is a hard-edge economic driver. Accordingly, there is a strong business case for trust, and one should remember that trust always affects two outcomes – speed and cost.

When trust is low, speed decreases and costs increase. Conversely, when trust is high, speed increases and costs decline. This is illustrated in the following simple formula:

$$\downarrow Trust = \downarrow Speed \uparrow Cost$$

When trust increases, speed will also increase and costs will decline.

$$\uparrow Trust = \uparrow Speed \downarrow Cost$$

This formula indicates the impact of an effective corporate culture on an organisation's performance (Covey & Merrill, 2006). A strong alignment to the company's strategy influences corporate culture.

5.3.1.6 Mean score rating for each company in the sample

An examination of Table 4.3 which indicated the mean scores for the six criteria for each organisation that participated in the study, shows a significant difference between the organisations.

Organisation B had the highest rating, with a total score of 40.55 out of a maximum of 42 and a mean of 6.76, with each criterion rated the highest out of the total sample and significantly above the sample sum of 35.72 and sample mean of 5.72.

Organisation E had the lowest rating, with a total sample score of 28.60 out of a maximum of 42 and a mean of 4.77, with each criterion rated the lowest out of the total sample and significantly lower than the sample of 35.72 and mean of 5.95.

Organisations A, C, D and F had a rating of 37.10, 37.13, 35.70 and 35.22 respectively. The scores of all these organisations were closely related to the sample mean of 35.72. There is a significant difference between the ratings of the highest and lowest organisation in this sample. These ratings will be compared to the alignment ratings for the highest and lowest organisation's rating in the sample in section 5.7.

5.3.2 Conclusion

The results of the strategic leader's rating of each criterion indicated a high level of importance being assigned to each criterion. The results correlated with conclusions drawn by previous research, namely that these are significant strategic leadership criteria (Jooste & Fourie, 2009; Hitt *et al.*, 2001; Hagen *et al.*, 1998).

The conclusions of this study indicate that the six critical criteria are vital components of effective strategic leadership. Proposition 1 is therefore accepted.

5.4   STRATEGIC ALIGNMENT

5.4.1 Hypothesis 1

$H0_1$ There is no relationship between the following strategic alignment constructs: strategy, customers, processes and people.

$H1_1$ There is a relationship between the following strategic alignment constructs: strategy, customers, processes and people.

Alignment is that optimal state in which strategy, employees, customers and key processes work in concert to propel growth and profits. The organisation must be able to rapidly deploy new strategies because goals and priorities are always changing. It must achieve total organisation-wide customer focus. It must align and improve core processes to meet customer requirements and drive strategy. It must train, develop and manage employees to foster innovation, productivity and growth (Labovitz, 2004: 30, 31).

A key consideration in the alignment analysis is that each alignment construct is aligned to the others, thereby indicating alignment across all four alignment constructs of strategic alignment – hence balance in an organisation.

The mean scores for the sample indicate a strong correlation between the four strategic alignment constructs, as indicated in table 4.4. They are as follows:
strategy – 4.40; customers – 4.22; people – 3.82; processes – 4.57.

The scores are closely aligned in relation to each other and are clustered around the median of 4.00 in relation to a maximum score of 7.00 and a minimum of 3.00. The sample is moderately positively aligned.

The results indicate that there is a relationship between the four alignment constructs of strategy, customers, processes and people. Hypothesis $H0_1$ is rejected.

5.4.2 Vertical and horizontal alignment

As discussed in section 2.4.4, strategy and people are vertically aligned, while processes and customers are horizontally aligned.

A strategy that reflects the contributions of the workforce and which is executed rapidly and effectively will align activities with the organisation's intentions and invigorate employees. A hierarchy that stresses command and control can claim to do neither. According to Labovitz and Rosansky (1997: 74), measurements tied to company objectives are the key to vertical alignment.

The importance that the TMT assigns to determining the organisation's strategic direction should be matched with the communication and deployment of the strategy throughout the organisation. Involving employees in the process of strategy development will result in their being more aligned with strategy implementation. This is evidenced in the rating by employees in their strategic alignment responses. Developing human capital and sustaining an effective corporate culture will empower and equip employees to align themselves with the organisation's strategy and build the capacity to implement the strategy.

Table 5.1 indicates the constructs of vertical and horizontal alignment in relation to the six critical criteria.

Table 5.1: Alignment and leadership criteria

Strategic alignment		Critical criteria
Vertical alignment	Strategy	Determining the organisation's strategic direction
	People	Developing human capital
		Sustaining an effective corporate culture
Horizontal alignment	Process	Emphasising ethical practices
		Establishing strategic controls
	Customers	Exploiting and maintaining core competencies

Vertical alignment involves rapidly moving the company strategy through the organisation, turning intentions into actual work. For many organisations, strategy never fully diffuses through the company – it is never completely deployed. When the TMT not only values these criteria, but also ensures that they are implemented in the organisation, alignment is affected. This view is confirmed in this study by the alignment scores for these dimensions. According to Labovitz and Rosansky (1997: 109), vertical alignment ensures that company strategy is reflected in the behaviour of every employee (Labovitz & Rosansky, 1997: 109).

Bass (2007: 44) argues that middle managers are often responsible for implementing strategic decisions made by senior executives. Senior executives complain that middle managers fail to take the necessary steps to implement strategies. The commitment and understanding are poor about what needs to be done. The middle managers fail to articulate the same goals as the senior executives. If the middle managers agree with the strategic initiatives, they frequently work against implementation.

To promote commitment, rewards systems and structures need to be aligned to fit the intended strategy. Middle managers' and supervisors' understanding of the strategy will be fostered by increased discussions with senior managers about the strategy and their criteria for success. According to Bass (2007), providing strategic leadership is a vital role for the CEO and senior executives.

The sample in this study shows a high level of vertical alignment between the alignment constructs of strategy and people, with a correlation score (table 4.5) for the sample of 0.63 and a P-value of (.000), indicating that the relationship is statistically significant. The deployment of strategy throughout the organisation is at a moderate level, as indicated in table 4.6 by the total mean scores of 4.40 for strategy and 3.82 for people out of a maximum of 7.00. The implications of this will discussed in section 5.5 which deals with the relationship between the strategic leadership criteria and the alignment constructs of alignment.

In the same way as vertical alignment ensures that the company strategy is reflected in the behaviour of every employee, horizontal alignment links the company's actions to customer needs in ways that delight and create loyalty. Horizontally aligned companies are "hardwired" to customer requirements so that the needs of their customers resonate with the personnel and influence the company's strategy, processes and behaviour (Labovitz & Rosansky, 1997: 109).

Strategically aligned companies have clear and explicit methods for gathering market data and disseminating these data through the organisation. They link customer needs to their core processes for delivering goods and services. They base every improvement on changing customer requirements and use the customer as the ultimate arbiter of how they are doing. The horizontally aligned company uses the customer voice both as a beacon and a driver for the way individuals think, the way they work and the way the organisation is managed. Structure, decisions and actions are based on what is best for the customer (Labovitz & Rosansky, 1997: 109).

The alignment scores for the sample (table 4.6) indicate 4.22 for customers and 4.57 for processes, showing a strong positive correlation (table 4.5) of 0.75 and a P-value of (.000), which is statistically significant. The correlation between customers and processes is the highest correlation score between the alignment constructs, indicating a high level of importance between these two constructs. They are moderately positively deployed in the company in relation to a maximum of 7.00. The implications of this result will be discussed in section 5.5.

5.5 COMPARISION OF STRATEGIC LEADERSHIP AND STRATEGIC ALIGNMENT: HYPOTHESIS 2

$H0_2$ There is no relationship between the four strategic alignment constructs and the six critical criteria of strategic leadership.

H1$_2$ There is a relationship between the four strategic alignment constructs and the critical criteria of strategic leadership.

Without effective strategic leadership, the capability of a company to achieve or sustain competitive advantage is hugely constrained (Rowe, 2001; Elenkov, 2008: 37).

The value a TMT assigns to exploiting and maintaining core competencies, emphasising ethical practices and establishing strategic controls, aligned to an organisational strategy that is customer focused, will empower the organisation to delight its customers. The scores shown on alignment for these dimensions confirm this in the current study.

Table 3.2 demonstrates the relationship between the two variables of strategic leadership and strategic alignment. The correlation matrix in table 4.7 indicates a weak positive correlation between the variables of strategic leadership and strategic alignment overall.   The large scores for variable X for strategic leadership, correlate with the moderate scores for variable Y for strategic alignment.

The scatterplot in figure 4.9 indicates the overall relationship between variables X and Y, which depicts a weak positive relationship between the variables.   As reported in section 4.7.7, some outliers are shown which indicates low scores by some respondents for strategic leadership. These outliers reflect some respondents' minimum scores on the critical criteria of 2.00 on Q1, Q3 and Q5, and low scores of 3.00 on Q2, Q4 and Q6.

These scores reflect a small number of responses that are significantly lower than the mean scores (table 4.3) of 6.23, 6.03, 5.94, 5.94, 5.80 and 5.80 for Q1 to Q6 respectively, and indicate a significant gap. These differences are discussed in section 5.3.1.1, where the highest and lowest responses to the critical criteria and most aligned and least aligned organisational responses are discussed.

Table 5.2: Comparative responses of the independent and dependent variables

Independent variable Strategic leadership	Mean		Mean	Mean	Dependent variable Strategic alignment
1 Determining strategic direction	6.23	Strategy	4.40	4.01	1. Organisational strategies are clearly communicated to me
				4.74	2. Organisational strategies guide the identification of the skills and knowledge I need to have
				4.47	3. People here are willing to change when new organisational strategies require it
				4.76	4. Our senior managers agree on the organisational strategy
2 Exploiting and maintaining core competencies	6.03	Customers	4.22	4.46	5. For each service, our organisation provides, there is an agreed-upon, prioritised list of what customers care about
				4.23	6.People in this organisation are provided with useful information about customer complaints
				4.58	7. Strategies are periodically reviewed to ensure the satisfaction of critical customer needs
				4.98	8. Processes are reviewed to ensure they contribute to the attainment of customer satisfaction
3 Developing human capital	5.94	People	3.82	3.63	9. Our organisation collects information from employees about how well things work
				3.54	10. My work unit or team is rewarded for our performance as a team
4 Sustaining effective corporate culture	5.94			4.04	11. Groups in the organisation cooperate to achieve customer satisfaction
				3.11	12. When processes are changed, the impact on employee satisfaction is measured
5 Emphasising ethical practices	5.80	Process	4.57	5.01	13. Our managers care about how work gets done as well as about the results
				4.68	14. We review our work processes regularly to see how well they are functioning
6 Establishing strategic controls	5.80			4.99	15. When something goes wrong, we correct the underlying reasons so that the problem will not happen again
				4.67	16. Processes are reviewed to ensure they contribute to the achievement of strategic goals

In relation to hypothesis 3, each criterion is discussed in a comparison with the relative alignment construct.

The scatterplots in figures 4.1 to 4.5 demonstrate the relationship between the critical leadership criterion X and the constructs of strategic alignment Y for the sample.

All of the relationships have a weak positive relationship. Table 5.2 presents the mean scores for each of the questions for variables X and Y in order to provide an overall comparative perspective of their relationship. These responses are discussed in section 5.5.1.

5.5.1 Q1: Determining strategic direction – strategy

The correlation of Q1 (table 4.7) and the responses on the strategy construct indicate a weak positive correlation in the overall sample of 0.20. Even though the correlation is positive, the P-value of (.244) indicates that this relationship is statistically insignificant.

Critical criterion 1 – determining strategic direction has a mean (table 5.2) of 6.23 compared with a mean score of 4.40 for the corresponding mean score for strategy in strategic alignment.

An analysis of each question in the strategic alignment questionnaire provides greater insight. While the TMT value the importance of strategic direction in the organisation, as indicated by the score of 6.23 above, it is not being as effectively communicated and is therefore moderately deployed throughout the organisation, as indicated by the score of 4.40 above.

5.5.2 Q2: Exploiting and maintaining core competencies – customers

The correlation of Q2 (table 4.7) and the responses on the customer construct indicate an extremely weak correlation in the overall sample of 0.05. Even though

this correlation is positive, the P-value of (.759) indicates that the relationship is statistically insignificant.

Critical criterion 2 – exploiting and maintaining core competencies has a mean score of 6.03 compared with a mean (table 5.2) of 4.22 for the corresponding score on customers in strategic alignment.

An analysis of each question in the strategic alignment questionnaire will provide greater insight into the fact that while the TMT place a high level of importance on exploiting and maintaining core competencies, these competencies are not being closely aligned to meeting the needs of the customer.

5.5.3 Q3: Developing human capital – people

The correlation of Q3 (table 4.7) and the responses on the people construct indicate an extremely weak positive correlation in the overall sample of 0.16. Even though the correlation is positive, the P-value of (.366) indicates that the relationship is statistically insignificant.

Critical criterion 3 – developing human capital has a mean score (table 5.2) of 5.94 compared with a mean score of 3.82 for the corresponding score for people in strategic alignment. "Our organisation collects information from employees about how well things work" has mean score of 3.63, indicating that employees feel that the TMT are not considering their views.

"My work unit or team is rewarded for our performance as a team" has a mean score of 3.54, indicating that employees do not feel that their efforts are being rewarded.

5.5.4 Q4: Sustaining an effective corporate culture – people

The correlation of Q4 (table 4.7) and the responses on the people construct indicate an extremely weak positive correlation in the overall sample of 0.19.

Although this is an extremely weak positive correlation, the P-value of (.265) indicates that the relationship is statistically insignificant.

Critical criterion 4 – sustaining effective corporate culture – has a mean score of 5.94 compared with a mean of 3.82 for people in strategic alignment. The scores for the people construct in strategic alignment show the lowest overall scores in the sample.

Groups in the organisation cooperate to achieve a mean score of 4.04, indicating a slightly higher focus on corporate culture with the emphasis on achieving customer satisfaction than the other scores for this alignment construct.

"My work unit or team is rewarded for our performance as a team" has a mean score of 3.11, which is the lowest score for all the questions and a low level of employee recognition in terms of their contribution to the organisation's objectives.

5.5.5   Q5: Emphasising ethical practices – processes

The correlation of Q5 and the responses on the process construct (table 4.7) indicate a weak positive correlation in the overall sample of 0.23. Even though this is a weak positive correlation, the P-value of (.183) is statistically insignificant.

Critical criterion 5 – emphasising ethical practices – has a mean score of 5.80 compared with mean score of 4.57 for processes in strategic alignment. These scores are the same as the scores for Q6, processes, and demonstrate the lowest rated critical criterion by leadership. However, they are the highest rated by employees.

Detailed examination of each response by employees provides greater insight into the specific alignment areas in the organisation that can be focused on for improvement.

An analysis of each question in the strategic alignment questionnaire will provide greater insight into the fact that while the TMT value the importance of strategic direction in the organisation, it is not being as effectively communicated and therefore deployed throughout the organisation. This is discussed in section 5.5.7.

5.5.6 Q6: Establishing strategic controls – processes

The correlation of Q6 and the responses on the process construct (table 4.7) indicate a weak positive correlation in the overall sample of 0.14. Even though this is a positive correlation, the P-value of (.424) is statistically insignificant.

Critical criterion 6 – establishing strategic controls – has a mean score of 5.80 compared with mean score of 4.57 for processes in strategic alignment. These ratings indicate that employees perceive that leadership place a higher value on processes than they do on people in the organisation.

An analysis of each question in the strategic alignment questionnaire will provide greater insight into the fact that while the TMT value the importance of strategic direction in the organisation, it is not being as effectively communicated and therefore deployed throughout the organisation.

5.5.7 Conclusion

The analysis of the relationships between the two variables indicates that the TMT have a higher view of the importance of each criterion in the organisation in comparison with the employees' experience. Examination of the employee scores for each individual question (table 5.4) provides greater insight.

On the strategy construct, communication of strategies is identified as a contributing factor. In order for employees to effectively understand and deploy strategy throughout the organisation, they must have a clear understanding of what the strategy is. The results indicate that employees have a moderate understanding of the strategy throughout the organisation which therefore does not translate into people development and processes that are focused on

customer needs. Useful information about customer needs is not provided to employees, and this tends to impact on the implementation of all the other alignment constructs.

The results indicate that the TMT place a greater focus on strategy than employees' experience of the other three alignment constructs, with the lowest focus on processes. While it can be argued that strategy is the main focus of leadership, failure to deploy the strategy throughout the organisation will impact on organisational effectiveness and performance.

The people construct demonstrates the lowest scores on the employee rating. Lack of communication and the impact of changes in processes are reflected. While team work is rated highest on this alignment construct, reward for teamwork is rated low.

Ratios show the relative sizes of two or more variables. The ratios between critical criteria and alignment in the six organisations are as follows: 89/62 – strategy; 86/60 – customers; 84/55 – people; and 82/65 – processes. The mean ratio for the sample is 85/60. The ratio comparisons provide a perspective on the overall relationship, thus indicating a consistent gap between the TMT responses as opposed to the employee responses. The TMT have a more positive view of the importance of the levels of implementation in the organisation of the critical criteria than is being experienced by employees.

One may conclude that, in the South African context, the ratio of TMT's perspective of their effectiveness to employee ability to impact on the function and operations' organisational level is 85/60, with leadership having a higher view of their effectiveness than is being reflected in the organisation. This explains the result of the regression analysis which seeks to measure and equal the direct causal relationship and which does not show a direct causal relationship between strategic leadership and the constructs of strategic alignment.

These results indicate that there is greater emphasis in the organisation on managerial leadership than on strategic leadership in the overall sample.

The results also indicate that the alignment scores show a low positive correlation between the six critical criteria and strategic alignment constructs of strategy, customers, people and processes. However, even though the relationship is positive, the P-values indicate that it is statistically insignificant. Hypothesis $H0_2$ is therefore not rejected.

The correlation results are based on the overall sample. A comparison of the highest and lowest rated organisations scores on both variables is discussed in section 5.6.

5.6 HYPOTHESIS 3

$H0_3$ Strategic leadership does not positively influence strategic alignment in high performance companies.

$H0_3$ Strategic leadership positively influences strategic alignment in high performance companies.

This section examines the relationship between the two variables based on predictive analysis to determine whether a predictive relationship between strategic leadership and strategic alignment is demonstrated.

The regression analysis presented in table 4.9 for these data indicates no strong causal relationship between the two variables even though the correlation indicates a weak positive relationship for the total sample. A possible interpretation of this is that the critical criteria do not influence alignment in organisations. However, the conclusions in section 5.4 indicate that a strong X variable correlates to a moderate Y variable in the sample.

As discussed in section 5.5 above, the results for hypothesis $H0_3$ indicate a weak positive relationship between the two variables X and Y for the sample. However, even though the relationship is positive, the P-values indicate that it is statistically insignificant. Since the regression analysis does not indicate a strong causal relationship between variables X and Y, hypothesis $H0_3$ is not rejected.

The results have been presented for the sample. An examination of the responses by individual organisations and particularly the responses of the organisations that reflect the highest and lowest scores will provide greater insight. This is discussed in the section 5.6.1.

5.6.1 Comparison of the critical criteria scores in the most and least aligned companies

The components of the critical criteria and strategic alignment measures show the impact of the six critical criteria on business effectiveness. The scores for the organisations indicate that organisation B had the highest mean score (table 4.3) of 6.7, organisation E, the lowest score of 4.77, and the remaining organisations, A, C, D and F, were fairly closely clustered between 5.87 and 6.18 around a sample mean of 5.95.

On the alignment scale (table 4.6), organisation B again had the highest rated score with a mean of 5.47, and organisation E the lowest, with a mean of 3.89, with the remaining organisations A, C, D and F clustered around the mean of 4.25 with scores between 3.93 and 4.10.

The two sets of scores for variables X and Y indicate similar patterns. A comparison of the scores in table 5.3 clearly shows the impact of the TMT's perception of value and its communication and deployment of each criterion throughout the company.

Table 5.3: Comparison of the highest and lowest scores for the two variables

	Variable X Critical criteria			Variable Y Alignment			
		Highest	*Lowest*		*Highest*	*Lowest*	*Alignment construct*
Organisation	*Mean*	*B*	*E*	*Mean*	*B*	*E*	
1 Determining strategic direction	6.219	7.000	4.600	4.398	5.20	4.13	Strategy
2 Exploiting and maintaining core competencies	5.969	6.800	4.400	4.279	5.60	3.88	Customers
3 Developing human capital	5.847	6.667	4.200	3.830	5.40	3.50	People
4 Sustaining an effective corporate culture	5.856	6.667	5.000				
5 Emphasising ethical practices	5.733	6.667	5.000	4.601	5.80	4.25	Processes
6 Establishing strategic controls	5.800	6.50	5.200				
Mean	5.904	6.670	4.733	4.277	5.50	3.93	
Sum (max. 42)	35.425	40.00	28.40		22.00	15.70	Sum (max. 28)

N = 35

Organisation B has the highest scores for the critical criteria and the greatest level of alignment in the study. Organisation E has the lowest scores for the critical criteria and the lowest scores for alignment.

There is a significant difference between both sets of scores for the two organisations, as highlighted below.

Critical criteria: B – 40.00 and E –28.40 of a maximum score of 42, with means of 6.67 and 4.73 respectively for variable X.

Alignment: B – 22.00 and E – 15.70 of a maximum score of 28, with means of 5.50 and 3.93 respectively for variable Y.

Figure 5.1 depicts the highest and lowest scores for variable X, critical criteria, and variable Y, alignment, reflected. Figure 5.1 demonstrates the comparative organisational responses.
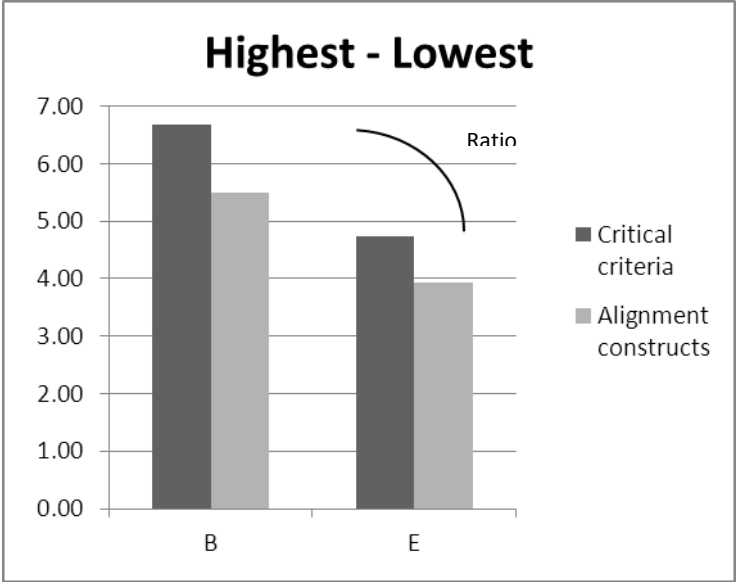
Figure 5.1: Graphical representation of the highest and lowest organisational scores for the two variables

The scores for the critical criteria are the highest in organisation B and reflect the fact that the TMT are strongly focused on the critical criteria. The scores for alignment in organisation B indicate the highest level of alignment. In organisation E, the TMT are moderately focused on critical criteria and reflect a lower score on the alignment constructs. The ratios reflected in these results show a 96/68 ratio of critical criteria to alignment for organisation B compared with a 77/57 ratio of critical criteria to alignment for company E across the two organisations.

The conclusion drawn for hypothesis 3 is that, in the South African context, the ratio of the TMT's perspective of their effectiveness to employee ability to impact on the function and operations organisational level is 85/60, with leadership having a higher view of their effectiveness than is being reflected in the organisation. This explains the negative result of the regression analysis for hypothesis 4, which seeks to measure the direct causal relationship.

Of significance is the fact that in the year prior to this research being conducted, organisation B was rated number 1 on the Deloitte's *"Best company to work for"* assessment, while organisation E was rated 86 out of the 106 participants in the survey. At a presentation made by a spokesperson from organisation B at the awards function, attended by the researcher, the reason for its success was cited as the "alignment of all their employees with the goals and objectives of the company through a company-wide campaign to centre the employees on 'the main focus' of the organisation". The spokesperson also cited effective communication throughout the organisation, which ensures that every employee understood the company's strategy, was clearly focused on customer needs and aligned the people and processes towards meeting these needs as being key to the organisation's success.

This level of alignment to the strategic goals of the organisation was reflected in the high ranking on the Top 200 (2007) list of performing companies in South Africa at the time of this research study.

5.6.2 Conclusion

Becoming aligned does not simply happen. Someone in a position of power has to make it happen with a big push or some type of Herculean effort. Real change almost always starts at the top (Labovitz & Rosansky, 1997: 175).

The results for organisation B demonstrate the impact of the TMT ensuring that the critical criteria are deployed throughout the organisation, resulting in the highest level of alignment of organisations in the sample.
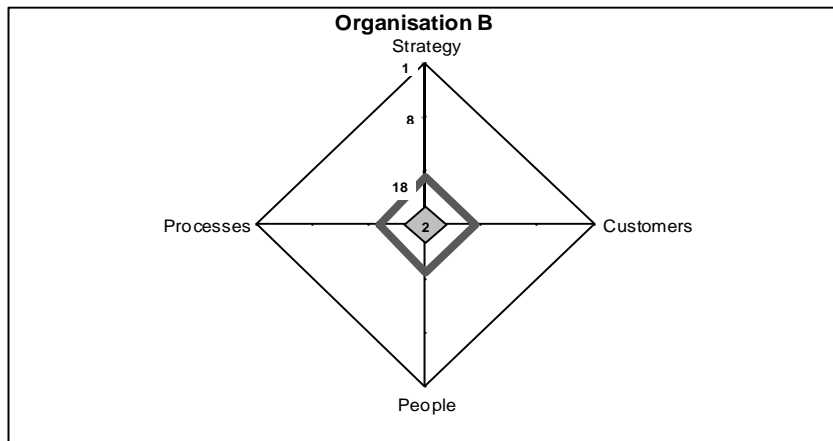
Figure 5.2: Radar diagram illustrating strategic alignment for organisation B

The results for organisation E demonstrate the effect of the low level of importance assigned to the critical criteria and the corresponding low level of alignment in the organisation.

The critical criteria of strategic leadership were rated the highest in organisation B and the lowest in organisation E.
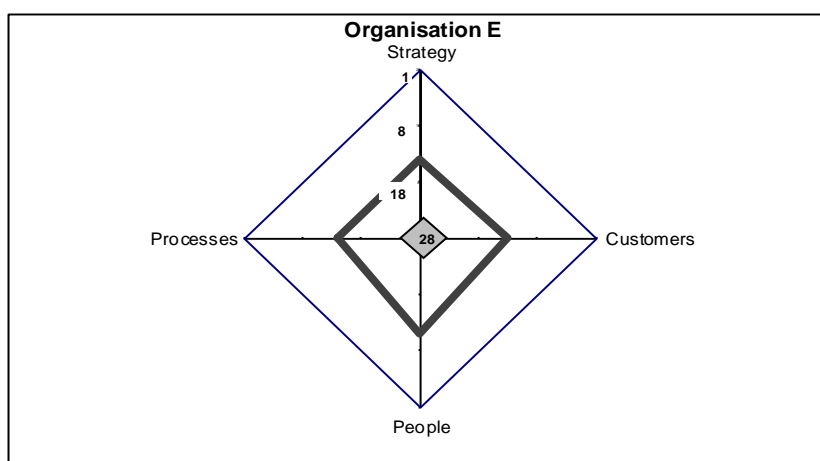

Figure 5.3: Radar diagram illustrating strategic alignment for organisation E

As discussed, the scores for the individual questions demonstrated a high level of the TMT's commitment to these criteria in organisation B as experienced by the employees in the organisation. The four constructs of strategy, customers, people and processes are extremely closely aligned in organisation B (figure 5.2).

By contrast, the moderate level of commitment by the TMT to the critical criteria of strategic leadership, which was rated lowest in organisation E, is demonstrated by the low level of alignment in organisation E (figure 5.3).

The sample indicates that, in the South African context, the TMT rate the critical criteria as being highly important, whereas alignment is rated as important. The results also show that the alignment scores indicate moderate positive implementation of the critical criteria by leadership in the sample.

The results for organisations A, C, D and F indicate that the employee scores show that these organisations place greater emphasis on managerial leadership at operational level than on strategic leadership, as opposed to the view of the TMT in these organisations which rate strategic leadership more highly. In essence, the indications are that strategy is moderately aligned to customer needs, moderately communicated throughout the organisation and operational processes and employees are responding accordingly.

The responses of employees on the respective questions of the alignment construct suggest that the low correlation and P-values for the sample is a reflection of the TMT's failure to "walk the talk" instead of demonstrating that strategic leadership does not positively influence strategic alignment in high-performing companies. Organisation B clearly demonstrated the fact that strategic leadership does positively influence strategic alignment in that company. Organisation E clearly demonstrated that where the TMT were not focused on strategy, the communication and deployment of strategy throughout the organisation in an effort to ensure that processes and competencies are focused

on meeting the needs of the customer, strategic leadership did not positively influence strategic alignment.

The regression analysis and P-values for the sample do not confirm a strong causal relationship between critical criteria and alignment for the overall sample. However, as discussed above, in the South African context, the ratio analysis suggests a possible causal relationship for this gap. The results also indicate that the TMT in four of the organisations have a higher view of their performance on the critical criteria than is reflected in the organisation and that this influenced the mean scores for the sample.

A causal relationship is supported by the results for organisations B and E which indicate a causal relationship between strategic leadership critical criteria and alignment of the four constructs of strategy, customer, processes and people in high-performing organisations.

If alignment and follow-up are crucial to success, the question posed by Khadem (2008: 29) and discussed in 2.4.2, is as follows: Why are so many organisations with competent, creative and determined resources lacking in these two elements? Khadem (2008) further maintains that organisations that lack alignment often have competent, creative and determined resources that do not agree with the strategy, do not share the vision, or do not buy into the culture of the organisation as defined by the top team. Total alignment encompasses both alignment and integration by the TMT in order to achieve success in the organisation.

The results of this study indicate that organisations A, C, D and F do in fact demonstrate this. The TMT rate critical competencies highly, but the resultant level of alignment indicates a lack of integration from the TMT. However, organisations B and E demonstrate the integration of the TMT with the critical criteria and levels of alignment shown in the study results.

5.7 CONTRIBUTIONS OF THE STUDY

The major contribution of this study is that it is the first empirical test of the relationships between strategic leadership and strategic alignment in high-performing organisations in South Africa.

There has been increasing interest in strategic leadership over the past ten years. Much has been written from a theoretical perspective, but no studies have actually attempted to establish these linkages. Studies have researched the relationship between some of the critical components, for example, the impact of culture on performance and the impact of leadership on innovation, as discussed in chapters 1 and 2.

There are three such studies, Firstly, Mackey (2008) examined the effect of the CEO on organisation performance (appendix D). This study tracked the impact of turnover in CEOs on organisation performance as opposed to actual CEO effectiveness in managing the organisation. Secondly, Serfontein (2009) examined the impact of strategic leadership on the operational strategy and performance of business organisations in South Africa (appendix C). Thirdly, Jooste and Fourie (2009) studied the role of strategic leadership in effective strategy implementation (appendix B).

The major limitation of the studies by Serfontein (2009) and Jooste and Fourie (2009) is that they were based on only the CEO's response, in the first instance, and the board directors who have no executive responsibility in organisations, in the second instance. These were simple studies with responses from only one person in the organisation in the first study and a sample of up to five board members representing the organisations in the second study. No investigation was conducted in the organisation to verify and examine the responses or opinions of the leadership expressed in the study in either of these studies.

As an exploratory study, this study attempted to measure the relationship between the two variables of strategic leadership and strategic alignment in order to determine the factors that influence organisational performance.

The implications of the findings of this study suggest that there is a weak positive relationship between strategic leadership and strategic alignment in high-performing organisations. However, the relationship is not directly proportionate, but shows that top leadership have a higher level of confidence in their performance on the six critical criteria than is reflected in the experience at organisational level by its employees.

The benefit of this research is that it indicates areas that could be further explored as possible opportunities for improving performance in companies.

The main conclusion is that the critical criteria are important in high performing companies. Strategic leadership is the determinant factor in high-performing organisations.

5.8   LIMITATIONS OF THE STUDY

In this study, a random sample was used to test the relationships. Future research could be conducted with an increased sample size in order to confirm the results and make them more generalisable.

The study required a target number of six organisations in the sample. The researcher experienced great difficulty obtaining commitment from companies to participate in the study. The following reasons were given for declining the researcher's request: the organisation was too busy; the organisation had recently conducted similar research; the organisation did not participate in any studies of this kind conducted by external researchers; the timing was not suitable; and the organisation had received too many research requests and could not participate in all the studies. In spite of the challenges experienced, the CEO of one participating

organisation stated the following: "If we do not participate in studies of this nature, we will not gain any new knowledge." He thus committed his organisation to participating in the study.

The fact that the research required a more rigorous response from participating organisations in the sense that the whole TMT was required to participate along with 100 employees, increased the organisations' involvement, and is seen as a contributing factor to the difficulty experienced by the organisations to participate.

It is easier for one representative to complete a survey than it is to commit the organisation's TMT and employees to such a study. A further factor is that there is less risk of exposure of leadership's inadequacies or weaknesses when no cross-verification of responses is obtained.

The difficulty experienced in obtaining commitment from sufficient organisations resulted in the prolonged duration of the study.

The ranking accorded the companies by the *Financial Mail* were not a variable in the study – it served merely to indicate the performance ranking on the list from which the sample was drawn.

The study did not evaluate the strategy of the company in terms of whether or not it was a good strategy, but focused on the company's ability to deploy and implement the strategy throughout the organisation which was designed and articulated by its leadership and whether the employees considered they had been involved in the development of the strategy. It is worth noting that an organisation can have the most outstanding strategy, but it will only show results if such a strategy is understood by the company at all levels and that all processes in the business are totally aligned to achieving those objectives.

5.9 RECOMMENDATIONS FOR FURTHER RESEARCH

This study confirms the view of Elenkov (2008: 37) that, without effective strategic leadership, a company's capability to achieve or sustain a competitive advantage is greatly constrained. Elenkov (2008) maintains that little empirical evidence has been provided concerning the effects of leadership at a strategic level on organisational processes with distinctive strategic importance and that innovation can help companies achieve sustainable competitive superiority.

This study builds on the theories of previous research in the field of strategic leadership and has opened up new avenues of thinking about the areas of strategic leadership and alignment in high performance organisations.

The following further research topics arise from the empirical findings of this study:

1. The study could be replicated but with a larger sample of companies of different sizes. Each company represented a different industry, suggesting the applicability and generalisability of the study in any industry. However, before the research can be generalised, it would be of value to replicate the study with a wider sample of companies and industries.
2. A study of the communication processes between the TMT and the organisation would provide valuable insight.
3. International benchmarking would provide valuable insight into the 85/60 ratio of the leadership versus employee perspective of leadership performance on the critical criteria.

5.10 CONCLUSION

The main contribution of this study was the assessment that strategic leadership is directly and indirectly positively associated with high performance in business organisations in South Africa. The six critical criteria are important for leadership.

Effective implementation of these criteria will lead to aligned organisations, and aligned organisations are high-performing organisations.

Analysis of the results has shown that the six critical criteria are important in high-performing organisations.   However, the rating of these criteria highly by the top leadership is insufficient per se. Mere "lip service" of commitment to these critical criteria does not reflect high levels of organisation alignment.

Top leadership can affect high performance in the organisations they lead by their own commitment to the implementation of these critical criteria throughout the organisations.

The challenges of competition in a global environment in the remainder of the 21st century will be difficult and complex. This study has sought to identify criteria that will help leaders enhance their ability to effectively lead high-performing organisations into the future.

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APPENDIX A: STUDY ON RANKING OF CRITICAL COMPONENTS

Comparison between the mean scores of the responses of American CEOs who disagreed and those who agreed with the suggested ranking order of the most critical strategic leadership components (Hagen *et al.*, 1998: 5, 7)

Research methods

The research methods included a survey questionnaire, sample and data collection and statistical techniques. This study used the Statistical Package for Social Sciences (SPSS-X) to compute the frequencies, means, percentages and chi-squares.

The survey questionnaire was developed by the researchers in this study to include the six critical corporate strategic leadership components developed by Hitt *et al.* (1995). The ranking suggested by the authors in their strategic leadership model included determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining an effective corporate culture, emphasising ethical practices and establishing strategic controls.

The questionnaire consisted of six statements intended to assess the opinions of the surveyed CEOs about the ranking of the suggested leadership components. Each statement was in the form of a five-point Likert response format ranging from "strongly disagree" (1) to "strongly agree" (5). The scale points of "neither disagree nor agree" were excluded from the data analysis.

A pilot study was conducted to verify the construct validity of the questionnaire and the split-half procedure was used to verify its reliability. The split-half procedure is used for an internal consistency measure of test reliability and is obtained by dividing the items into halves and correlating the scores on these halves. The most common procedure is to obtain the odd-even reliability by correlating the scores on

odd-numbered and even-numbered test items. The questionnaire was found to be both valid and reliable.

Table A.1

Comparison between the mean scores of the responses of American CEOs who disagreed and those who agreed with the suggested rank order of the most critical strategic leadership components

Components	Ranking order	Strongly disagree & disagree	Neither agree or disagree	Strongly agree & agree	Chi-square	Sig. level
(1) Determining the organisation's strategic direction	1	4%	3%	93%	46	.0000
(2) Developing human capital	2	4%	5%	91%	38	.0000
(3) Exploiting and maintaining core competencies	3	7%	4%	89%	25	.0001
(4) Sustaining an effective corporate culture	4	10%	3%	87%	28	.0001
(5) Emphasising ethical practices	5	9%	6%	85%	27	.0001
(6) Establishing strategic controls	6	10%	7%	83%	22	.0001

APPENDIX B: STUDY OF THE ROLE OF STRATEGIC LEADERSHIP IN EFFECTIVE STRATEGY IMPLEMENTATION

Perceptions of South African strategic leaders research results (Jooste & Fourie, 2009)

In the study conducted by Jooste and Fourie (2009), the objective of the research was to investigate the perceived role of strategic leadership in strategy implementation in South African organisations.

The research instrument was a structured self-administered mail questionnaire mailed to the 930 randomly selected nonexecutive directors of the *Financial Mail*'s Top 200 companies. In total, 71 questionnaires were completed and returned. The rate of response was 7.8%.

Table 3: Perceived effectiveness of strategy implementation

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

Source: Jooste & Fourie (2009: 59)

In the study by Jooste and Fourie (2009), the questionnaire contained attitude-measuring questions in which the respondents reflected their opinions on or attitudes towards the importance and effectiveness of strategy implementation in their organisations. The respondents' level of agreement with each of the statements was measured on a five-point Likert scale, where "1" represents "no extent" and "5" "very large extent". It is evident from table 3 that the respondents have different perceptions. More than half (55%) agree that their organisations are better at formulating than implementing strategy, but the mean score for this item is less than 3.00 (M = 2.65). More than half (51.4%) of the respondents agree that there is a moderate to very large gap between strategy formulation and effective strategy implementation, and the mean score for this item is less than 3.00 (M = 2.67). Almost three out of five respondents (58.6%) agree to a "large extent" and "very large extent" that their organisations are effective at strategy implementation, while only 12.9% rate it as effective to a "very large extent". The mean score for this item is more than 3.00 (M = 3.58).

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

Barriers to effective strategy implementation

Section B of the questionnaire was designed to measure the perceptions of the respondents about the perceived barriers to effective strategy implementation in their organisations. The respondents were requested to indicate the extent to which they believe that each of the items mentioned is a barrier to effective strategy implementation in their organisations. A five-point Likert scale was used, where "1" indicates agreement to "no extent" and "5" agreement to a "very large extent".

From table 4, it is evident that the mean scores for 14 of the 15 statements are less than 3.00. This is an indication that the respondents did not perceive many of the mentioned factors to be important barriers to effective strategy implementation in the organisations.

Table 4: Barriers to effective strategy implementation

Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
The organisation's strategy is not effectively communicated to the workforce	7.0	29.6	33.8	25.4	4.2	2.93	1.02
The workforce does not understand the organisation 's strategy	5.6	26.8	32.4	29.6	5.6	3.05	1.03
The strategic leaders of the organisation do not provide strategic direction for the organisation	24.3	44.3	18.6	8.6	4.3	2.24	1.06
The goals of and incentives for the workforce are not aligned with the strategy of the organisation	15.5	33.8	22.5	19.7	8.5	2.71	1.18
The allocation of resources is not aligned with the strategy of the organisation	18.6	32.9	28.6	8.6	11.4	2.61	1.21
There is a lack of alignment between the culture of the organisation and the strategy of the organisation	28.6	28.6	20.0	17.1	5.7	2.43	1.24
There is an inability to manage change effectively	7.0	46.5	23.9	18.3	4.2	2.64	1.01
The strategies are poorly or vaguely formulated	30.0	42.9	15.7	8.6	2.9	2.13	1.05
Top managers do not support strategy implementation	42.3	38.0	8.5	5.6	5.6	1.93	1.11

The implementation of strategy is not effectively controlled	20.00	40.00	21.4	12.9	5.7	2.44	1.11
Ethical practices are not evident in strategy implementation	64.8	25.4	4.2	4.2	1.4	1.52	.87
The leaders are not competent enough to implement strategy	37.1	34.3	20.0	4.3	4.3	2.03	1.06
The core competencies are not aligned with the strategy of the organisation	23.9	45.1	12.7	15.5	2.8	2.27	1.08
Human capital is not effectively developed to support strategy implementation	12.7	35.2	26.8	21.1	3.2	2.68	1.09
Social capital is not effectively developed to support strategy implementation	15.5	38.0	31.0	15.5	0	2.48	.99

Source: Jooste & Fourie (2009: 61)

Drivers of strategy implementation

The respondents were requested to indicate the extent to which the items mentioned contribute positively to effective strategy implementation in their organisations. A five-point Likert scale was used, where "1" indicates agreement to "no extent" and "5" agreement to a "very large extent".

It is evident from table 5 that the mean scores for all seven items exceeded 3.00, ranging between 3.05 and 3.96. This is an indication that the respondents felt that all of the mentioned factors are important drivers of strategy implementation. Most of the respondents indicated that the strategic leadership of the organisation is the most important driver of strategy implementation (M = 3.97).

Table 5: Drivers of strategy implementation

Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
The structure of the organisation	5.6	14.1	22.5	40.8	3.51	2.65	1.11
The allocation of resources in the organisation	0	8.5	25.4	46.5	19.7	3.77	.86
The culture of the organisation	1.4	8.5	25.4	38.0	26.8	3.78	.99
The performance system of the organisation	7.0	12.7	29.6	31.0	18.3	3.43	1.14
The strategic leadership of the organisation	1.4	4.2	15.5	50.7	28.2	3.97	.87
Training and development in the organisation	5.6	21.1	40.8	23.9	8.5	3.08	1.01
The information systems of the organisation	7.0	21.1	39.4	25.4	7.0	3.05	1.01

Source: Jooste & Fourie (2009: 62)

Roles of strategic leadership actions in strategy implementation

Section C of the questionnaire was designed to measure the respondents' perceptions of the role of specified strategic leadership actions in strategy implementation in their organisations. The respondents' perceptions of the extent to which specific strategic leadership actions contribute positively to effective strategy implementation in their organisations were measured. A five-point Likert scale was used, where "1" indicates agreement to "no extent", and "5" agreement to a "very large extent".

It is evident from table 6 that the respondents maintained that all the given strategic leadership actions contribute positively to effective strategy implementation in their organisations. This is evident from the fact that the mean scores for all seven items exceeded 3.00, ranging between 3.25 and 4.29. "Determining strategic direction for the organisation" obtained the highest mean

score (M = 4.29), while "developing social capital" obtained the lowest mean score (M = 3.25).

Table 6: Roles of strategic leadership actions in strategy implementation

Statement	No extent (%)	Small extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)	Mean (M)	Standard deviation (SD)
Determining a strategic direction for the organisation	0	4.2	5.6	46.5	43.7	4.29	.76
Establishing balanced organisational controls	0	8.6	50.0	35.7	5.7	3.38	.72
Sustaining an effective organisational culture	2.8	7.0	31.0	40.8	18.3	3.67	.96
Emphasising ethical practices	0	11.3	45.1	25.4	18.3	3.49	.93
Exploiting and maintaining core competencies	0	4.2	31.0	42.3	22.5	3.83	.82
Developing human capital	1.4	8.5	15.5	49.3	25.4	3.90	.94
Developing social capital	0	16.9	52.1	21.1	9.9	3.25	.95

Source: Jooste & Fourie (2009: 64)

APPENDIX C: STUDY OF THE IMPACT OF STRATEGIC LEADERSHIP ON THE OPERATIONAL STRATEGY AND PERFORMANCE OF BUSINESS ORGANISATIONS IN SOUTH AFRICA (SERFONTEIN, 2009)

The purpose of this study was to identify a number of possible direct and indirect ways of how strategic leadership may influence and impact the operational strategy and organisational performance of business organisations in South Africa. The population for the study consisted of the CEOs of the top 200 performing organisations in South Africa that were part of the *Financial Mail* survey of 2008.

A total of 118 responses were received. The functional scope of the study focused on the highest-ranking corporate officers (CEOs), or a member of the senior executive group was the key informant and it is a self-reported study.

Table 6.5: A summary of the correlation analysis (*r*) and P-values as well as the Spearman correlation coefficient comparing the dimensions of strategy orientation with the constructs of strategic leadership

Dimensions of strategy orientation	n	Correlation analysis (*r*)	Correlation analysis (P-value)	Spearman correlation (p)	Spearman correlation (P-value)
Action versus execution of strategy	118	0.71	0.0000	0.64	0.00
Coherence versus creation of strategy	118	0.76	0.0000	0.74	0.00
Coherence versus creation of strategy	118	0.76	0.0000	0.68	0.00
Discipline versus creation of strategy	118	0.62	0.0000	0.62	0.00

The data show a strong positive relationship between action and the execution of strategy (r = 0.71; p = 0.000). The Spearman correlation coefficient also indicates the same relationship (p = 0.64; p = 0.00).

The influence of strategic leadership on organisational performance

The second hypothesis in the Jooste and Fourie (2009) study was that strategic leadership (action, coherence and discipline) is directly and positively associated with organisational performance.

The results of the correlation analysis of the relationship between strategic leadership and organisational performance are indicated in table 6.7.

Table 6.7: A summary of the correlation analysis (*r*) and P-values as well as the Spearman correlation coefficient, comparing the dimensions of self-reported organisational performance with the constructs of strategic leadership

Dimensions of strategy orientation	n	Correlation analysis (*r*)	Correlation analysis (P-value)	Spearman correlation (p)	Spearman correlation (P-value)
Action versus adaptive leadership	118	0.69	0.0000	0.65	0.00
Action versus processes and systems	118	0.67	0.0000	0.58	0.00
Action versus knowledge	118	0.58	0.0000	0.48	0.00
Coherence versus autonomy	118	0.72	0.0000	0.66	0.00
Coherence versus communication	118	0.69	0.0000	0.69	0.00
Coherence versus knowledge	118	0.69	0.0000	0.66	0.00
Discipline versus adaptive leadership	118	0.61	0.0000	0.64	0.00
Discipline versus processes and systems	118	0.65	0.0000	0.53	0.00
Discipline versus values	118	0.61	0.0000	0.57	0.00

APPENDIX D: STUDY OF THE EFFECT OF CEOS ON FIRM PERFORMANCE

The main hypothesis of Mackey's (2008) study was to determine the effects of the CEO on firm performance. Table 3 presents the main results of the study.

Table 3: How much CEOs influence firm performance

	DV: corporate ROA		DV: segment ROA	
	ANOVA estimate	% of total	ANOVA estimate	% of total
Year effect	0.0181	0.66%	0.405	1.15%
Industry effect	0.1712	6.20	2.63	7.47
CEO effect	0.2168	7.86	2.38	6.76
Corporate effect	0.8063	29.21	4.47	12.7
Segment effect	–	–	6.27	17.81
Residual SS	0.6030	21.84	12.06	34.26
Total SS	2.7604	100.00	35.2	100.0
N	*801*		*801*	

CEO effects on corporate performance are fairly substantial (29.2%) – almost four times larger than the corporate effect (7.9%) and almost five times larger than the industry effect (6.2%). CEO influence on the variance in business segment performance is smaller (12.7%) than on corporate performance; however, the CEO effect on segment performance is still greater than the industry (7.74%) and corporate effect (6.76%).

APPENDIX E: LETTER OF INVITATION TO CEOS OF ORGANISATIONS IN THE SAMPLE

Graduate School of Business Leadership, University of South Africa PO Box 392 Unisa 0003 South Africa
Cnr. Smuts and First Avenue Midrand 1685 Tel: +27 11 652 0000 Fax: +27 11 652 0299
Email: sbl@unisa.ac.za Website: www.sblunisa.ac.za

SBL
GRADUATE SCHOOL OF
BUSINESS LEADERSHIP
UNISA

Dear Mr/Ms xxxx

STUDY OF THE STRATEGIC LEADERSHIP, ALIGNMENT AND ORGANISATIONAL SUCCESS FOR (Organisation)

The role of the leader is fundamental to the success of organisations. Identifying the criteria that leaders require to take their organisations to success will greatly enhance the possibility of leadership success in organisations.

Up to the present, relatively little attention has been paid by researchers to the processes that strategic leaders can apply to influence their organisations. Research has identified critical leadership components which studies indicate contribute to organisational success.

I am currently undertaking research as part of my Doctorate in Business Leadership at Unisa's Graduate School of Business Leadership. As a result I will be examining the relationship between these critical leadership components, strategic alignment and the organisation's performance.

The results of this study will be compiled in a report which will benefit leaders in their critical roles in their organisation.

I would like to invite you, as the leader of your company, to participate in this research programme at no cost to your company, the results of which will make a valuable contribution to strategic leadership.

The process will entail the top team completing a brief questionnaire (7 questions) to ascertain their value of critical leadership components. A sample of 100 employees across all levels of your organisation will be required to complete a brief anonymous questionnaire in order to measure the degree of strategic alignment in the company. A copy of your annual report would also be required.

Following the comprehensive analysis, a full report on the results of the research will be provided to your company.

I would value your company's participation in this vital research. Should you require any further information, I would be happy to discuss the matter with you.

Kind regards

Lorraine W Lear
Doctoral student

APPENDIX F: BRIEF TO CEOS

<div align="right">Business Brief</div>

Your organisation is invited to participate in a unique study to examine the relationship between strategic leadership, strategic alignment and organisation performance.

Success in today's competitive business environment is a constant challenge faced by leadership. What factors significantly influence an organisation's success? Is organisation performance directly linked to the capabilities of its leadership to improve organisation performance? If it is, then what are those critical components that leadership require? How is that evidenced in the organisation to engender organisation success?

Your participation will ensure that your company receives a full report providing a valuable resource to top management. The report will include the following:

- an analysis of the value placed on the key leadership components by top leadership
- an analysis of the implications of the degree of alignment between strategy, customers, people and processes that exists in the company and the impact on business success
- the identification of areas for improvement
- the benchmarking of your company against the other companies participating in this unique study

Participation of your company will require the following:

- a short questionnaire, to be completed electronically by the top leadership team (7 questions), containing their evaluation of the critical leadership components
- a sample of employees across the organisation completing a questionnaire measuring strategic alignment in the organisation (16 questions)

The study is part of doctoral research being undertaken as part of the requirements for a Doctorate in Business Leadership at Unisa's Graduate School of Business Leadership. It aims to contribute to the knowledge resources to enhance organisation performance. The study will be conducted as a "consulting assignment".

A limited number of companies are being invited to participate in this research at no cost.

Questionnaires

- Top Leadership Questionnaire – to be completed by the top leadership team
- Employee Questionnaire – to be completed by approximately 100 employees

On completion, the participants can mail their questionnaires directly to the researcher.

APPENDIX G: HOW STRATEGY SHAPES STRUCTURE (KIM & MAUBORGNE, 2009)

Instead of allowing the environment to define your strategy, craft a strategy that defines your environment.

When executives develop corporate strategy, they nearly always begin by analysing the industry or environment condition in which they operate. They then assess the strengths and weaknesses of the players the organisation is up against. With these industry and competitive analyses in mind, leaders set out to carve a distinctive strategic position, where the organisation can outperform its rivals by building a competitive advantage. An organisation generally chooses to differentiate itself from its competition for a premium price or to pursue low costs. The organisation aligns its value chain accordingly.

The underlying logic of this process is that a company's strategic options are bounded by the environment. In other words, structure shapes strategy. According to Mauborgne (2009), this "structuralist" approach, which has its roots in the structure-conduct-performance paradigm of industrial organisation economics, has dominated the practice of strategy for the past 30 years. Accordingly, an organisation's performance depends on its conduct, which in turn depends on basic structural factors such as number of suppliers and buyers and barriers to entry. It is a deterministic worldview in which causality flows from external conditions down to corporate decisions that seek to exploit those conditions.

For the past 15 years, Kim and Mauborgne (2009) have been developing a theory of strategy, known as the so-called "blue ocean strategy", which reflects the fact that a company's performance is not necessarily determined by an industry's competitive environment. This strategy's framework can help companies systematically reconstruct their industries and reverse the structure-strategy sequence in their favour.

The blue ocean strategy has its roots in the emerging school of economics called endogenous growth, whose central paradigm posits that the ideas and actions of individual players can shape structure. They call this approach "reconstructionist".

While the structuralist approach is valuable and relevant, the reconstructionist approach is more appropriate in certain economic and industry settings. Indeed, today's economic difficulties have heightened the need for a reconstructionist alternative. Hence the first task of an organisation's leadership is to choose the appropriate strategic approach in the light of the challenges the organisation faces. Choosing the right approach, however, is not enough. Executives then need to make sure that their organisations are aligned behind it to produce sustainable performance.

Choosing the right strategic approach

A structuralist approach is a good fit when	A reconstructionist approach is a good fit when
• structural conditions are attractive and the organisation has the resources and capabilities to build a distinctive position	• structural conditions are attractive but players are well entrenched and the organisation lacks the resources or capabilities to outperform them
• structural conditions are less than attractive but the organisation has the resources and capabilities to outperform its competitors	• structural conditions are unattractive and they work against an organisation irrespective of its resources and capabilities
When structural conditions and resources and capabilities do not distinctively indicate one approach or the other, the right choice will turn on the organisation's strategic mind-set	

• the organisation has a bias towards defending current strategic positions and a reluctance to venture into unfamiliar territory	• the organisation has an orientation towards innovation and a willingness to pursue new opportunities

The three-strategy propositions

Whichever approach is chosen, a strategy's success hinges on the development and alignment of three propositions:

   (1) a value proposition that attracts buyers

   (2) a profit proposition that enables the company to make money out of the value proposition

   (3) a people proposition that motivates those working for or with the company to execute the strategy

The two approaches diverge in the alignment of the propositions.

The leadership challenge

With an increasing number of businesses, governments and nonprofits facing unattractive environmental and structural conditions, leaders can no longer afford to follow the common practice of allowing structure to drive strategy in all situations. The economic challenges modern organisations face only underscore the need to understand how strategy can shape structure. That is not to say, however, that the stucturalist approach is no longer relevant. Take any company with multiple businesses. Different business units face different structural conditions with different resources and capabilities and have different strategic mind-sets; a structuralist approach would be a better fit for some units, while a reconstructionist approach would be more appropriate for others. The two strategy schools' assumptions and theories are distinct, and neither is sufficient to deal with the diverse and changing structural and business conditions that organisations face today and in the future. The challenge for leaders therefore is

to ensure that a robust debate takes place on what the right strategic approach to should be.

Whilst the approach to strategy and which strategy approach is adopted in the organisation is significant, the real critical factor in the researcher's opinion is strategic alignment. The real difference between success and failure is alignment.