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Leadership and Strategic Management

PhD in STRATEGIC MANAGEMENT

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SECTION 1:

1. Introduction and Background

1.1. Strategic management, popularized during the 1980s, is a term that covers enterprise – wide strategy formulation, implementation, and evaluation. The subject of strategic management has become integral to the success or failure of organizations, especially now when the business environment demands rapid monitoring, analysis and accurate interpretation.

1.2. Any organization, whether profit oriented or not is created for a purpose and it needs resources namely: human, equipment, intellectual, financial, informational and others to realize its goals. In addition, a lot of information from many sources needs to be considered to understand the organization and its environment so that effective action is taken. There are numerous outside interests that affect it too. Finlay (2000) notes that, someone or much more likely a group of people, must handle this complexity, and the ambiguity that is often associated with information from multiple sources and be responsible for the overall direction of the organisation.

1.3 Strategic management is the solution and it is explained as a process through which organizations analyse and learn from their internal and external environments, establish strategic direction, create strategies that are intended to help achieve established goals, and execute those goals, all in an effort to satisfy key organizational stakeholders (Harrison, 1998). Strategic management is different from other aspects of management (Johnson and Scholes, 2004). It emphasizes the growing significance of environmental impacts on organizations and the need for organizational leadership to react appropriately to them. Organ (1971) has observed that there is a growing suspicion that the more relevant criterion of organizational effectiveness is not, as it used to be, that of efficiency, but rather that of adaptability to changes in the environment. Although strategic management in Schendel and Hatten (1972)'s terms, emphasizes adaptation to the environment, it does not neglect management of internal affairs. Finlay (2000) advises that, the responsibility for the overall direction of the organization sums up what strategic management is all about. It involves the development of an organisation's mission, setting objectives, forming a strategy, implementing and executing the strategic plan and evaluating performance. Specifically, it is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide implications (Johnson and Scholes, 2004).

1.4 But what are the origins of strategic management? Management writers agree that strategic management evolved from the field of planning. According to Mintzberg (1994), as planning efforts at major companies grew and became more formalized at corporate level in the 1970s and early 1980s, focus shifted from emphasizing financial planning to more issue – oriented planning. Early (1990) and Noyes (1985) noted that as the 1980s progressed, there was a further shift from focusing on plan development to focusing on plan implementation, and from centralised planning to decentralized planning. With the shifts in emphasis, Mockler (1997), advises that the term 'strategic management' instead of 'strategic planning' was used more and more in business to describe this evolving process, especially as greater attention was paid to implementation considerations.

1.5 It emphasizes concern and sustained well-being of organizations. Why? Because according to Thompson and Strickland (1996), strategic management 1) provides guidance to the entire organization on the crucial point of ‘what it is we are trying to do and to achieve’, 2) make managers more alert to the winds of change, new opportunities, and threatening developments, 3) providing managers with a rationale for evaluating competing budget requests for investment capital and new staff – a rationale that argues strongly for steering resources into strategy – supportive, results – producing areas, 4) helping to unify the numerous strategy - related decisions by managers across the organization and, 5) creating a more proactive management posture and counteracting tendencies for decisions to be reactive and defensive.

1.6 As organizations face an uncertain, chaotic, and unforgiving business environment, these issues outlined above by Thompson and Strickland can only be realized by companies with sound organizational leadership. The leadership that is critical here is transformational leadership as opposed to transactional leadership. In transformational leadership, leaders are expected to accurately interpret the goings on in the environment and take appropriate actions to exploit the opportunities created by uncertainty. These leaders are risk takers, love change, stay ahead of the change curve, redefine their industries (Gibson, 1998), great communicators, team players, technology masters, problem solvers, change makers and foreign ambassadors (Lewis, Goodman and Fandt, 2001). They are not the masters of the status quo as is the case with the transactional leaders. This suggest that the role of leadership (transformational) in the strategic management process is integrative and hence success or failure hinges on 'the drivers of the organisation'.

1.7 Empirical evidence seem to suggest that organizations that follow the strategic management framework with transformation leadership are high performers. As high - performing organizations, they initiate and lead in their respective industries, they don't just react and defend. They launch strategic offensives to out – innovate and out – maneuver rivals and secure sustainable competitive advantage, then use their market edge to achieve superior financial performance according to Thompson and Strickland (1996).

SECTION 2:

2. 1 Theoretical Framework

2.1.1 Strategic management is an on-going activity concerned with strategy formulation, implementation and periodic evaluation in line with changes taking place in both the internal and external environment. According to Thompson and Strickland (1996), strategic management framework consist of five major tasks as shown in **Figure 1.**

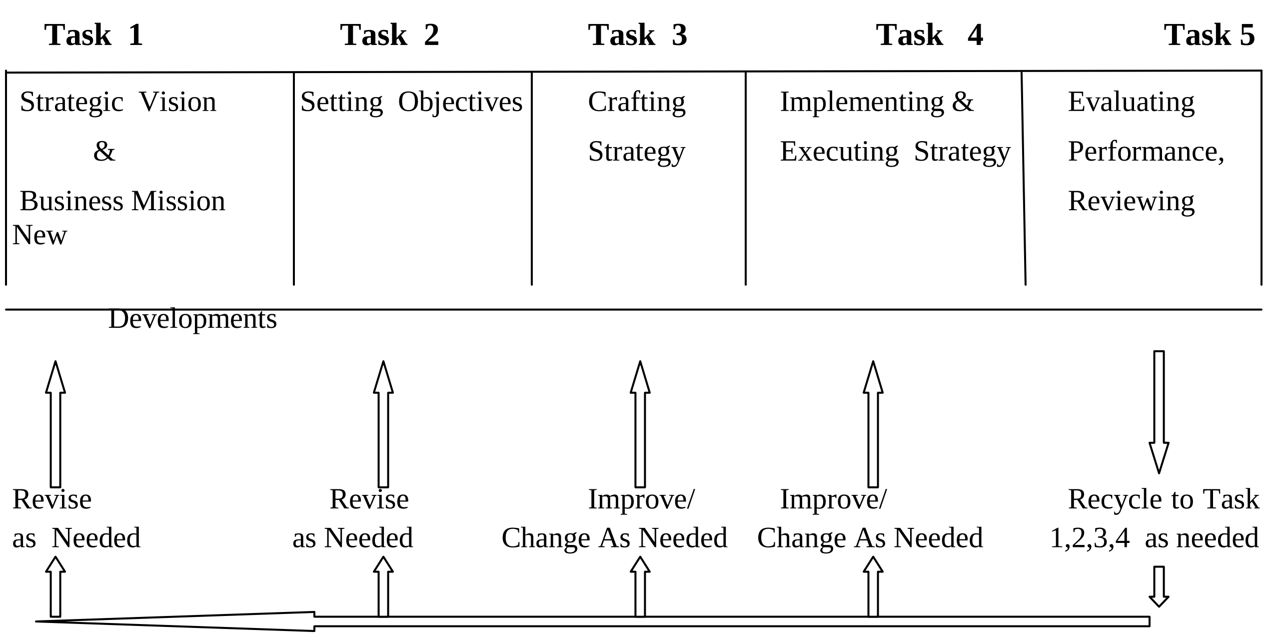

Figure 1: The Five Tasks of Strategic Management

Source: Thompson A.A. and Strickland A. J; Strategic Management (Concepts and Cases), Ninth Edition, Irwin, 1996 Page 4

2.2 Key Tasks of Strategic management

2.2.1 The first task involves *developing a strategic vision and business mission.* The mission statement explains what a company seeks to do and to become. It defines a company's business and provides a clear view of what the company is trying to accomplish for its customers (Robert, 1993). On the other hand, a strategic vision represent management's view of the kind of company it is trying to create and its intent to stake out a particular business position (Dobson and Starkey, 1999). By developing and communicating a business mission and strategic vision, management infuses the workforce with a sense of purpose and a persuasive rationale for the company's future direction. It serves as a sound rationale for allocating resources (Certo, 2000). Above all, management should ensure that the organization walk and talk their strategic direction statements.

2.2.2 The second task concerns the *setting up of organizational objectives.* Managerial statements of business mission and company direction are translated into specific performance targets, something the organisation's progress can be measured by. Objectives which are short-term, medium – term or long –term in nature can be set to improve the financial performance of the organization, its business position in the industry and makes it more intentional and focused in its actions (Harrison,1998). Short-term objectives spell out the immediate improvements and outcomes management desires whilst long-term objectives prompt managers to consider what to do now to position the organization to perform well over the longer term. According to Thompson and Strickland (1996), setting up challenging but achievable objectives (top – down or participative approach) thus helps guard against complacency, drift, internal confusion over what to accomplish and status quo organizational performance.

2.2.3There are two types of performance yardsticks (Lynch, 2000) from a companywide perspective (Thompson and Strickland, 1996): financial objectives and strategic objectives. Financial objectives relate to such measures as earnings growth, return on investment, cash flow and shareholder returns. These are important because without acceptable financial performance an organization risks being denied the resources it needs to grow and prosper. Strategic objectives on the other hand, are needed to prompt managerial efforts to strengthen a company's overall business and competitive position. Examples of strategic objectives include: growing faster than the industry average;

overtaking key competitors on product quality, customer service or market share and exercising technological leadership. Strategic objectives serve notice that management not only intends to deliver good financial performance but also to improve the organisation's competitive strength and long – range business prospects.

Examples of Strategic Objectives:

General Electric: To become the most competitive enterprise in the world by being number one or number two in market share in every business the company is in.

Apple Computer: To offer the best possible personal computer technology and to put that technology in the hands of as many people as possible.

2.2.4 The third task in strategic management is that of *crafting a strategy*. This task requires that management correctly analyze the company's internal and external environment. 'Armed with hard analysis' and a clear vision of the company's strategic vision and business mission, management devise sound strategies to achieve both the financial and strategic objectives for the organization.

2.2.5 Thompson and Strickland (1996), notes that a company's strategy is typically a blend of a) deliberate and purposeful actions and b) as – needed reactions to unanticipated developments and fresh competitive pressures. *New circumstances always emerge*, *whether important technological developments, rivals' successful new product introductions*, *newly enacted government regulations and policies and others*. There is always enough uncertainty about the future that managers can not plan every strategic action in advance and pursue their intended strategy without alteration (Lynch, 2000 and Robert, 1993). Company strategies end up, therefore being a composite of planned actions (intended strategy) and as-needed reactions to unforeseen conditions (unplanned strategy responses). Consequently, strategy is best conceived as a combination of planned actions and on – the – spot adaptive reactions to fresh developing industry and competitive events. Hence crafting a strategy is an exercise in entrepreneurship and outside - in strategic thinking.

2.2.6 Thompson and Strickland (1996) advises that a company encounters two dangers when its managers fail to exercise strategy – making entrepreneurship. One is a stale strategy. The faster a company's business is changing, the more critical it becomes for its managers to be good entrepreneurs in diagnosing shifting conditions and instituting strategic adjustments. Coasting along with a status quo strategy tends to be riskier than making modifications. Strategies that are increasingly out of touch with market realities make a company a good candidate for a performance crisis. A view shared with Gibson (1998).

2.2.7 The second danger is inside – out strategic thinking. Managers with weak entrepreneurial skills are usually risk – averse and hesitant to embark on a new strategic course so long as the present strategy produces acceptable results. They pay only perfunctory attention to market trends and listen to customers infrequently. Often, they either dismiss new outside developments as unimportant or else study them to death before taking actions. Being comfortable with the present strategy, they focus their energy and attention inward on internal problem – solving, organizational processes and procedures, reports and deadlines, company politics, and the administrative demands of their jobs. Consequently, the strategic actions they initiate tend to be inside – out and governed by the company's traditional approaches, what is acceptable to various internal political coalitions, what is philosophically comfortable, and what is safe, both organizationally and career-wise (Thompson and Strickland, 1996; Kakabadse and Kakadadse, 2005).

2.2.8 The weaker a manager's entrepreneurial instincts and capabilities, the greater a manager's propensity to engage in inside-out strategizing, an outcome that raises the potential for reduced competitiveness and weakened organizational commitment to total customer satisfaction."

2.2.9 The fourth task entails *strategy implementation and execution*. This demands 'figuring out what must be done to put the strategy in place, execute it proficiently and produce good results.' The strategy – implementing task is easily the most complicated and time-consuming part of strategic management. It cuts across virtually all facets of managing and must be initiated from many points inside the organization. Key aspects include as discussed by Thompson and Strickland (1996):

- Building an organization capable of carrying out the strategy successfully
- Developing budgets that steer resources into those internal activities critical to strategic success
- Establishing strategy – supportive policies
- Motivating people in ways that induce them to pursue the target objectives energetically and, if need be, modifying their duties and job behavior to better fit the requirements of successful strategy execution.
- Tying the reward structure to the achievement of targeted results
- Creating a company culture and work climate conducive to successful strategy implementation
- Installing internal support systems that enable company personnel to carry out their strategic roles effectively day in and day out
- Instituting best practices and programmes for continuous improvement
- Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

2.2.10 The fifth task involves *evaluating performance, reviewing new developments and initiating corrective adjustments.* Thompson and Strickland (1996) advises that new circumstances call for corrective adjustments. Long-term direction may need to be altered, the business redefined, and management's vision of the organisation's future course narrowed or broadened. Performance targets may need raising or lowering in light of past experience and future prospects (Cooper, 2005). Strategy may need to be modified because of shifts in long-term direction, because new objectives have been set, or because of changes in the environment. Lewis, Goodman and Fandt (2001) have observed that realizing developments in the environment is one thing whilst taking the appropriate response is another. Therefore, recognizing change is insufficient, responding proactively is essential. This is where action minded and risk taking leadership is required to take on issues head – on and not wish the challenges away. Leadership according to Johnson and Scholes (2004), being the process of influencing an organization (or group within an organization) in its efforts towards achieving an aim or goal. However, required in today's complex operating environment is transformational leadership, which is leadership that inspires organizational success by profoundly affecting followers' beliefs in what an organization should be, as well as their values, such as justice and integrity (Certo, 2000).

2.211 Transformational leadership because of the dramatic changes that many organizations are going through and the critical importance of transformational leadership in 'transforming' or changing organizations successfully. Lee Iacocca is often cited as an example of transformational leader because of his success in transforming Chrysler Corporation from a company on the verge of going under into a successful company.

2.3 Reasons for failures in strategic management

2.3.1 Lynch (2000), advises that some of the major reasons for failures in strategic management include poor direction from top management. Discussed here are issues like planning replacing the flexibility and uncertainty needed in some environments, deep strategic thought replaced by planning formulae, short-term focus and financial emphasis (quarter to quarter planning by most American companies), poor discussion of key issues and inadequate resources allocated for plans. Need for greater flexibility is another factor that contributes to failure. For example, annual budget takes priority, industry barriers are accepted, there is overemphasis on procedures and form filling and sticking with rigid plans.

2.3.2 Political difficulties characterizes failing companies. Planning was controlled by specialist staff and not by line managers who have the responsibility. At the same time, power of some managers was threatened by new procedures. The corporate culture was the greatest hindrance. Most organizations can not cope with uncertainty, put more emphasis on financial results, are not risk takers, do not have the entrepreneurial flair and have little tolerant of the occasional failure.

SECTION 3:

Empirical Review

3.1 Decades ago, successful corporations and long-established institutions were driving into the future like large luxury sedans on a wide open freeway. They imagined they saw a long, straight road stretching out before them into the distant horizon, one that could be travelled in much the same way as the road they had left behind. The future, it seems belonged to them (Gibson, 1998). Strategic management process was a straight forward exercise. Most organizations came up with strategic plans and there were very few off-the track behaviours as the environment and the future was a given.

3.2 However, the lessons of the last three decades have taught us that 'nobody can drive to the future on cruise control.' The strategic management environment has completely changed - getting harsher by the day. It has become very unpredictable and characterized by chaos, complexity, dynamism, turbulence and uncertainty. The organizations are experiencing hyper-change to use Lewis, Goodman and Fandt's terminology. In the space of just a few years, 'the roads that many once thought they owned have become crowded, competitive arenas (Gibson, 1998).' Competition and markets have become fierce and merciless, smaller companies are outsmarting giant corporations on a global scale, customers are having infinite access to products, services and information. According to Gibson, (1998), business books are replete with examples of apparently invincible corporations who fell asleep at the wheel and paid a heavy price. The global computer giant, IBM who had a near death experience is a classic example.

3.3 Lewis, Goodman and Fandt (2001) adds that as early as the 1970s, top level managers at McDonald's recognized the trend away from eating red meat and high - fat foods. Nevertheless, they continued to focus almost exclusively on hamburgers and fry their French fries in animal fat. Similarly, the three major U.S car manufacturers knew that American public wanted smaller, more fuel – efficient automobiles, yet they continued to turn out large, gas – guzzling cars. And although Xerox recognized that demand for the low – end copiers produced by its Japanese competitors was rising, it continued to market only high – end products. In each of these cases, managers realized that changes were occurring but failed to react proactively. And in all these cases, they responded only when the competition forced them to do so.

3.4 For many the punishment of taking the environment for granted came unexpectedly from foreign competitors, who had appeared to be insignificant dots in the rear – view mirror, but who raced past to become the new industry leaders. For example, foreign competition forced US automobile manufacturers to respond to the needs of the consumer and also it is competition from both domestic and Japanese organizations that caused Xerox to open its eyes to the changing marketplace. Others were overtaken by smaller, more entrepreneurial players like Compaq Computers (formed in 1987) who took advantage of the intersections or entry points on to the freeway. These changes have a more significant impact on the way organizations are managed than did the changes of the past (Lewis, Goodman and Fandt, 2001).

3.5 Complexity and dynamism in the environment as explained by Finlay (2000) arise in situations that are intrinsically understood. For instance, complexity can be understood by carrying out more detailed analysis, while dynamism can be understood through faster analysis. Complexity and turbulence are similar in that they describe situations where the links between cause and effect are difficult to discern. In complex situations, the many cause – and – effect relationships that exist can be understood whereas in turbulent environments the interactions between many different causes and effects make it such that no one is in a position to make predictions. For example, the East – Asia's economic boom miracle that began in 1997 and came to a dramatic and humiliating end is an example of turbulence. Turbulence and chaos characterize situations where the future is unknowable, however detailed the analysis may be. The defining difference between turbulence and chaos is that in chaos the general patterns are repeated, whereas with turbulence there are no discernible patterns to help predict the future.

The East – Asia Miracle

Look at the Asian financial crisis that started in Thailand and spread to Indonesia, Malaysia and South Korea. It teaches us a lot of lessons about this paradox of globalization and tribalism.

Let’s not forget that before we had the Asian meltdown we had the Asian miracle. We had economies that were growing at 8 or 9 percent for up to a decade or more. And what was fueling that growth? The market mechanisms of the global economy: free trade, the free flow of capital and relatively free markets. These forces are not going to go away, so ultimately we’re going to see the new economies get right back on track. But the crisis pointed out some of the fundamental weaknesses of the Asian system of capitalism – the outdated bureaucracy, the cronyism and corruption, the lack of transparency in the banking system – and they will learn those lessons very quickly and come back stronger than ever…People in Asia were knocked off their pedestal... Many of them lost huge fortunes overnight. So they went from having this greatest sense of pride in the Asian way of doing things to a sense of embarrassment, a sense of total disillusionment and despair.

Source: Naisbitt J.(1998): "From Nation States to Networks", Rethinking the Future, Edited by Gibson R. Pages 211-227

This high degree of unpredictability makes strategic management challenging and exciting for leaders with strong entrepreneurial instincts and capabilities and devastating for managers with inside-out mindsets.

3.6 The reality is that, we are living in a radically different world, and it calls for different methods of management. Achieving organizational success will be extremely challenging. As Gibson (1998) puts it, to grab hold of the future we have to let go of the past. We have to challenge and, in many cases, unlearn the old models, the old paradigms, the old rules, the old strategies, the old assumptions, the old success recipes. Hence, the effectiveness of putting strategies to work in a business depends, to a large extent, on skillfully directing and managing changes in both the internal and external environment. Mockler (1997), gives an example of Colman Mockler, Chairman of Gillette Company. The most difficult aspect of strategic management for him was the organisational dynamics necessary to shape the specifics of the vision and to make it work. For example, it took him several years to put in place the kind of key entrepreneurial managers (staff) he knew could create the organizational environment and structure needed to carry out his strategic vision within a very turbulent competitive market. He was also determined to do it while maintaining Gillette's corporate culture which placed on high premium on preserving and fostering human values. Fortunately, he also possessed the natural and acquired leadership skills needed to develop and foster the strategic thinking, policy framework, entrepreneurial organizational culture and structure, and controls needed for the precise definition of his strategic vision to emerge and be carried out over time.

3.7 Another example discussed is Warren Buffet. It is said that one of the major reasons cited for a successful turnaround of Salomon Brothers brokerage firm after the 1991 trading scandal was the appointment of Warren Buffet as Chief Executive Officer (Mockler, 1997). Buffet, an Omaha investor noted for his conservative management style and ethical philosophy, implanted a very conservative, risk – averse culture at Salomon and so enabled it to regain customer confidence. This was the same style Buffet exhibited when successfully managing Berkshire Hathaway Inc. another of his investments (Faison, 1992; Fisher, 1993). It was a style that enabled him to win the trust of managers and customers at Salomon, an important leadership success factor.

3.8 Mockler (1997), notes that determining which leadership style or combination of styles might be most effective in a manager's own situation will depend on situation factors such as nature of company, industry and competitive market, existing internal business processes, existing organizational structure and external and internal departmental environment; existing organizational structure; individuals involved; existing management information systems and other available resources. Such a factor analysis may lead to the conclusion that a single leadership style will best suit the situation under study, or that a combination of leadership styles is more appropriate. For example, Thomas Murphy and Daniel Burke, who were credited with turning the merged Capital Cities and ABC Communication Company into a money machine, used a mixed style characterized as “prudence, management autonomy, and meddling when it is called for” (Auletta, 1991). At other times, the leadership style needed will change over time as situation requirements change. At AM International a tough analytical leadership style was needed initially to take the company out of bankruptcy; later a style oriented towards people was needed (Johnson, 1987).

3.9 According to Gibson (1998), transformational leadership that is critical in facing today’s challenges will not be content to sit back and let the cruise control do the driving. These leaders will be looking forward, scanning the landscape, watching the competition, spotting emerging trends and new opportunities, avoiding impending crisis. They will be explorers, adventurers, trailblazers. Lewis, Goodman and Fandt (2001), explains that some organizations have capitalized on changes in the environment. Starbucks as a coffee peddler, Sony as the world’s largest provider of electronic products, and Dell Computer as the provider of high – quality, low – cost computer equipment. Each of these companies has achieved success by proactively addressing changing market conditions.

3.10 Empirical evidence suggest that these companies decentralized power and democratized strategy by involving a rich mixture of different people from inside and outside the organization in the process of inventing the future. They are comfortable with the concept of discontinuity and understand how to use it to create opportunities. Notable world personalities that have embraced the new form of leadership and taken their organizations into the twenty-first century include: Jack Welch from General Electric, Michael Dell from Dell Computer, John Chambers from Cisco Systems, and Larry Weinbach from Unisys (Lewis, Goodman and Fandt, 2001).

3.11 Trice and Beyer (1991), suggest that successful strategic management demands 'new school leadership' that possess the characteristics shown in **Table 1.**

Table 1: Old Leadership Vs New Leadership

Old Leadership	**New Leadership**
Non-charismatic	Charismatic
Transactional	Transformational
Management	Leaders
Non – visionary	Visionary
Non-magical	Magical
Less Emphasis On	***More Emphasis On***
Planning	Vision
Routine	Change
Compliance	Commitment
Contract	Extra Effort
Reaction	Pro-action

Source: Cooper C.L (2005); Leadership and Management in the 21st Century – Business Challenges of The Future, Oxford University Press, Page 17

3.12 Transformational leadership is different from transactional leaders who characterize a number of organizations who are struggling to cope with today’s rapid environmental changes. Transactional leaders are masters at controlling resources, procedures and routines (Darling, 1999). They are ‘caretakers of the status quo’ (Warburton, 1993) who think in terms of explicability, with a focus on control and accountability (Bennis, 1984). These leaders relate to other actors in role-terms and favour loyalty, conformity, coordination and team spirit (Fairholm, 1996). They prefer security and are effective in situations where they can direct the desired behavior, control deviation from set norms, and punish recalcitrance (Zemke, 1987).

3.13 Instinctively, transactional leaders avoid complexity and attempt to ensure tangible, detached control to limit the danger and insecurity of uncertainty (McAdam, 1993) and, through efficiency, are in danger of producing mediocrity and suffocating innovation and creativity when major steps forward are required by the organization (Fairholm, 1996). Lewis, Goodman and Fandit (2001) give examples of once - prominent and well-respected transactional type CEOs who resigned from their jobs – James Robinson from American Express, John Akers from IBM, and Eckhard Pfeiffer from Compaq, to name just a few. Many of these CEOs failed because their leadership style was simply not appropriate for the rapidly changing and highly dynamic business environment.

How a biscuits strategy crumbled

When Eric Nicoli, chief executive of United Biscuit, took over at UB in 1991, it had sales of $3 billion and pre-tax profits of $211.3 million, and its UK McVitie's biscuits business had margins of 15.7%. In 1998 it reported sales of $1.7 billion, pre-tax profits of $110.1 million and margins of 11.5% at McVitie's. To be fair to Nicoli, the reduction in sales and profits was partly because UB had sold of large chunks of its activities, but this was forced on the group by its abysmal performance and for that Nicoli must bear the blame.

UB is still struggling to recover from the effects of three key strategic mistakes made by Nicoli and his team in the early 1990s. First, it was so confident of its pre-eminent position in British biscuits – where it still has over half the market – that it thought it could keep pushing up its margins for ever, at the expense of boring things like marketing and product development. Second, it developed grandiose ambitions to be a global player and rushed out on a spending spree, snapping up biscuit and snack businesses from Poland to China. And third, it failed to appreciate the strength of Frito Lay, the crisps and snacks business owned by PepsiCo, which dominates most of the markets into which UB was expanding.

The results of the strategic errors soon became all too clear. Customers got tired of paying ever higher prices, particularly when they could buy supermarket own brands (some of them actually made by McVitie’s) far cheaper. And they were easily tempted away by the more interesting products on offer from the likes of Cadbury and Fox, both more successful than UB in new product development. McVitie’s profits collapsed from $92.9 million in 1992 to $57.1 million in 1995 and even in 1996 they had crept up only to $60.5 million.

Internationally, UB was spreading itself too thinly across too many fronts instead of focusing on areas where it could have a real advantage. No sooner had it sorted out one set of problems than another set appeared. One analyst cites frozen foods – its ranges include Ross Foods and the Linda McCartney vegetarian products - as an example of businesses where Nicoli should have bitten the bullet and sold.

Source: Finlay (2000); Strategic Management – An Introduction to Business and Corporate Strategy, Prentice Hall: Financial Times Page: 13

3.14 Empirical evidence seem to suggest that success or failure in strategic management depends on the quality of leadership an organization have. Issues that are critical include keeping abreast of changing conditions that affect the organization, developing an understanding of the major environmental trends that are affecting organizations across the globe, being flexible and adaptable to organizational changes, as well as proactive in initiating change when appropriate, understanding the role of the manager within the corporate structure, making the most of a manager's education and developing skills, keeping the organization responsive to changing conditions, alert for new opportunities and bubbling with innovative ideas, building consensus, containing 'power struggles' and dealing with the politics of crafting and implementing strategy and competencies necessary for managerial success.

3.15 For the transformational leaders to be able to become great communicators, team players, trouble-shooters and change makers, they ought to possess certain competencies. These include environmental competence (knowledge of the dynamics of world economy, of major national markets, and of social and cultural environments), analytic competence is needed to pull together a vast array of information and data and to assemble relevant facts. Strategic competence helps executives focus on the strategic or long-term requirements of their firms, as opposed to short-term, opportunistic decisions and managerial competence, which entails the ability to implement programs and organize effectively (Jeannet and Hennessey, 1995).

3.16 Johnson and Scholes (2004), advises that leadership literature suggest that successful leaders have particular personal characteristics or traits. These include visionary capacity, being good at team building and team playing, a capacity for self-analysis and self – learning, mental agility and the ability to cope with complexity; self – direction and self - confidence; and charismatic leaders in particular are good at expressing complex ideas simply, creating commitment and channeling people's energy.

3.17 Transformational leadership leaders raise their followers' awareness of organizational issues and their consequences, they create a vision of what the organization should be, build commitment to that vision throughout the organization, and facilitate organizational changes that support the vision (Certon, 2000).

SECTION 4:

The Case For Zimbabwe

4.1 The Zimbabwean economy is going through considerable socio-economic challenges, ranging from high inflation, foreign exchange shortages, capacity underutilization in factories, to rising poverty levels.

4.2 These developments are causing anxiety among the business leaders. The majority are faced with what is proving to be a journey requiring determination. The role of the media in Zimbabwe is fueling the anxiety and speculative behavior which is further complicating strategic decision-making in the corporate world. The media is largely responsible for both the confidence index and the fear-versus-optimism syndromes in society. It is not an exaggeration to say that, there has been a propensity for negative reporting in the last few years. Though difficult to quantify, the impact on the national consciousness of this continuous negative bombardment has been decidedly destructive. The content and quality of reporting on such issues as politics, human rights, hate speech, company underperformance and corruption has given many business leaders the feeling that, given the present turbulence in Zimbabwe, the future will probably be as uncertain as the present.

4.3 Business executives are constantly being battered with news of underperforming organizations, poor economic projections and further stagnation. The effect is a feeling of being immersed in a theatre of the absurd. Hence the general feeling and observation is that most, most business leaders in Zimbabwe have a deteriorating mindset filled with negative thinking, hopelessness minds whilst some are adopting a 'wait and see attitude'. Failure to appreciate the new trends in management thinking and lack of transformational leadership skills have added the misery among many. In some instances, one get the feeling that these business leaders are aware of these developments, but they are not responding appropriately – hence the wait and see attitude.

4.4 Required in Zimbabwe at the moment is a frame-breaking approach that banishes the fear of failure and nurtures the vision of winning.

4.5 Literature on business performance suggest that winners respond appropriately to environmental challenges. It is management's responsibility to adjust to unexpectedly tough conditions by undertaking strategic defenses and business approaches that can overcome adversity. New Generation Organisation is a term that one can use to describe these winners and we have very few of these in Zimbabwe at the moment. Probably, some of the companies who won last year (2006) in the Top Companies Survey facilitated by The Financial Gazette and officially sponsored by Premier Banking Corporation Limited qualify to be in this category. A new generation organization led by a transformational leader defy the traditional way of looking and doing things for the purpose of constant desire for value-creation. Such organizations, characterized by high degree of innovation, psychological stamina and high levels of creative insights are able to take a quantum leap and effect such major changes as are required to make them leaders in their respective sectors.

4.6 Effectively managed new generation organizations become counter-trend organizations which Zimbabwe desperately needs now. These organizations perform despite environmental turbulence, that is, they 'buck the trend' of inadequate economic performance in the country. Counter-trend organization create value despite the many negative factors, including deteriorating mindset – which surround it. Mindset is about forging a positive future outcome despite limited opportunities and resources, a hostile environment, socio-economic turmoil and political uncertainty. In other words, a counter-trend organization possess a strong belief in its own ability to make things happen.

4.7 For Zimbabwe, the good thing about new generation organization is that its principles are universally applicable. They are generic to government, business and civic society. Zimbabwe's leaders in government, business, labour, the media, churches and politics must develop the framework underlying the principles of the new generation organization.

4.8 For example, the necessary but ill-conceived execution of the land reform programme, bureaucratic bungling, misappropriation and corruption (that have compounded the lack of economic growth) have left Zimbabwe in a far worse state than it was a few years ago. As a direct result, Zimbabwe has become uncompetitive in terms of world standards. International research on competitive nations highlights the necessity of generating an appropriate economic policy based on a mindset which nurtures and rewards new behaviours which are fundamentally innovative and lead to economic growth. Hence, as we look east, China, Indonesia and Malaysia are classic examples of success stories.

4.9 On the other hand, government, labour and business have far too long maintained an adversarial relationship – a *wind tunnel* has developed among these major players in the economy. Government is viewed as creating regulations and red-tape which tie the hands of business, whilst business is viewed by government as being concerned with corporate wealth creation and the best possible return on assets – often at the expense of the larger national picture. Labour on the other hand is viewed to be siding with the opposition for the purpose of 'regime change'. These perceptions, unfortunately cause the divergence in the way all think.

4.10 For Zimbabwe, the lesson is that successful economies have succeeded in integrating national priorities for business, labour and government to achieve a unified national policy of global intent. Government ought to understand the mechanics and mindset required to ensure wealth creation within the global context and needs to support the same priorities in the interest of creating new horizons for value-adding to the present economy. There is need to embrace all stakeholders in the economy irrespective of backgrounds and political affiliation. The international community ought to be engaged - this is a reality that the country can not run away from. The government must create the enabling environment for businesses to flourish. The 'command and control attitude' that seem to characterize the thinking in government is outdated and will not take the country anywhere. It must be remembered that, it is business that create wealth and not the other way round.

4.11 Business on the other hand need to urgently overhaul their organizational configurations. For instance, the majority of our companies are suffering from outdated management approaches, a sense of smugness, uncompetitive organizational designs, impoverished leadership and impotent strategic thinking. What is puzzling however is that majority of the managers are going through some management development programmes offered by various institutions in the country. You wonder what they go through. Worse still, most of these companies' performance is stifled by corporate chimneys, excessive clutter, fixed decision boundaries and dysfunctional vertical organizational designs.

Section 5:

Policy Implications

5.1 Ministry of Higher Education and Tertiary Institutions must have a monitoring mechanism in place to ensure that the various management development programmes being offered by both private organizations and public institutions are of high quality, current in terms management thinking and relevant to the country.

5.2 Relevant tertiary institutions should lobby the government for research related funding especially in the areas of management and leadership. One way could be to sponsor doctoral research programmes on Zimbabwe companies.

5.3 There is very little in terms of documented business/ management Zimbabwe Case Studies. In most tertiary institutions students are using foreign cases, there is nothing wrong but, we need a balance. Zimbabwe Cases will also be useful for policy-makers to have a clear view of what is going on around. Hence, there should be deliberate funding programmes to develop Zimbabwe Companies Cases.

5.4 Duty – free on educational books so as to increase affordability (if not in place already)

5.5 Promote institutions offering management development programmes. This provides an opportunity for management practitioners to be updated with the latest thinking in their various areas. Ideally, every manager should go for a skills development progamme at least once a year to avoid using outdated strategies in addressing current challenges.

5.6 The government, labour and business must work as one team in addressing the ever changing challenges. The Tripartite Negotiating Forum, NEDPP and NECF need to be re-invigorated. The government must play a facilitative role and not to be ‘a player and referee at the same time.’

5.7 Fund some research into the causes of the deteriorating business performance over the past six years

Section 6:

Conclusion

6.1 The field of strategic management is critical for the survival of organizations. Evidence suggest that successful organizations world-wide engage the strategic management framework. The framework is important in that it directs organizational resources to one particular direction. Through the strategic direction of an organization, resources are effectively and efficiently used. Increasingly, the framework has become important in addressing the ever changing business environment. At every point, management must constantly scan the environment and respond accordingly. Therefore what is important is to have a vision and periodically check the environment for any potential threats or issues. For the framework to be meaningful, the role of transformational leadership has equally become key. It is concerned with embracing environmental changes and doing something about it.

6.2 Zimbabwe needs transformational leadership, embrace the concept of the new generation organization , change of the mindset and a frame-breaking approach that banishes the fear of failure and unlearn the 'old success story rhetoric' and move on with the times.

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