

Exploring strategy implementation in major South African gold mines

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“Education is the most powerful weapon which you can use to change the world.”

— [Nelson Mandela](#)

*“The only way we can live is if we grow.
The only way we can grow is if we change.
The only way we can change is if we learn.
The only way we can learn is if we are exposed.
And the only way that we can become exposed is
if we throw ourselves out into the open.
Do it. Throw yourself.”*

--C JoyBell C, Author

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DECLARATION

I, Alida Christina van der Westhuizen, hereby declare that “**Exploring strategy implementation in major South African gold mines**” is my own work and that the views and opinions expressed in this work are those of the author and relevant literature references as shown in the references.

I further declare that the content of this research will not be handed in for any other qualification at any other tertiary institution.

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ABSTRACT

It is essential for the survival of the mining industry to look at the effective streamlining of organisations that can survive in the downturn in the gold cycle and meet the state demands placed on the industry. This study outlines challenges in South African gold mines and investigates the fit of the strategy implementation with the theory of implementing strategy on through the combined organisational design approach of looking at organisational structure, strategic and management control systems and organisational culture as well as corporate governance and strategic leadership. The research focus is on the implementation of generic strategies in South African gold mines pertaining to general industry issues such as strategies to address profitability and sustainability, dealing with the regulatory framework in terms of state intervention in the minerals sectors (SIMS), the Social and Labour Plan (SLP) and the Minerals and Petroleum Development Act of 2002, amended 2013 (MPRDA) and socio-economic concerns through the mining charter and wage demands. The purpose of the research is to explore how management perceives the implementation of strategies in general, without specific attention to the strategies developed for the organisation. The research will explore strategy implementation in South African gold mines and test the theory for the implementation of strategy. The research design is a qualitative study with individual semi-structured interviews. Participants were purposefully selected based on their experience in management roles in South African gold mines. The results of testing the developed theory-based strategy implementation against the practical application of strategy implementation shows an acceptable match in terms of corporate governance and strategic and management control systems. Gaps are identified in terms of organisational structure and culture. Strategic leadership and the strategic implementation plan show larger gaps compared to the theory, which is a concern. Though sound strategies may be in place, implementation fails. The absence of strategy implementation plans is noticeable and not linked back to strategic leadership.

KEY TERMS

Strategy implementation

South African gold mines

Strategic leadership

Organisation structure

Strategic and management control systems

Organisational culture

Strategy implementation plan

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1 CHAPTER 1: PROBLEM STATEMENT AND OBJECTIVES

Exploring strategy implementation in major South African gold mining companies

1.1 INTRODUCTION

Performance in gold mining is measured against the performance of competitors and against industry investment alternatives. The challenges facing the industry are vast (AngloGold Ashanti Annual Report, 2010:46, Goldfields Annual Report, 2010:51, Worrall, 2011:1). It is essential for the survival of the mining industry to look at effective re-engineering and re-design and set up streamlined organisations that can survive in the downturn in the gold cycle and meet the state demands placed on the industry and take advantage of the commodity boom.

The following statement was part of the conclusion on a mine productivity report in 1960, and illustrates the point. “The organization of mines is distinguished by one main feature mainly, rigidity. This has largely come about by accepting the Mines and Works Act as the controlling factor. Little or no change or development in mine organization has taken place over the last 30 years and, therefore, the horizons of everyone within the organization have remained very limited. In addition, no attempt has been made to define responsibilities and authority except in terms of the Mines and Works Act and thus little delegation has taken place” (Mine Productivity Survey, 1960:163).

The statement above (excluding the date) was tested with several senior mine managers as part of feedback on an analysis of organisational structure, and all agreed that the situation still holds true. This is indicative of the difficulty of implementing strategy to create the required step change in a mature industry such as the South African gold mines. The implementation strategy is often difficult (Ehlers & Lazenby, 2010:263; Kaplan & Norton, 2008:3). Strategy implementation requires management expertise and uses skills and competencies available within the organisation to reach business objectives (Thompson & Strickland, 2003:18). The success of implementation is strongly influenced by the fit of strategy with the organisation’s capabilities or competence, the organisation’s internal control/support systems (also referred to as leadership systems) and the organisation’s culture (Jones & Hill, 2009:215-227; Sherman *et al.*, 2006:425; Thompson & Strickland, 2003:19).

Strategy implementation is an organic process with formulation and implementation entwined, supported by control systems, structure, culture and leadership (Sherman *et al.*, 2006:425).

In commenting on the implementation of business strategy, Mark Cutifani, then chief executive officer (CEO) of AngloGold Ashanti stated the establishment of an organisational culture that is supported by structure and strategy is needed to ensure the achievement of strategic objectives (Cutifani in AngloGold Ashanti Annual Report, 2007:10). The need is to build an organisational culture of accountability and trust, consistent with company values, which supports the delivery of the business strategy and creates an organisation structure that enables employees to do their jobs, while developing people, to ensure the right person is doing the right work at the right time (Cutifani, 2010:13).

Gold continued the upward trend during 2011 and reached record highs, mainly driven by monetary instability and as a safe haven from inflation and lack of confidence in currencies before falling back in 2012. Based on the historical cycles of the gold market, gold will eventually reduce in value and collapse. This collapse is seen in the drop in price in 2013. A gold price exceeding \$1 500 per ounce are required for profitable gold mining (Ryan, 2013:1). At the end of the 1960s, gold traded at \$35.17/oz and rose to a then record of \$850 on 21 January, 1980. After reaching its peak, the metal slumped to a low of \$284.25 in the decade that followed (Derby, 2011:2). The loss in value through a drop in share prices indicates the turn in the mining cycle (McKay, 2013:1). This makes it crucial to reposition gold companies to be able to sustain profitability at lower gold prices.

This study will outline challenges in the South African gold mines and investigate the fit of the strategy implementation with the theory of implementing strategy on through the combined organisational design approach of looking at organisational structure, strategic and management control systems and organisational culture as well as corporate governance and strategic leadership.

1.2 PROBLEM STATEMENT

South Africa is a treasure trove of mineral wealth with an abundance of mineral resources with nearly “90% of the platinum group metals on earth, 80% of the manganese, 73% of the chrome, 45% of vanadium and 41% of the gold” (Worrall, 2011:1). This makes South Africa

important in terms world mineralogy (Mbendi, 2007:2). The South African mining industry has seen frequent restructuring since the early 1990s (USSAS, 2004:2), but the cost of deep-level mining is persistently rising in unit costs when measured in US\$/oz terms (Hall *et al.*, 2009:4; USSAS, 2004:2), and mining companies are not seeing the commodity price benefit (Bauzus, 2011:1).

Despite the strength of the gold price in dollar terms and relative stable gold price in 2012, South African gold companies, in terms of share price growth, did not see the benefit (MacKay, 2012:1). During 2012, Gold Fields lost 16.5% of its share price, AngloGold Ashanti lost 23% and Harmony 22.9% (MacKay, 2012:1). Demands made by organised labour leading up to the 2013 wage negotiations coupled with the falling gold price during May and June 2013 as well as poor quarterly results resulted in further declines in the share prices. The record high commodity prices achieved in 2011 failed to alleviate the difficulties experienced by mining in South Africa. The drop in the gold price during 2013, coupled with the mining unrest, further eroded share values. The increases in global competition, coupled with the cost of capital assets, and the unique South African challenges are requiring improved performance and asset management (Benning, 2000:145). This, together with the problems in the South African gold industry to be discussed in the following section, enforces the need to implement repositioning strategies effectively to bring about desired strategic change.

The problems encountered in the gold mines can broadly be defined as concerns around profitability and sustainability, issues dealing with the regulatory framework and socio-economic issues. These issues are generic to the mining industry and require each organisation to determine apt strategic responses to position the organisation to deal with these issues. Due to the confidentiality of specific strategies, the study focuses on the implementation of strategies to remedy well-documented generic strategic issues.

Profitability and sustainability

The decline in gold production from South African mines has continued, while the input cost has continued to escalate (Bauzus, 2011:1; Cohen & Burkhardt, 2013:1). Average cash operating cost for the March quarter in 2013 was \$1 412 or R453 371 per kg, with a gold price of \$1 250 or R402 000 per kg (Ryan, 2013:2). The cost escalations of the old and deep

gold mines are further fuelled by the nature of exploring gold. Once the shallow ore is mined, mines need to go deeper to extract gold and old infrastructure must support deeper mining activities, increasing the cost of recovery (Hall *et al.*, 2009:2). The cost of electricity has escalated with 34% for the period 2009 to 2011 (Hall *et al.*, 2009:1) and with gold mining being an energy-intensive industry, this increases the cost of doing business. The transport infrastructure also contributes to mining inflation (Bauzus, 2011:1). Increased escalation in electricity and the input cost of mining, combined with transport and infrastructure repair costs reduce profitability and impact shareholder perceptions, culminating in a lower share price.

Gold mining is a labour-intensive industry with labour cost amounting to 55% of cash working cost (Ryan, 2013:1) and increasing the cost of wages by just 10% amounts to a 5.5% increase in base cost (Ryan, 2013:1). This, combined with a decline in available expertise, negatively impacts on the bottom-line profitability. Wage discontent flowing from the Marikana incident resulted in wage increases and competing union power struggles lead to negotiations, putting pressure on industry (Leon, 2012:19). The aging workforce, combined with health issues in terms of a high HIV infection rate and availability of labour due to the burden of disease negatively impacts productivity, further pressurising profit. The biggest impact of HIV is not in direct production cost, but indirectly through the costs of medical treatment, testing and education as well as absenteeism, insurance, disability cover and replacement of unfit labour (Chamber of Mines, 2010:24).

The focus on safety in mining has increased through a combination of pressure by the Department of Mineral Resources (DMR) and a focus on social responsibility and investor demands for safe gold. Safety stoppages of production in mines based on perceived unsafe conditions by the DMR have resulted in significant production losses (Patel, 2012:1).

Capital, in the form of shareholder funds, is required for growth. South African companies traditionally relied on internal equity funding (Macfarlane, 2006:187-198), but now need to raise global capital, competing globally for shareholder funds. Deep-level gold mining is a high risk, high reward business requiring large sums of capital, high levels of expertise and a long lead time for return on investment (Bauzus, 2011:1). The disparity between the gold price and the share performance of South African gold mining companies implies that companies need to position themselves differently to allow share price growth. Successful

strategies to reposition the organisation will increase market perceptions and shareholder confidence, increasing the share price and making capital available for growth.

The gold price is indicative of investor perceptions and the impact of the gold price on organisational profits is significant. Low and falling confidence in global fiscal policy and governments' ability handle economic policies have been supporting the gold price for the past few years until the end of 2012. Gold prices reached record levels in 2011, before dropping back during 2012. According to the World Gold Council, the gold price has risen every year since 2001, from a low gold price of around \$250. By end 2010, the gold price had risen to over \$1 400, a cumulative rise of 460%. Gold continued the rise and reached record highs in 2011 as a value protector against the further risk of deepening the global economic crisis (Seccombe, 2011:2). In 2012, the gold price started to slide sideways and then started losing ground and by March 2013 had reached the longest month-on-month decline in sixteen years, as investors felt more positive about economic recovery and are supported by low inflationary data from the US (Denina, 2013:1)

The gold price is driven up by concerns that governments are continuing to attempt to revive economic growth through borrowing (against low interest rates), which increases the risk of consumer inflation. This high risk of inflation is further driven by concerns about a weak US dollar, debt in the European Union countries and unrest in the Middle-East, fuelling hikes in oil prices. The mounting public debt in the US, coupled with the lack of credible strategies, poses a further risk of deepening the global economic crisis (Seccombe, 2011:2).

The cyclical nature of gold mining makes it crucial to reposition gold companies to be able to sustain profitability at lower gold prices. The successful implementation of repositioning strategies is essential in order for gold companies to survive future downturns.

Regulatory framework concerns

Demands placed on the mining industry by the state add further pressure, both in terms of profitability and sustainability and socio-economic demands. Greater state intervention has happened in mining since 2007, as part of transforming the economic structure of the country and promoting growth (Leon, 2012:17). The state intervention in the minerals sector (SIMS) carries the threat of nationalisation, increased taxes, and increased demands to meet and

maintain a licence to mine (Leon, 2012:13). The government is exploring the international trend in increased mining taxes and royalties that inflates the cost base (Holland, 2010:17). The Minerals and Petroleum Development Act of 2002 (MPRDA), that came into force in 2004, changed the face of mining in South Africa. The Act stipulates that, in order to retain the mining rights and licence to mine, holders have to contribute to the socio-economic development of areas in which they operate (Shabangu, 2011:4). Sudden changes to the Minerals and Petroleum Development Act of 2002 were signed into law and came into effect on 7 June 2013 based on suggested 2008 amendments, but with certain exclusions (Seccombe, 2013:1). The changes include the conversion of the old order right that will no longer be automatic and that will have to be vetted by the minister (Seccombe, 2013:1). Ministerial consent is now required for changes in the shareholdings of unlisted companies, and the ministerial consent for listed companies was excluded for the time being (Seccombe, 2013:1). Additional changes, as recommended in 2012, are under review (Seccombe, 2013:1). This links closely with the Broad-based Socio-economic Empowerment Charter of 2002, referred to as the Mining Charter, and the Social and Labour Plan (SLP) that requires certain criteria to be met by 2014.

The MPRD Act has linked key socio-economic objectives for transformation of the economy with mining licences through BEE targets and various mining charter requirements. Previously, the right to prospect and mine was with the owner of the mineral rights, but under the new law, the right to prospect and mine for all minerals rests with the state, with discretionary powers to regulate mineral rights and support historically disadvantaged South Africans (HDSAs) in the mining industry (Mbendi, 2007:2; Leon, 2012: 5-27). The timeframe for processing a mining right can vary from one to five years, impacting the business decision-making, which needs to be fluid in a commodity industry with long lead times from prospecting to mining (Leon, 2012: 5-27).

These regulations, coupled with a highly unionised work force and additional regulations from the DMR in terms of mine safety and the Minerals and Petroleum Act number 50 of 1991 and the Mine Health and Safety Act number 29 of 1996 impact on the profitability and sustainability of the mining industry (Mbedi, 2007:2). In June 2013, the government committed to improving the effectiveness of mechanisms for legal and regulatory compliance in order to ensure consistency and certainty in the development and application of mining

regulation (Ettershank, 2013:1). A draft framework agreement for sustainable mining was developed under the leadership of deputy president Kgalema Motlante (Ettershank, 2013:1).

Socio-economic concerns

As part of the state's programme to drive transformation in South Africa, the Broad-based Socio-economic Empowerment Charter of 2002, referred to as the Mining Charter, came into place. The Mining Charter was refined in 2010 and addresses living conditions and economic transformation, including black economic empowerment (BEE) requirements to promote meaningful economic participation of communities (Leon, 2012:17; Reid, 2010:3). Socio-economic problems in South Africa are manifesting in labour unrest and industrial action crippling already struggling mines (Leon, 2012:19). Union rivalry and wage discontent sparked the Marikana incident in 2012, but the root cause relates to the socio-economic conditions in which miners and mining communities live (Leon, 2012:19). Labour unrest has escalated to the point where government appointed deputy president Kgalema Motlante to stabilise the struggling local mining sector (Ettershank, 2013:1). After consultations with industry and labour, a Draft Framework Agreement for a Sustainable Mining Industry was released as part of the government's mission to stabilise the mining sector in particular, and the economy in general (Ettershank, 2013:1).

The Mining Charter deliverables are due in 2014 and this provides a combined platform against which miners have to reposition themselves. Compliance to the Mining Charter is required in order to maintain a licence to mine. The first area of compliance is that of ownership of the organisation. The mining charter requires that at least 26% of the organisation should be owned by HDSAs by March 2015. The second focus area of compliance is in procurement and enterprise development. This implies set targets of between 40 and 70% for BEE procurement in various product classes. The charter requires 40% HDSA demographic representation across skills levels and an investment of 5% of payroll in human development reflecting the South African demographics. The socio-economic upliftment of employees continues with the charter requirement to change hostels to family units and have a single occupant per residence room by March 2015. There is also a requirement to develop the community and collaborate with the community on the development thereof and a demand for better environmental management and closure and rehabilitation requirements.

Conclusion

Ehlers and Lazenby (2010:269) have stated that strategic change can be the result of intentional new approaches or that it may be the response to changes in the business environment (Ehlers & Lazenby, 2010:269). According to Lynch (cited by Ehlers & Lazenby 2010:269), changes in the macro- and micro-business environment, technology, regulatory events, business relationships such as acquisitions, mergers, closures or alliances as well as changes in the capabilities of employees and organisational resources may also drive strategic change (Ehlers & Lazenby, 2010:269).

All these constraints add to the cost of doing business in South Africa and impact on the competitiveness of the South African mining houses against their international peers. These issues are generic to the gold mines in South Africa and require that strategies be developed and implemented to overcome the environmental constraints.

The reason for undertaking this study is to explore strategy implementation in major South African gold mines. This will determine how the strategy implementation of the South African gold mines fits into the theory of implementing strategy through the combined organisational design approach of investigating organisational structure, internal control/support systems and organisational culture.

Therefore, how is strategy implemented in major South African gold mining companies?

1.3 GOAL OF THE STUDY

1.3.1 Main objective

The objective of the study is to explore strategy implementation in the major South African gold mines through the development of a strategy implementation outline based on the work of the myriad of esteemed authors on strategy implementation and then testing the implementation of strategy in South African gold mining against the theory, determining gaps between theory and practice.

1.3.2 Secondary objectives

In exploring strategy implementation, the following objectives will be studied:

- Explore whether the main elements of strategy implementation as described in theory – corporate governance, strategic leadership, organisational structure, strategic and management control systems and culture – are present and used in the South African gold mines.
- Explore whether managers are aware of corporate governance in terms of mechanisms to govern business practices and act in the broad interest of all stakeholders.
- Explore whether strategic leadership is seen as part of strategy implementation.
- Explore whether the structure supports the implementation of the strategy, or whether structures have been adjusted to support strategy implementation.
- Explore whether the strategy is supported by strategic and management control systems to support the implementation of the strategy.
- Explore whether changes to the organisational culture are imbedded through shared beliefs and values, and whether the beliefs and values support the strategy, thereby managing the strategy-culture fit.
- Explore the degree of use of strategy implementation plans.

The question that must be answered is whether strategy implementation in South African gold mines is aligned with the theory of strategy implementation as described in literature.

1.4 RESEARCH METHODOLOGY

1.4.1 Literature study

The literature study will be a comprehensive investigation and study of information currently available on the subject of gold mining and strategy implementation, using traditional information sources such as academic literature, textbooks and reviewed articles, journals, articles and dissertations, as well as Internet sources. The intent of the literature study is (Rugg & Petre, 2007:56,114) to explain the problem being investigated, to understand previous studies and findings, as well as to explain the background regarding the study and how previous research and academic literature fit with the intended work.

Literature on the South African gold mines is available and will be scrutinised to ensure an understanding of the industry, as well as historical factors in the industry challenges. Literature will include the annual reports of mining companies, information from the Chamber of Mines and the World Gold Council, as well as briefing sessions by mining companies to analysts and prospective investors. Literature on strategy implementation is widely available, as is literature on organisational theory and structures, control systems and organisational culture. Literature on the implementation of strategy in mining companies or extractive natural resource companies is limited.

The review of literature will include a review of the implementation of strategy and what is required to implement strategy.

Sources from the following databases have been and will be obtained: Academic literature, textbooks and reviewed articles, journals, articles and dissertations.

- SABInet
- Emerald
- EBSCOhost
- Business Source Complete
- Business periodical index
- Google Scholar
- ABI/Inform
- Various library catalogues

1.4.2 Empirical research

The empirical study will consist of the research design, sample plan, questionnaire design and pre-testing, and data analysis. Empirical research is the cycle of formulating a research hypothesis in a question, and designing a research strategy to collect data, solve problems and interpret information (Welman, 2004:11).

1.5 RESEARCH DESIGN AND METHOD OF COLLECTING DATA

The research design is the framework or plan to collect and analyse data and gather information (Welman, 2004:12). The research design guides the research participants and therefore the statistical technique, the sampling method of probability or non-probability sampling and data collection.

In determining the type of research most appropriate for the study, descriptive research, correlation research, explanatory research and exploratory research were investigated. Correlation research was disregarded as it attempts to determine the existence of a relationship or interdependence between two or more aspects of a situation, but requires the researcher to be able control the use of variables (Welman, 2004:85). Exploratory research explores an area where little is known or to investigate the possibilities of undertaking a particular research study through a pilot or feasibility study (Welman, 2004:23). There is a magnitude of material available on the various aspects of strategy, but little on the application of strategy in mining.

Descriptive conclusive research can be used to determine whether the factors of organisation structures, organisational control systems and organisation culture are present, but will not necessarily explain the relationship between these.

The research design is based on a combination of descriptive research to systematically describe the gold mines and the situation regarding strategy implementation and exploratory research to attempt to clarify and understand the relationship between the implementation of the organisational strategy and component elements of organisation structures, organisational control systems and organisation culture.

A qualitative study, as defined by Denzin and Lincoln (2003:13), “implies emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured, in terms of quantity, amount, intensity or frequency.” Quantitative studies, as defined by Denzin and Lincoln (2003:13), “accentuate the measurement and analysis of causal relationships between variables, not processes”. Qualitative research in the post-positivist tradition implies multiple methods to capture as much information as possible (Denzin & Lincoln, 2003:13) with the emphasis on the discovery and certification of theories

(Denzin & Lincoln, 2003:14). In qualitative research in the post-positivist tradition, statistical support is utilised, but findings are seldom reported in statistical methods and measures as used by quantitative researchers (Denzin & Lincoln, 2003:14).

The study will focus on qualitative research, as the process of specifically strategy implementation will be explored with specific attention to the structure identified through literature. As qualitative research is sensitive to interpretation, context, perspectives and perceptions (Yilmaz, 2013:313), it will be suitable to explore the implantation of strategy in South African gold mining companies.

The study will flow as follows:

- The departure point is an investigation into the gold mines by using descriptive research to systematically describe the gold mines and to identify the industry's strategic issues.
- This is followed by researching strategy implementation theory and describing the implementation through descriptive research and developing a strategy implementation outline against which practice can be tested.
- The implementation of strategy in practice by exploring the fit between the theory and the implementation in practice. Qualitative techniques will also be used in the analysis of the use of the elements of strategy as described.
- The study will discuss the research findings of the relationship between the theory and practice and will conclude with a presentation of the findings.

1.5.1.1 Data collection method

Qualitative research engages a wide assortment of empirical materials, including case studies, personal experiences, interviews, artefacts, texts, observations, interaction and visual texts (Denzin & Lincoln, 2003:18).

Strategic issues are closely related to the competitive position of the business and are handled with utmost confidentiality. To counter this, primary research will focus on strategic industry issues. Primary research will be conducted about the use of strategy implementation in the SA gold mines based on the generic strategic issues identified and compared to the theoretical structure developed from the theoretical literature base. The generic strategic issue that has to

be addressed by South African gold mining companies includes issues regarding profitability and sustainability, the compliance to the regulatory framework and addressing socio-economic issues, as identified by the Mining Charter.

The study will be qualitative regarding the use of strategy and describing the myriad of information as case studies and interviews will be used as the process of specifically strategy implementation will be explored.

Data will be collected by interviewing senior management through the use of semi-structured interviews. Semi-structured interviews are best suited when topics are sensitive, as is the case with strategy implementation due to the link between strategy and strategic position (Welman, 2004:161). This technique is also best suited to respondents from diverse backgrounds and when experienced and expert interviewers are conducting the interviews (Welman, 2004:161).

Secondary data is data that is publicly available, and will be used in determining factors that determine generic strategic issues and influence strategy implementation in the gold mines, as well as in determining factors and influences that drive the gold mines. Secondary data sources that will be used are data obtained from the World Gold Council, the Chamber of Mines and annual reports from companies in the industry being studied. Information released by the Department of Mineral Resources (DMR), other government departments and agencies, as well as an extensive study of business media on current events and views in mining will be utilised.

Primary research will be on the use of strategy implementation in the SA gold mines. Data collection will be conducted by means of semi-structured interviews. Secondary research will be used to determine factors influencing strategy implementation driving forces in the gold mines.

1.5.1.2 Development of the sample plan

1.5.1.2.1 The population

The population, as defined by Pagano (2007:6), is the complete set of individuals or items that will be studied. The population is defined as the largest gold mining companies in South Africa, as identified in the Forbes Global 2000 Report.

The population used as the sample framework is made up by Goldfields, Sibanye Gold Limited, Harmony and AngloGold Ashanti, as these represent the bulk of the industry in terms of hard rock deep-level gold mining. The target population consists of management employees, specifically senior managers, who have to lead the implementation of strategies and drive the strategy implementation.

1.5.1.2.2 Sampling

When looking at sampling methods, a distinction was made between probability and non-probability samples.

When using non-probability sampling, the probability that any element will be selected as part of the sample cannot be specified (Welman, 2004:61). Welman (2004:63) defines purposive sampling as a technique of non-probability sampling where researchers rely on their experience to deliberately attain units of analysis in such a way that they may be regarded as representative of the relevant population. As the information obtained from annual reports and experience in the mining industry is used, the purposive sampling technique of non-probability sampling will be used. Individuals will be purposefully selected based on their roles and experience to help the researcher to understand and explore the implementation of strategy in the South African gold mines (Creswell, 2009:178).

As strategy is implemented from the top down, the researcher suggests the use of purposive sampling to ensure that the sample reflects the relevant population, with a specific selection of senior managers involved in the implementation of strategy.

Bock and Sergeant (2002:234-243) identified two distinct causes in pattern identification in research. The first cause is a pattern reflecting the situation and the second reflects the research process (Bock & Sergeant, 2002:234-243). In a small sample size, the pattern identified may reflect random variation, and the researcher is mindful of this.

In determining the sample size, the approach should not be as big a sample as possible, but as big a sample as necessary (Rugg & Petre, 2007:173). The sample population is therefore senior managers at any of the identified hard rock deep-level gold mining business units.

1.5.1.3 Development of questionnaire

The questionnaire is the construct that frames the inquiry (Denzin & Lincoln, 2003:18). To ensure consistency and repeatability, the format will be standardised and a pilot test will be conducted on the suitability of the questionnaire. Questions suited to the study will be on the clarity of strategic outcomes and questions to explore the meaning and interpretation of components under study. Questions relate to the organisation's past experience in components of the study, the whole system and hidden agendas and participants' own theories and perceptions about the implementation of strategy.

The process starts with the preparation or warm-up stage of the design of the study, with the second part being a further exploration, where questions will be piloted, and lastly, the questions will be finalised for use. Pre-testing of the questionnaire will be in the researcher's work environment using experts in the field of organisational development to implement change strategies.

1.5.1.4 Data analysis

Qualitative research requires the presence of concrete descriptive data to be analysed so that the researcher interprets the meaning and gains understanding of the subject being studied. The intent is to find categories, patterns or relationships that lead to a complete narrative (Denzin & Lincoln, 2003:18). The description of data makes interpretation possible and broad description makes broad interpretation possible (Denzin, 1994: 643). Primary data will be analysed, organised and interpreted, and conclusions drawn will be supported by data. The intent is to determine whether the research question, that strategy is implemented by using organisational design, i.e. being structure, systems and culture, is true. Data analysis will incorporate the use of field notes and will have a strong relationship between the data collection and data analysis. Content analysis will use computer-assisted qualitative data analysis programs. Data analysis is a specialised field and assistance will be obtained from the Statistical Consulting Services at the North-West University.

1.6 ETHICAL CONSIDERATIONS

Participation of all participants will be voluntary, and all information will be regarded as confidential and treated as anonymous to protect the identity of participants. Participants will be informed of the nature of the study, participant selection and research methods and written consent will be obtained prior to being interviewed. As business strategy is sensitive, all information obtained from the company regarding their strategic plan will be regarded as confidential. Any company-specific information obtained or company-specific trends identified through research will be kept confidential, and companies will be referred to as Company A, B or C.

Due to the small of the sample size, due to the nature of the industry, data will be presented with the appropriate qualification (Bock & Sergeant, 2002:234-243) and data gathering will continue to the point of data saturation.

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2 CHAPTER 2: SITUATION ANALYSIS OF THE SOUTH AFRICAN GOLD MINES

2.1 THE HISTORICAL CONTRIBUTION

The industrial foundation of the South African economy started with the discovery of gold and the quick expansion of industry to support the drive to mine gold. In the 1970s, the gold sector contributed 17.2% of the private economic output (Fedderke & Pirouz, 2002:3). The gold mining contribution has since shrunk to a more normalised level at 4.1% in 1998 (Fedderke & Pirouz, 2002:4) and 2.5% in 2010 (Chamber of Mines, 2010:23). From 2011 to 2012, annual gold production has declined 6% from 180 to 171 tons (Anonymous, 2013:67). The relative decline of the gold sector as contributor to the economy is based on the decline in output produced (Fedderke & Pirouz, 2002:6). The decline in the mining sector is not limited to the gold industry and not driven by demand as the mining sector grew between 2001 and 2008 with respectively 19% in China, 12% in Chile and 10% in Russia (Rossouw & Baxter, 2011:511), which are comparable developing countries. During the 2001-2008 commodities boom, the average increase in the mining sectors around the world was 5% (Rossouw & Baxter, 2011:511), but mining in South Africa tapered down by approximately 1% per annum (Rossouw & Baxter, 2011). This is despite the rich mineral deposits in South Africa with an estimated 13 to 14% of known gold reserves in the world (Leon, 2012:6; Rossouw & Baxter, 2011:512). Structural change is required to match the decline in production. (Fedderke & Pirouz, 2002:4; USSAS, 2004:2).

2.2 CONTRIBUTION TO THE ECONOMY

The mining sector, and gold mining in particular, has been a mainstay of the economy. According to the Chamber of Mines (CoM) data, the gold mining sector contributed R49 million in foreign currency earnings, 8.8% of total merchandise export and 2.4% of GDP if multipliers and included effects are included (Chamber of Mines, 2010:18). The sector was the second largest export earner after platinum group metals. Gold still accounts for 19.3% of total fixed investment in the mining sector and 32.5% of all people employed in the mining sector (Chamber of Mines, 2010:18).

The graph below illustrates the value chain in South Africa versus the world (Chamber of Mines, 2010) relative to other South African industries and world trends. South African

mining is lagging in terms of real growth (Chamber of Mines, 2010:18). The graph below illustrates the decline of mining as part of the South African economy for the period 2001 to 2008, expressed in 2010 dollar terms, through the red circle. During this period of the commodities boom, mining in the rest of the world increased by 5% (Rossouw & Baxter: 2011:512), but mining in South Africa decreased by 1% (Chamber of Mines, 2009:44). If mining had increased in line with the commodities boom, in excess of 45 000 new mining jobs would have been created (Chamber of Mines, 2009:44).

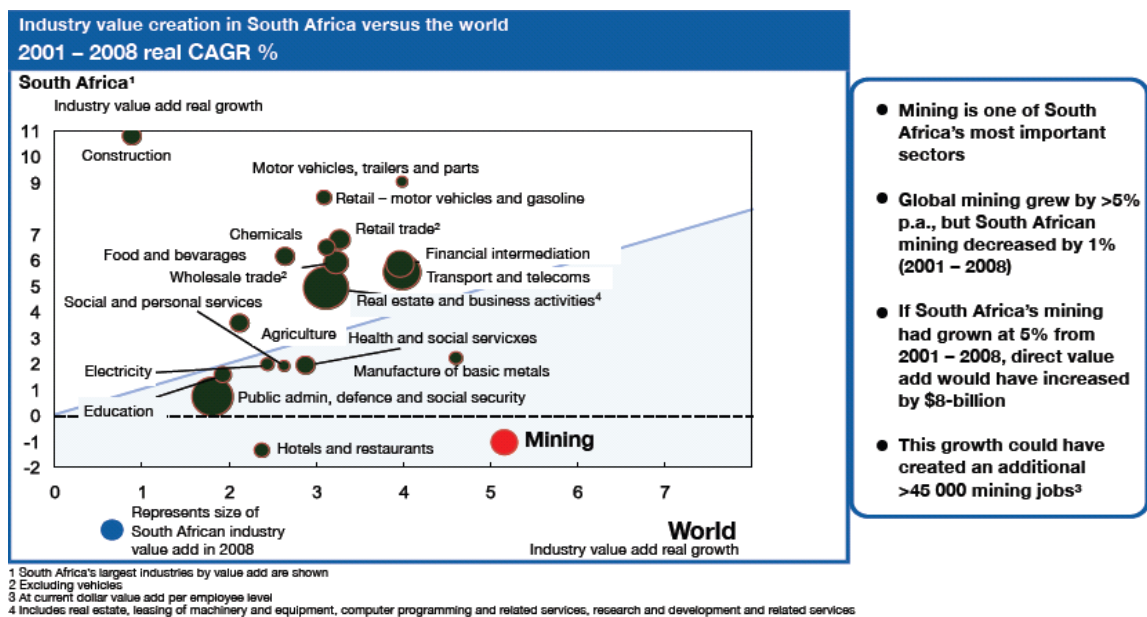


Figure 1: Industry value creation in South Africa versus the world

Source: Chamber of Mines Report (2009:44)

The importance of mining in South Africa, as recognised by government mining, is one of the five priority areas in the National Growth Path (Vogt *et al.*, 2011:3). The National Growth Path recommends improving infrastructure and skills development for the increased extraction of minerals.

South Africa, with 40% of the world's known gold reserves, remains a very promising asset. The challenge will be to mine profitably and safely at the reserves' significant depth.

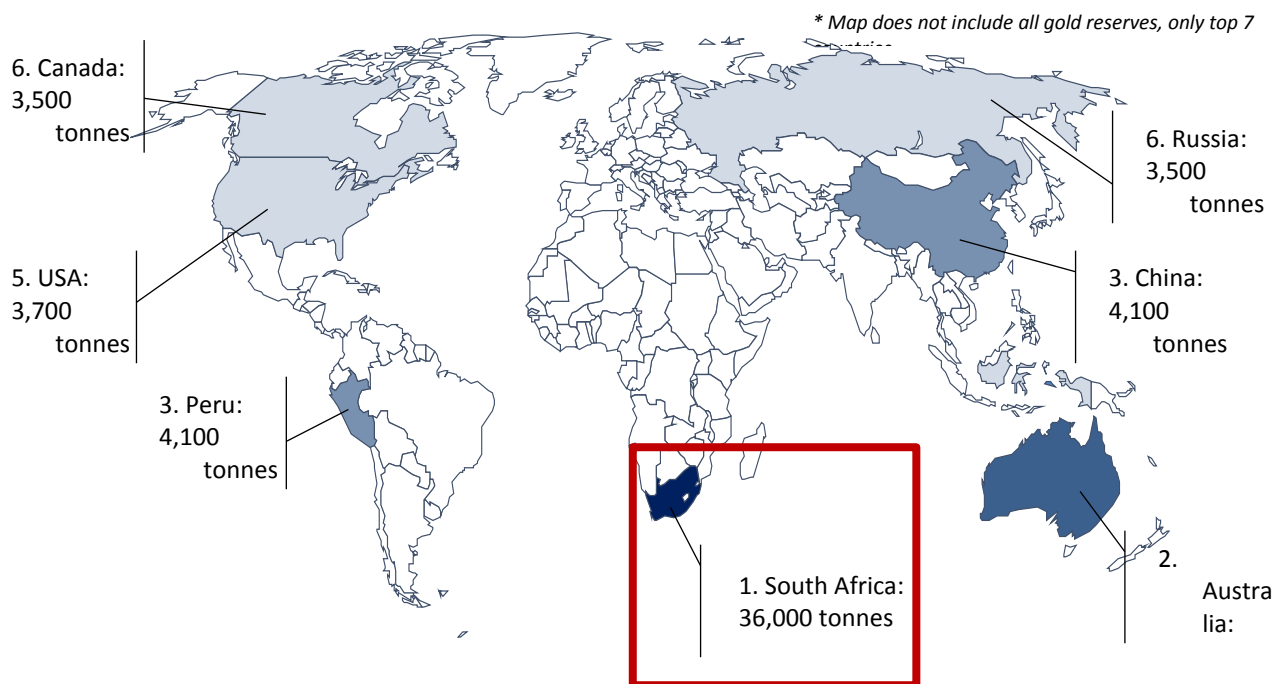


Figure 2: Gold values in South Africa versus the world

Source: Chamber of Mines Report (2009:44)

The ability to mine mineral resources effectively and profitably can transform the South African economy.

As South Africa is rich in natural mineral deposits, it is sensible to extend mining and develop a beneficiation strategy to transform to the economy through job creation by creating a post-primary mining beneficiation value chain (Rossouw & Baxter, 2011:513). In order for beneficiation to work and be economically viable and profitable, the input cost in primary mining needs to be reduced. The increase in electricity costs and the proposed carbon tax as well as increased royalties will need to be weighed against the benefit of beneficiation (Rossouw & Baxter, 2011:513).

The graph below shows the value chain of the beneficiation of mining. The current mining processes stop the beneficiation process with the refining of metal. The graph clearly shows that the greatest value from beneficiation in primary, secondary and tertiary jobs starts with the manufacturing of products for manufacturing, with retail production and marketing and sales adding jobs exponentially.

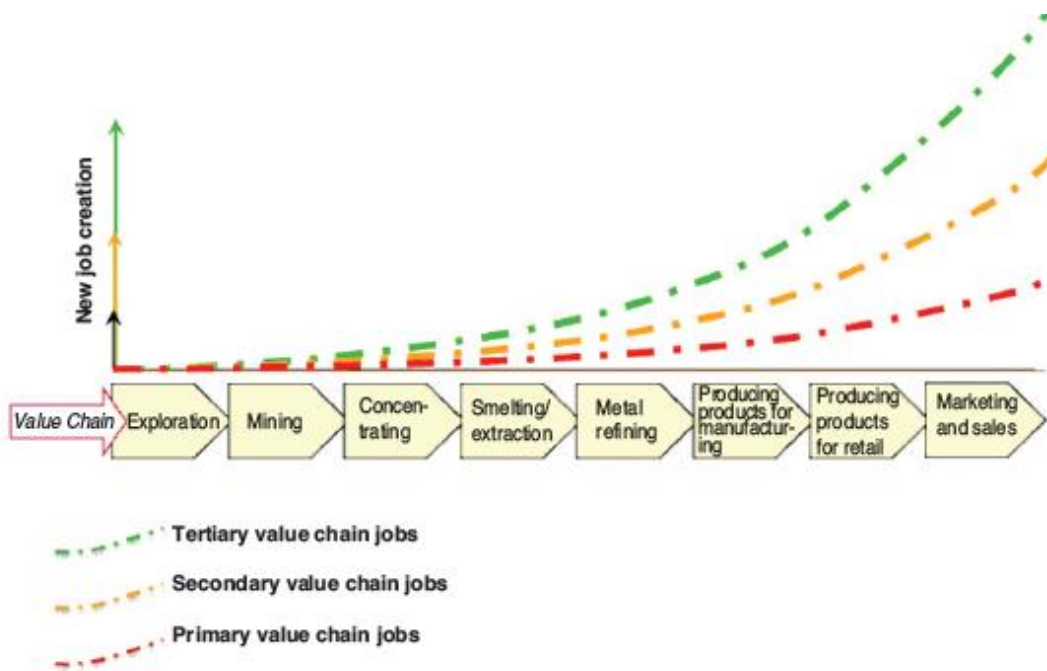


Figure 3: Job retention and creation in primary, secondary and tertiary sectors

Source: Rossouw & Baxter (2011); taken from ITTCC Presentation: Climate change the time for coherence, alignment and collaboration 27 June 2011

The primary mining value chain accounts for approximately 1 million direct and indirect jobs with knock-on effects on Transnet and Eskom (Rossouw & Baxter, 2011:513).

During 2008, the government appointed a task team consisting of the state, industry and labour called the Mining Industry Growth Development and Employment Task Team (Migdet) to investigate employment and productivity issues after the global financial downturn. The intent was to manage the global economic crisis and the effect thereof on job losses in mining, and secondly, to position the industry for growth and transformation (Veeran, 2010:2). This was the forerunner of the revised Mining Charter.

The economic impact of mining on the South African economy is clear and for mining houses to continue to benefit from mining and for the broader South African economy to gain from the resources it is obvious that strategies need to be developed and successfully implemented to move past the decline in mining and extract the natural resources profitably.

2.3 REGULATORY FRAMEWORK AND THE FISCAL ENVIRONMENT

Regulation of the South African mining industry started with the Mine and Works Act in 1948, later followed by the Mine Safety and Health Act 29 of 1996. The Mineral and Petroleum Resources Development Act of 2002 that came into law on 1 May 2004 seeks to facilitate the participation into mining ventures by Historically Disadvantaged South Africans (HDSA) and by ensuring that granted mineral rights are exploited by the “use it or lose it” principle.

The intent of the Mineral and Petroleum Resources Development Act (MPRD), Act 28 of 2002 is to make the State the guardian of mineral resources that belong to the people of South Africa, to support the development of mineral resources and to increase the socio-economic well-being of all South Africans (Vogt *et al*, 2011:3).

The legislation has succeeded in linking socio-economic transformation to business through BEE targets and various Mining Charter requirements as mineral rights ownership now lies with the state and businesses apply for these rights and have to comply with various legislative requirements supporting transformation to continue to have a licence to mine (Mbendi, 2007:2; Leon, 2012:13).

The regulatory framework in South Africa has a direct impact on the mining industry (Mbedi, 2007:2). Labour cost are escalating and the labour force is highly regulated and unionised and requires compliance to government regulations in terms of the Minerals and Petroleum Act number 50 of 1991 and the Mine Health and Safety Act number 29 of 1996, with a focus on the empowerment of previously disadvantaged South Africans (Mbedi, 2007:2). In addition, the Broad based Socio economic Empowerment Charter of 2002, referred to as the Mining Charter came into place. The charter was revised in 2010 and stipulates a wide range of requirements to be met in order to maintain a license to mine. This places additional demands on the mining industry in terms of employment equity, black economic empowerment, human resource development, socio-economic issues such as housing and living conditions as well as demands in terms of sustainable development (Reid, 2010:2). The world trend in higher mining taxes and increased royalties increases the cost of doing business (Holland, 2010:17). The ANC government decided that minerals wealth would be

exploited for the benefit of all South Africans, first in 1994 in the Reconstruction and Development Programme and, in 1998, in the White Paper on Minerals and Mining Policy in South Africa as per the speech by Minister Susan Shabangu (Shabangu, 2011:4).

“It is in the context of this policy position that the Minerals and Petroleum Resources Development Act (MPRDA) enjoins all holders of mining rights to "contribute towards the socio-economic development of the area where they are operating". The Social and Labour Plan read together with the Mining Charter are radical measures that we have taken to give practical effect to the objectives outlined in various policies and decisions of both the ANC and government” (Shabangu, 2011:4).

The contribution of mining is no longer measured only by the contribution to the gross domestic product (GDP) or royalties and taxes paid to the fiscus. The Department of Minerals and government are looking at the direct impact of GDP growth or royalties on a specific community located in the proximity of mines as engines of socio-economic development of their areas (Shabangu, 2011:4). The MPRDA is negatively perceived by mining investors as it has ambiguities and lacks transparencies in access to licensing data and licensing applications combined with a lack of administrative capacity (Leon, 2012:13; Veeran, 2010:3).

In addition, the Broad-based Socio-economic Empowerment Charter of 2002, referred to as the Mining Charter came into place. The Mining Charter was refined in 2010 and states the following (Reid, 2010:3):

- Ownership: HDSA ownership at 26% to be achieved by March 2015
- Procurement and enterprise development:
 - Procure a minimum of 40% of capital goods from BEE entities by March 2015
 - Procure 70% of services from BEE entities by March 2015
 - Procure 50% of consumer goods from BEE entities by March 2015
- Beneficiation: Measurement and calculation is to be clarified as the Beneficiation bill was scrapped, but beneficiation allows for an offset against the HDSA ownership of maximum 11%.

- Employment equity: 40% HDSA demographic representation at executive management level (Board), senior management level (EXCO), middle management level and core and critical skills
- Human resource development: Investment percentage of annual payroll of 5% by March 2015 in essential skills development, reflecting the demographics of the country, excluding the mandatory skills levy.
- Mine community development: Investment in ethnographic community consultative and collaborative processes, and the assessment of the development needs of the community, with cost of development programmes proportionate to the size of the investment
- Housing and living conditions: Convert or upgrade all hostels into family units by March 2015. Attain an occupancy rate of one person one room by March 2015
- Sustainable development and growth of the mining industry: Integration of social, economic and environmental factors into planning, implementation and decision-making. Improve industry environmental management, continuous rehabilitation, safe storage of waste, and adequate resources to meet closure requirements

As can be seen from the mining charter requirements that have to be achieved, several require considerable investment from the industry. Considerable capital outlay is required in converting hostels. Operational cost increased as employment equity targets have to be complied to in spite of the industry shrinking. Specialised skills require experience and there are considerable skills shortages. These increases in labour cost must be offset against other areas. In addition, mine community and HR development are also direct expenditure outflows.

2.3.1 Framework for sustainable mining

On 14 June 2013, a draft framework agreement for sustainable mining was agreed upon between officials from trade unions and the mines under guidance of deputy president Kgalema Motlanthe. President Jacob Zuma has tasked Motlanthe with leading interactions between unions and mining companies.

This resulted from government recognising the industry importance in terms of job creation and economy and the rule of law and stability as fundamental to development (Kolver,

2103:2). The impact of the world economy on mining revenue and therefore government income was recognised. The negative impact of conflict on production, investment, workers and community was also recognised, as was the need for expediting industry transformation. Career prospects for workers and changes in working and living conditions are recognised, as is the need to implement changes while improving production (Kolver, 2103:2). The necessity to strengthen collaboration is critical as we cannot afford business as usual (Kolver, 2103:2).

Based on this, guiding principles were developed; roles and commitments were defined as well as compliance to security, law and order. The need for improved labour relations was agreed upon. The roadmap for the future was defined in terms of short-, medium- and long-term measures and implementation structures (Kolver, 2103:2). The other areas identified as requiring immediate intervention were the annual assessment of the mining charter; the socio-economic circumstances of workers and the areas where mines operate; and the identification of long-term policy actions to end uncertainty about sector regulations and tax (Kolver, 2103:2).

2.4 CHALLENGES IN GOLD MINING

2.4.1 Community, environmental and socio-economic challenges

The shrinkage of the South African gold mining sector is not limited to the smaller contribution to export or GDP, but the major impact is in the loss of unskilled jobs. The rapid shrinkage in the industry, due to restructuring, has reduced the unskilled workforce from 450 000 in 1984 to 130 000 in 2002 (Mogotsi, 2005:15). The impact of this is felt in Southern Africa, with each mining job supporting between seven and twelve dependants (Mogotsi, 2005:15).

Socio-economic issues clearly raised its head in the Marikana strike (Paton, 2012:1). Areas of concern are the wage structure on mines, migrant labour and living conditions as well as productivity gains needed to allow workers to have a better arrangement (Paton, 2012:2). Though mineworkers were poorly paid in the past, they have seen wage increases in real terms of 2.8% since 1994 and are now of the highest paid workers, excluding public sector

employees (Paton, 2012:3). The average minimum wage in mining was R4 300 per month in 2012, excluding bonuses, which can amount to 30% of basic pay (Paton, 2012:3).

The mounting social economic problems impact on the creation and implementation of strategies to redress this through generic interventions by the state as embodied in the Mining Charter and Social and Labour Plans (SLP). Mining houses need to address basic fundamentals in the industry ranging from compliance to laws and regulations, including the Mining Charter and SLP, to effective restructuring both in terms of cost structure and organisational structure to reduce the cost footprint and increase productivity.

2.4.2 Mine safety and health challenges

According to the DMR, 54 000 miners across the mining industry have lost their lives since the first recorded mining accident in 1904 (Patel, 2012:1). According to Dr Frankle (Creamer, 2010:2), 69 000 people have been fatally injured and another million suffered serious injuries. Based on this poor track record, the South African mining industry with 30 CEOs across the sector committed to improve mine safety to be on par with industrialised countries by 2013. The State, industry and labour formed a tripartite alliance to improve mine safety in 2003. They recognised the past poor performance of South African mines compared to international safety performance and agreed to milestones being achieved by 2008 and 2013 (Vogt *et al.*, 2011:4). The highest priority is placed on safe and healthy work practices and systems, due to a combination of social responsibility, investor demands, legislation and closedown pressure by the Department of Mineral Resources (DMR).

The elimination of occupational injury and illness is a priority, as there is associated cost and revenue loss related to poor mine safety. Occupational injuries and accidents result in workplace stoppages, with resulting production loss and a knock-on effect on investor perceptions and returns. The increased focus on safety has resulted in the Department of Mineral Resources (DMR) following a policy of temporary mine closure due to unsafe conditions, fatalities or serious accidents. Though the policy has contributed to improving mine safety, the cost of production stoppages through sections 53 and 54 of the Mine Health and Safety Act contributes significantly to the fall in the profitability of mines (Vogt *et al.*, 2011: 4). The increased depth of mining, as well as the aging infrastructure and labour intensive mining methods, contributes to the safety risk.

Good progress was made, with 2011 being the first year declared disaster free, which means no single accident killed four or more people (Creamer, 2010:1). During 2012, the DMR had a clampdown on safety with a flood of safety inspections and stoppages for safety violations (Patel, 2012:1). The DMR focus did reduce the mineral sector fatalities to three for April 2012 as opposed to the mean of 11, but also affected production adversely (Patel, 2012:1)

The profile of the South African mineworker has changed in the past 20 years. Historically, employment in mining was unskilled and semi-skilled, and post-World War II attracted high-risk, high-pay workers, in a hierarchical, structured and military-based type operation. The mining industry at the time had few older people, with people leaving (high risk/reward) or becoming sick or dying. The introduction of better safety and health and the Mine and Works Act in 1948, increased the age profile of mineworkers. As mining changed, it became a profession, and with formal qualifications introduced and mining careers, fewer people left the industry. The new generation miners (past 20 years) are in mining as a choice, even though a part of the work force is still migrant labour.

Silicosis and silico-tuberculosis are lung diseases resulting from the prolonged inhalation of silica dust with crystalline silica, produced by gold-bearing rocks and leaving irreversible scar tissue in the lungs, making breathing difficult. Both diseases are recognised in South Africa as occupational lung diseases (Stoddard & Lakmidas, 2012:2). Since the judgment of the original case of Makayi vs. AngloGold Ashanti in the Constitutional Court of SA, 2011, in which the mining house was found guilty, three class action suits have been filed by around 17 000 former miners against 30 mines. The companies that have been served owned or operated 78 different gold mines from 1965 to the present (Stoddard & Lakmidas, 2012:2).

2.4.3 Productivity and technical challenges

Hard rock mining at depth results in technical challenges, manifesting as a cost premium. With South African gold mines aging, ore bodies that were once rich and shallow become deep and low grade and ageing infrastructure must support ever-deeper mining activities, escalating the cost of recovery (Hall *et al.*, 2009:2). The mechanisation of mining operations is limited, mainly due to technological constraints. This results in a labour-intensive mining methodology with ever-increasing efficiency demands in terms of workforce productivity.

Though mining companies do not regularly report on labour efficiency and productivity, it is estimated that productivity has been declining over the past decade (Paton, 2012:2).

South Africa has 146 years of gold production that remains should gold production continue at the current rate (Vogt *et al*, 2011:13). The graph below indicates that South African gold production has declined since the peak in 1971 in both gold grade and production. The interpretation of the graph also shows that production declines as mines go deeper and have more challenges pertaining to profitable gold extraction.

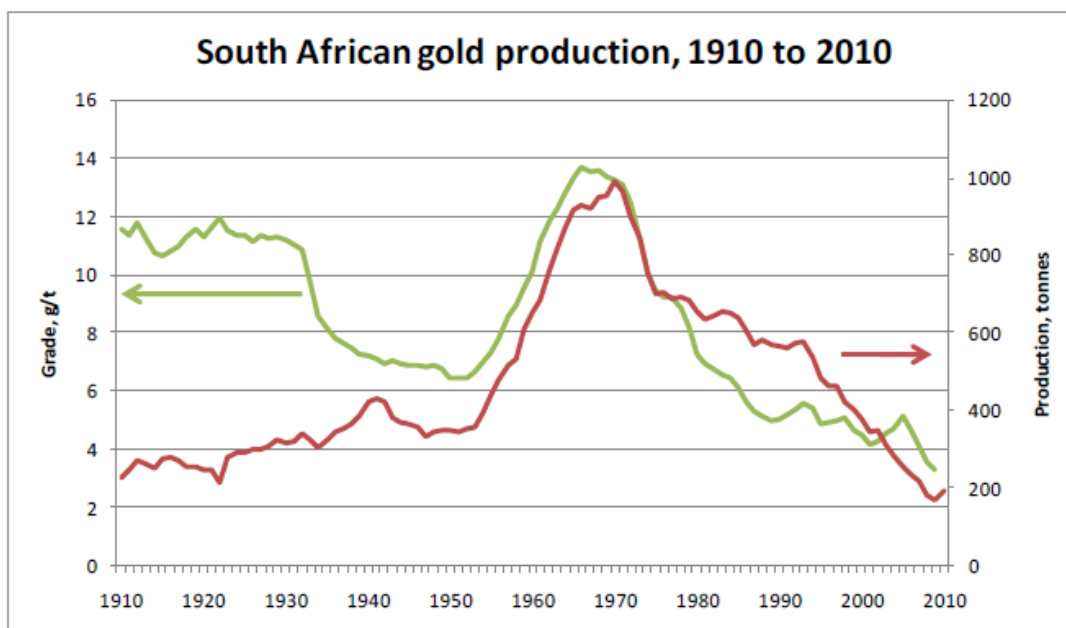


Figure 4: South African gold production, 1910 to 2010

Source: CSIR: State interention in the mining industry (Vogt *et al.*, 2011:13)

2.4.4 Financial challenges

There are several financial challenges related to capital, exchange rates and cost escalation and inflation. The capital investment required to explore deep-level gold is large, with a high risk associated due to specialised skills (Baudzus, 2011:1), equipment and long lead times from development to actual gold production, without early returns to shareholders (MacFarlane, 2006:188). With mining companies having little leverage on exchange rates, the weakening of the US dollar and the strong rand have counteracted many of the positive effects of the increase in the commodity price (Hall *et al.*, 2009:3-6). Prior to 2002 (Mogotsi, 2005:15), cost pressure was largely negated by the relationship between the rand and US dollar; with the rand weakening against the dollar, miners lost the cushion of higher rand gold

prices. This renews the focus on having to compete globally for shareholder funds in a dollar-based economy.

Electricity is a significant contributor to the cost of mining. With the cost of mining escalation of 34% (Hall *et al.*, 2009:1) from 2009 to 2011, and question marks over the stability of supply, mines are focusing on reducing consumption and have to evaluate alternative sources of energy. Mines are reducing electricity consumption where possible and are optimising alternative tariff options such as Night Save and Mega Flex-time that do not impose demand charges during off-peak times (Chamber of Mines, 2009:1). The National Energy Regulator of South Africa (Nersa) has asked for electricity increases of 16% per year for the next five years, threatening economic activity that was built on a low electricity price (Bauer, 2013:1). Should this escalation rate realise, the price of electricity would have increased by “543% for the period from 2007 to 2017 or at a compound rate of growth of 20% annually over the decade” (Bauer, 2013:1). Labour cost increases and illegal strikes further contribute to the rising cost base (Cohen & Burkhardt, 2013:1).

2.5 CORPORATE AND MARKET CONCERNS

Mining is perceived as a risky business by bankers and capital markets, with exploration and deep-level mining carrying particularly high risk premiums (Macfarlane, 2006:188). The 2013 Grant Thornton Survey found that concerns surrounding mining rights and corruption negatively influence South Africa’s position in world mining (Seccombe, 2013:1). The Grant Thornton survey is based on responses from 389 mining executives in Australia, Canada, South Africa and the UK. The survey found that 57% of South African mining executives had concerns about the issue of mining titles, versus 44% of executives with concerns in the rest of the world (Seccombe, 2013:1). Bribery and corruption in South Africa were identified as a concern by 41% of respondents as opposed to 18% in Canada and not being rated as a concern by 71% of UK respondents and 69% of Australian respondents (Seccombe, 2013:1). In addition, 44% of South African respondents identified the growth of the business a constraint due to a lack of available funding from mining companies (Seccombe, 2013:1). These results indicate that there is a negative perception about mining as a business in South Africa.

The Toronto-based Fraser Institute released its 2010-2011 global mining survey, ranking South Africa 67th of 79 countries. Over the past five years, South Africa has fallen from 37th to 67th. The Fraser Institute Annual Survey of Mining Companies is based on responses from 494 mining companies, which reported exploration spending of \$2.43 billion during 2010 (Sergeant, 2011:3). The unpopularity of the regulatory framework has caused South Africa to become unappealing for foreign investors (Seccombe, 2012:2). The table below illustrates the drop in global confidence in South African mining since 2005. In 2005, South Africa was attractive in terms of mineral potential and acceptable in terms of policy risk. In 2011, the attractiveness of mining in South Africa has reduced both in terms of mineral potential and policy. This implies that the worldwide exploration of minerals have identified many destinations that are more attractive in terms of policy friendliness towards mining and extraction of mineral resources, limiting investment into mining.

Table 1: Fraser Institute: Survey of Mining Jurisdictions (March 2011)

	2011	2010	2009	2008	2007	2006	2005
Total jurisdictions	79	72	71	68	65	64	64
South Africa's ranking							
Policy Potential Index	67	61	49	50	53	37	53
Mineral potential	66	45	44	45	57	27	37

Source: Fraser Institute (March 2011)

This decline in the attractiveness of mining in South Africa is supported by Macfarlane, (2006:188), who identified a number of opinions by capital market financiers of South African mining ventures. These are perceptions that capital is not well managed as capital projects are large and long-life, without early returns to shareholders, and secondly, a tendency to focus on the value of the life of mine, not on the financial returns, and lastly, political risk and security of mineral rights.

The ability to deliver superior returns to shareholders is diluted by concerns of investors regarding state intervention and taxes. The possible new carbon taxes will further deter investors (Seccombe, 2012:1). Though nationalisation is off the cards, the state intervention

in mining is not. From the 2012 ANC Mangaung conference in 2012 it was clear that the state intends additional windfall taxes and that other possible taxes will be investigated for the state to get mineral resource rents (Paton, 2012:2)

2.5.1 Perceived business risks

According to the annual Ernest and Young (2013: 6) survey on business risks in the mining and metal industry, risks are becoming more extreme and complex with greater input from the state through the proposed state intervention in mining (SIMS). Though the risk ratings have changed, resource nationalisation, skills shortages, infrastructure access, cost inflation and a social licence to operate have remained key issues in the past five years (Elliot, 2012:2).

Table 2: Top ten mining risks over five years

Top ten risks over five years			
2008		2012	
01	Skills shortage	01	Resources nationalism
02	Industrial consolidation	02	Skills shortage
03	Infrastructure access	03	Infrastructure access
04	Maintaining a social licence to operate	04	Cost inflation
05	Climate change concerns	05	Capital project execution
06	Rising costs (cost inflation)	06	Maintaining a social licence to operate
07	Pipeline shrinkage	07	Price and currency volatility
08	Resource nationalism	08	Capital management and access
09	Access to secure energy	New	Sharing the benefits
10	Increased regulation	10	Fraud and corruption
Remained in top ten over five years			

Source: Ernest and Young: Business risk rating facing mining and metals 2012-2013

2.5.2 Management concerns

Rose (2013:1) reported on the key concerns reported by shareholders of a prominent South African gold company as concerns about the escalating price of electricity, threats by Transnet to increase prices for mining firms, wage discussions, possible new mining taxes, and fears over government declaring some mining assets as strategic, threats to licences and changes in mineral law.

The market concerns and perceptions, coupled with challenges faced in managing South African mines, give rise to criticisms of the mining industry. Macfarlane (2006:188) coined these into a CEO’s worry list, as listed below:

- High levels of expertise in producing excellent plans, but plans are not achieving results.
- Projects are developed, financed and assembled, but they do not deliver on potential.
- Quarterly and annual results are adjusted through accounting entries to counter under performance and inability to meet market guidance.
- Justification of operational results and performance to market and analysts to counter loss of confidence of analysts in company.
- To have to make announcements on material changes in resource estimates, business planning, designs or production levels achievable.
- Markets realise a non-compliance matter in a public report on resources, reserves or valuations or management realising an over valuation in reserves or resources.
- Weakening of the share price as a result of market discounts to the extent that a hostile takeover is possible

These concerns about the effective management of mining as a business, coupled with perceptions about regulatory ambiguity and state interventions in mining, have a negative impact on investment in mining and ultimately growth of businesses through growth in the share price. The lack of confidence in achieving set business outcomes negatively impacts on investment in South African mining houses. The perceived risks and management concerns make successful implementation of repositioning strategies crucial to the survival of the business.

2.6 ACHIEVING RETURN ON INVESTMENT

Porter (1996: 68) stated that strategy is about delivering value to customers. The test of business strategy is the ability of the strategy to achieve the objectives specified by the owners (Castleman, 1985: 378). This implies that strategic management is the process of managing funds and/or resources to optimise long-term growth and real return on equity, while limiting exposure to risk to acceptable limits. Businesses have as fundamental objective the delivery of shareholder value (Cutifani, 2007:14). Strategies focus on improving sustainable returns, and critical tasks are identified to deliver. These are:

- Optimal performance of the operations,
- Maximise the benefits to investors, and

- Growing the resource base.

Research conducted (Castleman, 1985: 378) indicated that in natural resource extractive industries the correlation between historical return on equity and share value is low. This implies that natural resource industries should develop strategies dissimilar from industrial companies.

Profitability in extractive industries is influenced by the fact that natural resources are true commodities. This implies that a competitive advantage cannot be achieved through product differentiation at the extractive stage (Castleman, 1985:378). Profitability is therefore linked to mineral market prices. Differentiation can only be achieved if a beneficiation process is followed. The gold mines in South Africa are mature, with high barriers to entry due to high capital requirements and time delay before return on investment (Macfarlane, 2006:188). The risk return ratio (Macfarlane, 2006:188) has an influence on shareholder expectations and expected profitability. There is an increasing trend in especially African countries to view natural resources as a national treasure. This has an impact on ownership models and taxation. The common ownership models are nationalised industries, joint government and private industry operations or a joint venture operated by industry, which increase cost and additional profitability pressures, especially in times of economic downturn.

Value creation in extractive industries is expanding the resource base (Williams, 2009:13), through the exploration of reserves or acquiring new reserves through mergers and acquisitions. Profitability is influenced by the success rate of converting reserves to saleable product (Castleman, 1985: 378). The estimated all-in input cost of producing an ounce of gold ranges between \$950 and \$1150 and includes operating cost, capital expenditure and near mine exploration cost (Holland, 2010).

To achieve the sustainable returns, competitive levers are identified. Competitive levers in mining to create a strategic advantage are:

- Unique input is ore body, but it changes over time based on reserves mined and additional reserves generates (bought, explored) (Cutifani, 2007:14; Holland, 2010:17;Williams, 2009:7)
- People (Cutifani, 2007:14);

- Asset utilisation (Castleman, 1985: 378);
- Maximisation of margins through cost reduction and sustainable profit (Castleman, 1985:378; Cutifani, 2010:14; Holland, 2010:17); and
- Sound corporate governance, including employee and community safety and health (Chamber of Mines, 2010:48), sound environmental management (Chamber of Mines, 2010:54) and upliftment of the community in which they mine as well as social equity (Chamber of Mines, 2010:68).

2.7 CONCLUSION

The current situation facing South African gold mining is dim. The decline in productivity coupled with the increased cost of doing business in South Africa is negatively impacting on the profitability of mining. Socio-economic challenges and demands made by government through the regulatory framework manifest as additional costs of doing business. The perceived business risk is high, especially with long lead times to return on investment and constant uncertainties about the security of assets. This all culminates in negative shareholder perceptions and makes achieving worthwhile return on investment and creating shareholder wealth challenging.

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3 CHAPTER 3: LITERATURE OVERVIEW OF STRATEGY IMPLEMENTATION

3.1 OVERVIEW OF STRATEGY IMPLEMENTATION

3.1.1 Introduction

The implementation focus of strategy is often operational; with the intent of improving efficiencies to increase the business value added (Porter, 1996:62). Continuous efficiency improvement is not sufficient to maintain a competitive position, as practices are easily duplicated by competitors, thereby eradicating the previous advantage (Porter, 1996:64). The successful implementation of strategy is essential as modern technology wipes out the advantages of unique product attributes and positioning quickly. The true intent of strategy is the positioning of a company through sustainable profit, ahead of rivals through performing activities in different ways (Porter, 1996:62). Pearce and Robinson (2011:6) define strategy as interactions of the organisation with the competitive environment to achieve company objectives.

The implementation of strategy is successful when the targeted financial performance is achieved and there is respectable advancement in achieving the new vision (Thompson *et al.*, 2007:361). Successful strategy increases the shareholder value of the organisation for owners and investors (Jones & Hill, 2010:4). Successful implementation of strategy is a change process requiring commitment of employees and supported leadership, culture, reward systems, organisational structures and resource allocation; these turn strategy into the desired goals (Ehlers & Lazenby, 2010:260-261). Implementation also includes designing the best organisational structure, culture and control systems that are legal and ethical and meet the profitability targets (Jones & Hill, 2010:20).

The intent of strategy, and therefore the implementation thereof, is to create competitive advantage for the business.

There is no formula for the implementation of strategy – no checklists or concrete guidelines (Thompson & Strickland, 2003:356) – implementation has to be customised for a company's

particular situation (Thompson *et al.*, 2007:361) and there are no winning recipes (Ehlers & Lazenby, 2010:260).

In adjusting to global competition in the 21st century, many companies have incorporated restructuring, reengineering, downsizing, outsourcing and empowerment as ways of competing. “Downsizing, restructuring and reengineering are all terms that reflect the critical stage in strategy implementation where in managers attempt to recast their organisation. The company’s structure, leadership, culture and reward systems may all be changed to ensure cost competitiveness and quality demanded by the unique requirements of its strategy” (Pearce & Robinson, 2011:15). Organisational design is decisions about how an organisation should combine structures, control systems and culture to implement strategy (Jones & Hill, 2010:380). The analysis and assessment of structure, control systems and the culminating culture are internally focused. The implementation of strategy can be through short-term objectives, reward systems, functional tactics or empowerment policies.

The implementation of strategy is the accountability of managers and supervisors across all levels with middle managers playing an important motivational role in how strategy is implemented (Ehlers & Lazenby, 2010:262). The manager in each area, with the all managers becoming strategy implementers, drives the effectiveness of strategy implementation (Thompson *et al.*, 2007:360-362). The implementation effectiveness is based on the individual managers applying their best judgement to the situation and unique circumstances of each company (Thompson & Strickland, 2003:357). The bases for implementing strategy have to be addressed regardless on the company situation (Thompson & Strickland, 2003:357). All managers are accountable for strategy implementation as their operational results impact on the results and capabilities of the organisation to implement strategy (Thompson & Strickland, 2003:359). To implement strategy, managers should determine what the gap is between the current situation and what needs to be done to implement the new strategy.

3.1.2 What is strategy?

The organisational strategy is vital to becoming an effective organisation (Porter, 1996:63). Strategies are implemented to reposition an organisation (Porter, 1996:62) and therefore entail the movement from one position to another, implying change to the organisation (Jones &

Hill, 2009:189). The implementation of strategy is a comprehensive process starting with the strategic design.

The process starts with the company mission and vision, culminating from the influences of the external environment and the internal analysis, and the whole process is market driven to improve the market position (Pearce & Robins, 2011:12; Thompson *et al.*, 2007:359). This process is extended through the mapping of the strategic themes and defining measurable objectives, aligning the organisation's employees and various parts, planning operations, adjusting for emergent strategies and reviews to monitor and adapt (Kaplan & Norton, 2008:36). Strategic analysis and choice are based on the creating of a competitive advantage that will result in bringing additional value into the business. Long-term objectives are set and strategies developed to support the achievement of objectives.

The company mission defines the business purpose (Sherman *et al.*, 2006:66), what the company does (Jones & Hill, 2009:28) and why it exists (Kaplan & Norton, 2008:37). As a start to the strategic planning process, the mission needs to be reviewed and understood in order to guide the strategic process and flow from the purpose and direction (Sherman *et al.*, 2006: 66).

The vision of a company defines the desired future state (Jones & Hill, 2009:30), what it hopes to achieve (Sherman *et al.*, 2006:68), mid- to long-term goals (Kaplan & Norton, 2008:37) and is distinctive and specific to an organisation (Thompson *et al.*, 2007:21). The vision is the picture of the future company and guides decisions regarding future market position (Thompson *et al.*, 2007:21).

The values of a company are the guidelines for how business should be conducted and how all employees, including management, should behave (Jones & Hill, 2009:30; Sherman *et al.*, 2006:68). The values of the organisation are the foundations or 'internal compass' that guides actions and therefore influences the way business is done (Kaplan & Norton, 2008:37). The values of an organisation influence the organisational culture, which is central to the competitive advantage of a business (Jones & Hill, 2009:30). Shared values shape employees' behaviour and guide actions, build relationships and influence public perceptions (Sherman *et al.*, 2006:69). The values are important as they affect leadership behaviour, ethics and culture and therefore influence the implementation of strategy.

The strategy of a company changes over time and is a blend of the pre-emptive and focused management actions and responses to changing market conditions (Thompson *et al.*, 2007:16) The effectiveness of the business model applied and the fit to the strategy designed results in the effective execution of strategy to improve the long-term business profitability (Thompson *et al.*, 2007:17).

3.1.3 Strategies in the South African gold mines

Generic strategies are the fundamental philosophical options for the design of strategies (Pearce & Robinson, 2011:13) and are applicable to the South African gold mines as pressures in terms of profitability, and sustainability, responses to the regulatory environment and the need to address the socio-economic conditions are the same across the industry. These generic strategies are a set of long-term strategies bundled together in a grand strategy to achieve organisational objectives in a changing environment (Pearce & Robinson, 2011:14). Pearce and Robinson (2011:187) define a grand strategy as “a comprehensive general approach that guides a firm’s major action”.

A turnaround strategy is a form of grand strategy that results from gradual declining profits (Pearce & Robinson, 2011:199). This is applicable to the South African gold mines as profits have been declining based on various factors, including lower production, an escalation cost base and regulatory and social-economic demands. Retrenchments in terms of a turnaround strategy are difficult in the South African environment as job shedding is in contradiction with the government’s National Growth Path. In a situation where labour unrest is already present, retrenchment evokes threats of strikes that further pressure the industry. Cost reduction is present in all areas of business and asset reduction is present through the reduction in mineable reserves.

Grand strategies are therefore applicable to the South African gold mines as they provide basic direction for strategic actions and are the basis of substantial efforts to achieve the long-term objectives.

3.2 REVIEW OF STRATEGY IMPLEMENTATION DEFINITIONS

In order to define strategy for the purpose of this research, it is important to review the literature and explore the definitions created by the subject matter experts. As the foundation

of strategy formulation and implementation is well developed, with many contributions by esteemed authors, the earlier works by Chandler, Mintzberg, Pascale and Athos, and Thompson and Strickland were revised to set a sound platform.

The word strategy originates from military use in the 1680s from Greek Gk. *strategia*, meaning function of a general and French Fr *stratège* meaning military commander (Collins Dictionary, 2008). Strategy, as defined by the Collins Dictionary, is the art or science of planning or long-term plan for success (Collins Dictionary, 2008).

The primary aim of business is the generation of profit. Profit is the return on the investments made, in monetary terms, which is the reward for the investment of scarce resources (capital and time) into any business venture (Collins Dictionary, 2008). It is the advantage or benefit derived from an activity (Collins Dictionary, 2008).

Chandler (1962) concluded that, as a result of growth in an organisation, the organisation structure changes and these result in changes to roles, accountabilities, reporting lines and therefore flows of information, which in turn affects control systems.

Mintzberg and McGugh (1985) defined strategy as a process of emergent and deliberate strategy, where emergent strategies are responses to random changes in circumstances taking into account the autonomous actions by lower level managers and chance events for a realised strategy (Mintzberg & McGugh, 1985). The ability to develop emergent strategies is rooted in the culture and control systems of an organisation (Mintzberg & McGugh, 1985). Mintzberg saw the capacity to implement strategy as a combination of the organisational form, organisational forces and organisational structure (Mintzberg, 1991). The six organisational forms identified (Mintzberg, 1991) are entrepreneurial form, professional form, adhocratic form, machine form, ideological form and political form. Organisational forces, identified as direction or vision, proficiency to achieve results, innovation, concentration of focus, efficiency in resource utilisation, cooperation and competition, are present in all organisations, but their relative importance differs (Mintzberg, 1991). In order to successfully implement strategies, managers must improve the performance results for the organisation; therefore, they must have the correct skills and capabilities to implement strategy (Mintzberg, 1994).

The emergent nature of strategy is relevant to the implementation of strategy in the South African gold mines because of rapid changes experienced in the gold dollar price, exchange rates, cost escalations and actions by regulators such as the DMR in terms of safety stoppages.

The 7S model of strategy implementation – systems, skill, structure, staff, style, shared values equals strategy – was developed by Pascale and Athos (1983) and popularised through McKinsey's. The model identifies three strategic implementation levers, that of changing the organisation (structure), changing business processes (systems, skills, style and staff) and changing culture (shared values), with strategy driving all these processes and the areas interlinked in the implementation of strategy.

Another strategy implementation model is the enterprise transformation model of Accenture (previously Andersen Consulting). This model identifies the strategic intent and the cascades through processes and behaviour to information technology systems, organisational structures and human resource management to implement strategy and reach the strategic intent (Powell, 2005:339).

Porter explored strategic positioning through the five forces model and defined strategy as the repositioning of an organisation to outperform competitors by distinguishing themselves from competitors and sustaining profit (Porter, 1996:62).

Thompson and Strickland (2003:356) define successful strategy implementation when targeted strategic and financial goals are achieved and there is positive movement towards achieving the vision.

Principle strategy implementation tasks: Managerial components (Thompson & Strickland, 2003:356):

- Build the resource strength and organisational competencies and capabilities to execute strategy;
- Identify the activities critical to success and provide an ample budget and resource base to support the critical activities value chains;
- Create strategy supportive policies and procedures;

- Ensure that best practice is instituted and that continuous improvement happens in the critical value chains;
- Establish systems that allow employees to deliver on the roles to execute strategy. These systems include communication systems, HR management systems, operational systems, management information systems and commercial systems;
- Bonuses, incentive schemes and rewards should support the achievement of strategic objectives;
- Create a strategy supportive work environment and corporate culture; and
- Internal leadership should drive the strategy implementation and adjust actions to ensure objectives are achieved.

Sherman, Rowley and Armandi (2006:424) define strategy implementation as an organic progression with the formulation and implementation intertwined, as well as supported control systems, structure, culture and leadership. Implementation mechanisms range from corporate governance to protect stakeholders to organisational structures and leadership supported by actions to control the organisation's operations (Sherman *et al.*, 2006:27).

Hitt, Ireland and Hoskinsson (2007:27) define strategy implementation as a combination of governance mechanisms, organisational structure, control mechanisms, strategic leadership and strategic entrepreneurship to ensure continued innovation.

Strategy implementation focuses on translating the new strategy and reasons for it into operational processes and centres around the management of people, processes and associated change and resistance to change (Thompson *et al.*, 2007:361). The specific 'how' of the strategy requires customisation based on the unique strategy and circumstance (Thompson *et al.*, 2007:361). The strategy defines the how process; how growth will be achieved and market position improved (Thompson *et al.*, 2007:4). Thompson *et al.* (2007:361) identified a set of eight managerial tasks in order to implement strategy.

- Build an organisation with strong enough resources to implement strategy and have the appropriate competencies and capabilities.
- Support strategy implementation with adequate resources (people and funding).
- Create policies and procedures that support the strategy.

- Create continuous improvement by applying best practices in the value chain.
- Create operational and information systems that support employees in the implementation of strategy.
- Link the reward system to the achievement of strategic objectives.
- Build a culture supportive of the strategy.
- Show strong leadership that focuses on achieving implementation results.

Kaplan and Norton (2008:10) state that “strategy encompasses various dimensions of organisational change, from short-term productivity improvements to long-term innovation”. They define strategy as the six steps that provide an integrated closed loop system linking strategy to operational plans, implementation, review and learning (Kaplan & Norton, 2008:18). The identified six stages in the strategy process start with the formulation of the strategy and the link to practical implementation (Kaplan & Norton, 2008:8):

- Strategy formulation;
- Strategy implementation plan;
- Mobilisation of strategic change through leadership to get organisational alignment and buy-in;
- Translate strategy into operational plans and link to budgets, capital, resource allocation and performance management;
- Monitor of results from control systems; and
- Review and adjustment of strategy.

Jones and Hill (2010:4) define strategy implementation “as putting strategies into action, which includes designing, delivering and supporting products; improving the efficiency and effectiveness of operations; designing a company’s organisational structure, control systems and culture”. Strategic change may be required to reposition the organisation in line with the strategy and include restructuring or re-engineering (Jones & Hill, 2010:208). Corporate governance and performance are linked to strategy implementation through the relationship between stakeholder management and corporate performance (Jones & Hill, 2010:345). Strategic leadership is imperative in attaining the vision and successfully implementing the business model (Jones & Hill, 2010:31).

Bamford and West (2010:321) state that organisations fail to achieve the competitive advantage as a result of a good strategy that is poorly implemented. Strategy is implemented

through structuring an organisation effectively to meet the superior performance requirements and through the monitoring and management of strategic activities (Bamford & West, 2010:321). Strategy implementation is further supported by ensuring strategic fit, setting clear objectives, supportive reward systems, policies and procedures, senior management involvement and resource allocation to support the process (Bamford & West, 2010:355). The development of an implementation plan is required to translate strategy into action (Bamford & West, 2010:364). Strategic leadership is required to bring all business functions together. Strategic leadership, according to Bamford and West (2010:379), extends from the mission, vision and goals to ethics, culture employee motivation and communication.

Ehlers and Lazenby (2010:266) define strategy implementation as a change process that has to be managed and requires leadership that believes in the required change and that can drive change, allocated required resources and can obtain commitment from managers (Ehlers & Lazenby, 2010:265). Strategy implementation starts with corporate governance where the board has the accountability to “ensure that managers implement the strategy and monitors the implementation” (Ehlers & Lazenby, 2010:264). The type of change required determines whether change is within the current structure and culture (Ehlers & Lazenby, 2010:264). Fundamental changes to strategy and a turbulent environment require revolutionary change, while fundamental change with time on the organisation side leads to evolutionary change (Ehlers & Lazenby, 2010:267). Change within the existing organisational framework leads to the adoption of new circumstances or reconstruction to adapt to a changing environment (Ehlers & Lazenby, 2010:266). Therefore, the implementation of strategy touches on strategic change, organisational structure, strategic control systems, strategic leadership and sound governance.

Pearce and Robinson (2011:12) saw the implementation of strategy as internally focused and include organisation structures, strategic leadership, culture, strategic controls, innovation and entrepreneurship. Resistance to change is addressed by including employees in strategy formulation to ensure that they understand the productivity reward relationship and to increase their motivation (Pearce & Robinson, 2011:11).

Mulili and Wong (2011:377) link the implementation of strategy to organisational development and define organisational development as a process through which organisations “adopt a series of planned intervention strategies to enhance the effectiveness of the

organisation and the well-being of the organisational members” (Mulili & Wong, 2011:377). Organisational development is a process to implement change strategies, and organisational transformation strategies are helpful in implementing cultural change, strategic change, learning organisations, high-performance work systems and business process re-engineering (Mulili & Wong, 2011:377).

As can be seen from literature, strategy implementation includes various components and is multi-dimensional. The organisational design process of strategy implementation focuses on organisational structures, control mechanisms and organisational culture as seen in the work of Sherman, Rowley and Armandi (2006:424), and Jones and Hill (2010:380). The implementation of strategy is dependent on the organisational design and the right balance between organisational structures, control systems and culture (Jones & Hill, 2010:416). Other components, such as strategic leadership and governance, are addressed separate from organisational design.

The alignment between organisational strategy and organisational design needs to remain in tune as “organisational design serves as a framework for the setting of short-term goals, tactics and policies, as well as for resource allocation” (Ehlers & Lazenby, 2010:320). Organisational design creates the structure of the organisation to implement strategic objectives and allocates accountability for work (Ehlers & Lazenby, 2010:320). Therefore, it can be concluded that organisational design includes the grouping of functions and tasks and the allocation of authority to execute the accountability and the mechanisms for cross-functional work relationships.

Table 3 below shows components of strategy implementation as per various esteemed authors. The range of strategic control mechanisms is wide and differs between authors, but the presence of the concept was evaluated. Control systems include management actions, the setting of objectives, rewards and incentive schemes, policies and procedures, resource allocation, budgets and management information systems to evaluate progress on different fronts. The control systems will be discussed in depth later in the chapter.

Table 3: Themes in strategy implementation

Author	Corporate governance	Strategic leadership	Organisational structure	Strategic and management control systems	Culture	Implementation plan and balanced scorecards	Strategic entrepreneurship and innovation
Mintzberg			x	x	x		
McKinsey's			x	x	x		
Sherman, Rowley and Armandi	x		x	x	x		
Hitt, Ireland & Hoskinson	x	x	x	x	x		x
Thompson, Strickland & Gamble	x	x	x	x	x		
Kaplan & Norton		x		x		x	
Jones & Hill	x	x	x	x	x		x
Bamford & West		x	x	x		x	
Ehlers & Lazenby	x	x	x	x	x	x	
Pearce & Robinson	x	x	x	x	x	x	x

Source: Own compilation

Implementation plans and balanced scorecards are excluded as they are a less frequent theme and some authors, such as Kaplan and Norton (2008:9) favour the balanced scorecard approach and others, such as Ehlers and Lazenby (2010:339) use the balanced scorecard to set short-term objectives. Bamford and West favour control of performance and use the balanced scorecard as a technique (Bamford & West, 2010:65). Change management is important to the implementation of strategy, but is outside the scope of the study and the field can be considered a study on its own.

Strategic entrepreneurship and innovation are excluded as these themes occur less frequently in the literature.

3.2.1 Definition for the study: Strategy implementation

The implementation of strategy is supported by strategic change, appropriate organisation structures, strategic control and management systems, strategic leadership behaviour, sound governance and a shift in the organisational culture to embrace the new strategy and strategic position. Organisational structure is the architecture of construction in an apt organisation, which can make the correct strategic choices, evaluate the progress against the goals and re-architect the organisation to the shifting environment.

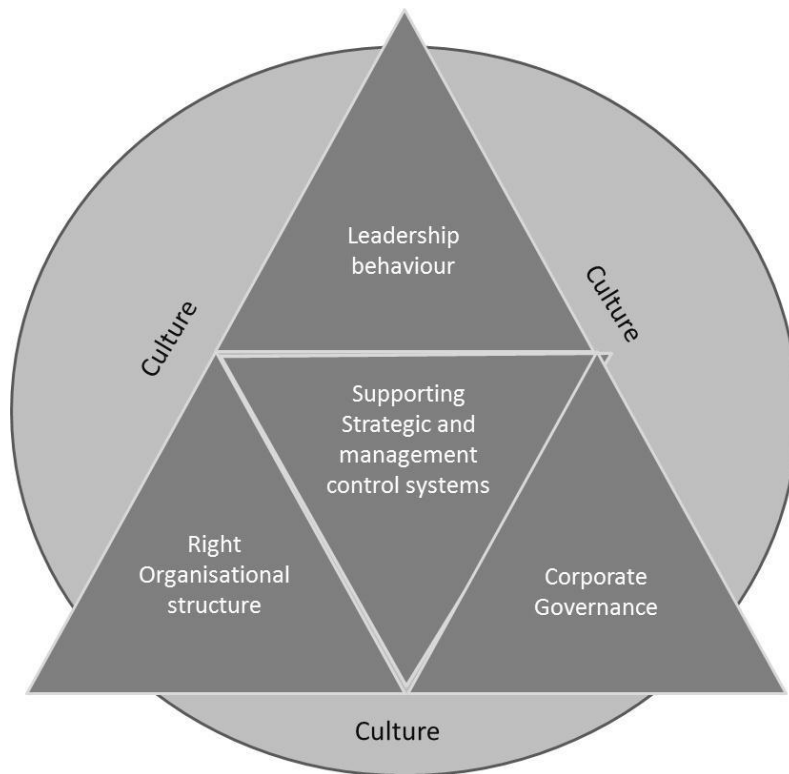


Figure : 5 Strategy implementation components for study

Source: Own compilation

Once a strategy is defined, successful implementation is required to move to the desired strategic position. The strategy must be translated into operational terms (targets, objectives and accountability assigned) and governed to make strategy a continual process. Strategic leadership is necessary to build a culture that supports the strategy.

3.3 FACTORS CONTRIBUTING TO FAILURE OF STRATEGY IMPLEMENTATION

Organisations often fail to implement their strategy or to effectively manage their operations as there is a lack of integration between the practices and an all-encompassing management system is absent (Kaplan & Norton: 2008:2-19). Despite senior managers stating that strategy implementation is a top priority, surveys indicate that a high (60-80%) percentage of companies do not meet the strategic targets; 85 percent of management teams spent less than an hour a month on strategy discussions and 50 percent of teams did not discuss it at all (Kaplan & Norton, 2008:3). As can be seen from Figure 1, there are several factors contributing to the failure to implement strategy successfully. The vision barrier shows that the majority of the workforce does not understand the strategy or vision and therefore cannot understand where the organisation is going or what needs to be achieved. Resources, in the form of budgets, do not support the implementation of strategy and people are not persuaded to support the implementation of strategy, as rewards and incentives are not linked to drive strategy supporting behaviour.

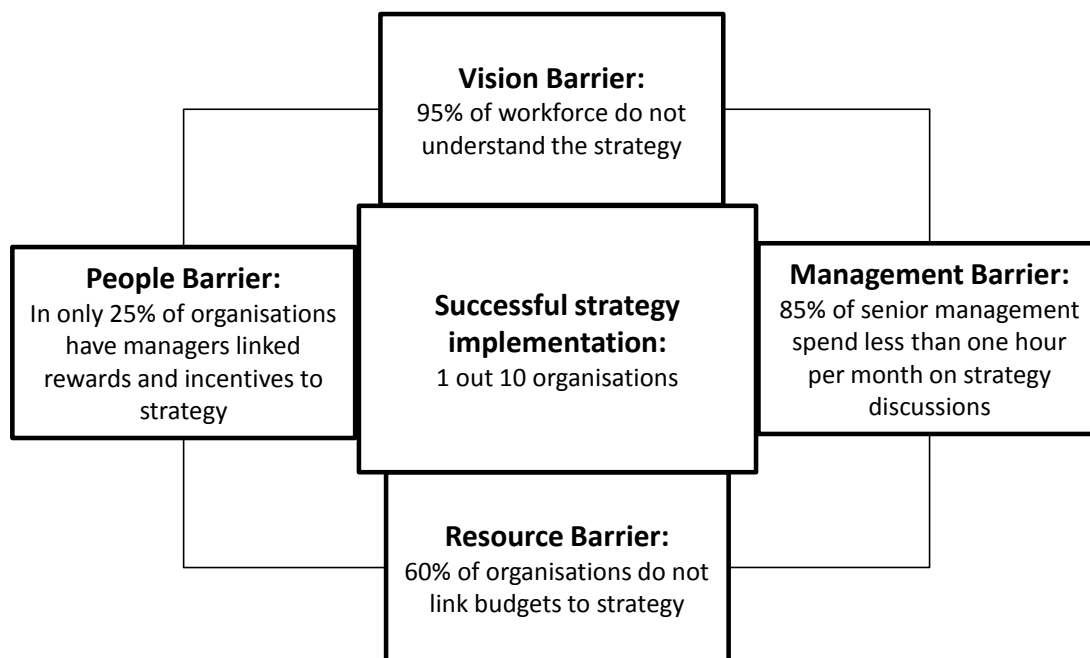


Figure : 6 Strategy implementation failures

Source: Ehlers and Lazenby (2010: 263)

3.3.1 Lack of implementation plans

Kaplan and Norton (2008:4) found that 54% of organisations that participated in their survey had a formal strategy implementation plan and 70% of these were outperforming their peers. A formal strategy implementation process ranged from translating the strategy into clear measures, managing a limited number of strategic initiatives, communication about strategy, regular reviews and updates, organisation development component, budget support, financial evaluation and IT support agreements (Kaplan & Norton, 2008:5).

Schaap (2012:113) linked strategy implementation failure to the lack of an implementation plan coupled with the lack of an academic implementation methodology. Kaplan and Norton (2008:18) state the importance of an implementation plan to cement the strategy in place. Merzer and Violani (2011:25) identified the lack of translating the strategy to a sound implementation plan as contributing to the risk of failure. “Leadership and the failure of leaders to execute strategic or operational plans, is a frequent contributor to the failure of organisational transformations” (Miller *et al.*, 2013:3). The vision should be translated into strategic intent and broken down into components that are understood by managers as well as supported by the organisation structure (Merzer & Vionali, 2011:25). It requires sound leadership to break down the formulated strategy into steps for implementation and to articulate the way forward and performance required.

3.3.2 Leadership, communication and commitment

Successful strategy implementation is the result logical actions and decisions by employees from all levels (Schaap, 2012:113). Information filters from the bottom up in organisations and lower-level employees need to be aware of what information is strategically important in order to ensure that the information flows up through management levels and can be used in the implementation of strategy (Schaap, 2012:113). Martin (2010:68) stated that organisations can benefit greatly from understanding their business from the bottom up and the frontline employees implementing the strategy are not faceless doers. Failure to get employees to act in the spirit of the strategy results in bureaucracy and adherence to policies that hinders implementation and creates a vicious circle resulting in disengaged and disempowered employees (Martin, 2010:68). Resent research indicated that 57% of managers

could state the strategy, 5% could not state it at all and 38% could only partially state the strategy (Anonymous, 2010:74).

3.3.3 People

With the intent of strategy seldom being *status quo*, strategy implementation implies change (Barton & Ambosini, 2013:722). Barton and Ambosini (2013:739) examined the effect of organisational change cynicism (OCC) and the implementation of change and found that the role of middle management is pivotal in the implementation of change. OCC develops from failed past change attempts and manifests as low strategic commitment and is directed towards senior management (Barton & Ambosini, 2013:740). Change results from the ability to change, which stems from having enabling elements to achieve change, such as methods, goals, processes and required training (Miller *et al.*, 2013:6). Change is also driven by the willingness to change, which is in turn driven by components of culture, such as sense of belonging, shared understanding and commitment to group goals and can be motivated through the head, heart or wallet to induce the required behaviour (Miller *et al.*, 2013:6).

The implementation of strategy is difficult because, in addition to overcoming resistance to change and people management issues, there is a myriad of managerial activities that are time consuming with details to be decided by managers without guidance on exactly what should be done to implement the strategy in a timeous manner (Thompson *et al.*, 2007:362). Resistance to change by employees and management at all levels is often experienced and results in a risk of failure to implement strategy (Jones & Hill, 2009:191). It is therefore important that obstacles to change be identified and addressed. Jones and Hill (2009:191) identified four levels of resistance to change on corporate, divisional, functional and individual levels. As change creates uncertainty, changes at corporate level affect the behaviour at divisional level; changes at divisional level affect standing between functions and managers and individuals respond to the uncertainty created (Jones & Hill, 2009:191).

The highly structured and formal process of planning strategy by senior management is criticised. This is because of the unpredictability of the external environment that requires rapid responses to unforeseen events. Organisations need to review strategy and frequently adjust by making operational changes to ensure continued success (Kotter, 2012:46). The contribution of lower-level managers to the strategy implementation is important, especially

with rapidly changing technologies and successes often being based on luck and change discoveries rather than rational strategy (Jones & Hill, 2010:21).

3.3.4 Dealing with complexity

Strohhecker and Grobler (2012:548) researched the implementation of sustainable business strategies, focusing on implementation only through simulation studies. They concluded that strategy implementation of a given, potentially successful growth strategy was sub-optimal, with participants failing to achieve lasting success, which is supported by system dynamic and psychological research that conclude that people find it difficult to steer complex systems (Strohhecker & Grobler, 2012:563). The second finding was people having difficulty in dealing with non-linear behaviour modes as participants found it very difficult to build resources as a sustainable S-shaped growth, tending to under-perform (Strohhecker & Grobler, 2012:563). It also emphasises that strategy implementation is complex with many variables and that strong leadership will be required to steer through the complex system. Kaplan and Norton (2008:7) support the finding that organisations struggle with the complexity of implementation. There is a myriad of strategic and operational tools available for strategy implementation, but without a successful integration theory or framework to support implementation (Kaplan & Norton, 2008:7). Schwaninger (2012:573) commented on the Strohhecker and Grobler study that the real problem of poor decisions and underinvestment in growth is based on traditional linear thinking and that we need to introduce new thinking patterns.

3.3.5 Resources

Strohhecker and Grobler (2012:563) found in their research that resources were grown in an unbalanced way, with attention paid only to some resources and regarding resources as mutually dependant. Their research also found that resources were not optimally used and that participants' resource investments were unbalanced, commonly not fully achieving potential growth (Strohhecker & Grobler, 2012:563). This is applicable to the study, as poor resource allocation has been shown to negatively affect the success of implementing the strategy. As can be seen in Figure 5 above, 60% of organisations fail to link resource strategy and budgets. In recent research on the members of the Harvard Business Review Advisory

Council, they identified lack of time and resource constraints as an important hurdle in the implementation of strategy (Anonymous, 2010:75).

3.3.6 Culture, environment and change management

The implementation of strategy requires a change process that stems from dissatisfaction with the current strategy, a vision and prospect for an improved future, an implementation strategy and redress to overcome resistance implemented (Ehlers & Lazenby, 2010:264). Organisational cultures conducive to change are difficult to achieve (Ehlers & Lazenby, 2010:267) and therefore strong leadership that embraces the need for change is required, well supported by the necessary resources and a committed workforce (Ehlers & Lazenby, 2010:267).

The organisational change cynicism (OCC), as identified by Barton and Ambrosini (2013:739), shows how behaviour of people is affected by past organisational performance, and this affects the current culture.

Kotter (2012:46) states that organisations fail at reacting to threats and grabbing opportunities because the intended transformation is grounded in a previously successful change process, therefore basing future implementation of strategy on past successes. The past approach was often to invest time and energy in sequential projects or strategy implementation based on the change steps, but the pace of competition has increased and organisations need to remain competitive without disrupting normal operations (Kotter, 2012:47). The traditional organisation structures cannot handle rapid change (Kotter, 2012:48). The traditional hierarchy resists change and is risk adverse due to organisational politics where managers do not want to act without permission from their managers (Kotter, 2012:48). The organisational culture also affects the ability to change quickly as inherently organisations demand stability and people fear loss of power and resist change (Kotter, 2012:48).

Miller *et al.* (2013:6) found that change is driven by culture and that people can be convinced to change behaviour and therefore culture.

3.4 CONCLUSION

Many organisations fail because they are unable to implement strategies, despite formulating good strategies. Shirey (2011:3) identified leadership roles, implementation complexities and organisational culture influences as impacting on the implementation of strategy. The table below describes the central themes regarding the opportunities and challenges in implementing strategy.

Table 4: Strategy implementation challenges and opportunities

Theme	Implementation challenges	Transforming challenges to opportunities
Leadership roles	Leaders are trained in planning, not implementation	Dual training in planning and implementation
	Mistaken belief that leaders delegate implementation and are not the implementers	Strategy ownership across levels disregarding hierarchy
	Leaders delegate monitoring of strategy implementation and feedback systems	Implementation requires continuous monitoring through control mechanisms
Implementation	Formulation and implementation are interdependent	There is a large overlap between formulation and implementation.
	The implementation of strategy takes longer than the formulation	Allow more time for implementation when planning timelines
	Implementation is a process, not steps	Implementation is part of the larger process and should not be done as isolated steps
	Strategy implementation involves more people	The strategy should be communicated to everyone and objectives linked with daily operations
Organisational culture influence	Organisational culture affects implementation effectiveness	Do not underestimate the power of organisational culture

Source: Shirey (2011:3)

Recent research has identified general reasons for difficulties experienced in the implementation of strategy (Anonymous, 2010:75). The most popular difficulty was in translating strategic plans into meaningful implementation for all employees, communication strategies and aligning work to strategy (Anonymous, 2010:75).

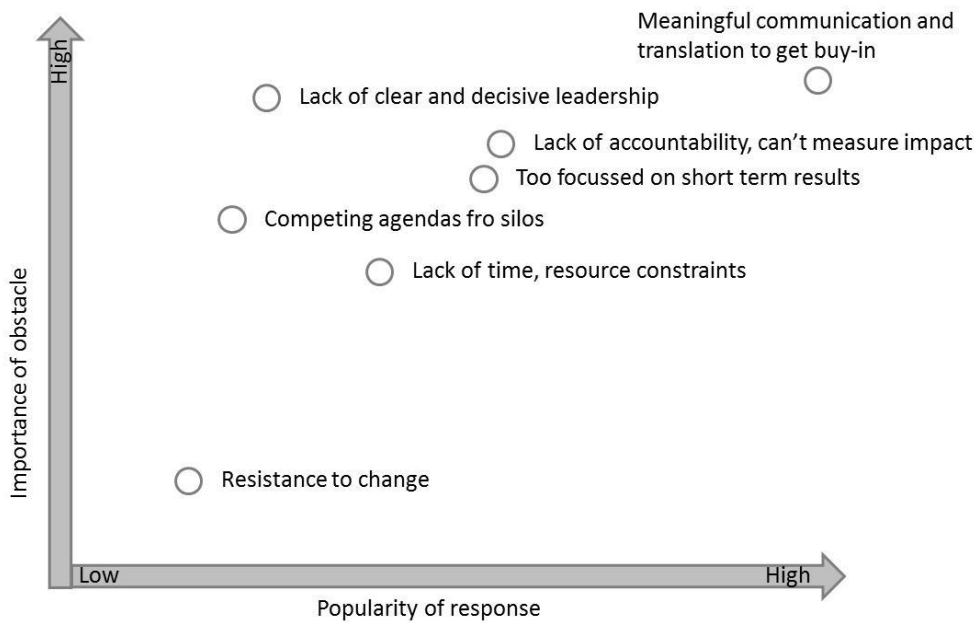


Figure : 7 Difficulties in implementing strategy

Source: Anon. (2010: 75)

From the literature it can be concluded that strong leadership is required; firstly, to define implementation plans and secondly to provide leadership on the strategic directions and to communicate change and achieve buy-in at all levels. To be willing and able to change requires commitment and modification in behaviour. This links the successful implementation of strategy to culture through behaviour and shows that strong leadership is necessary.

The figure below is my compilation based on the review of literature and describes the factors influencing successful implementation. Strategies are implemented within a set culture and business environment. The implementation of the formulated strategy is affected by the implementation plan, leadership, management and people. Though change is essential

for the successful implementation of strategy, it is excluded from the study as change management can be considered a study on its own.

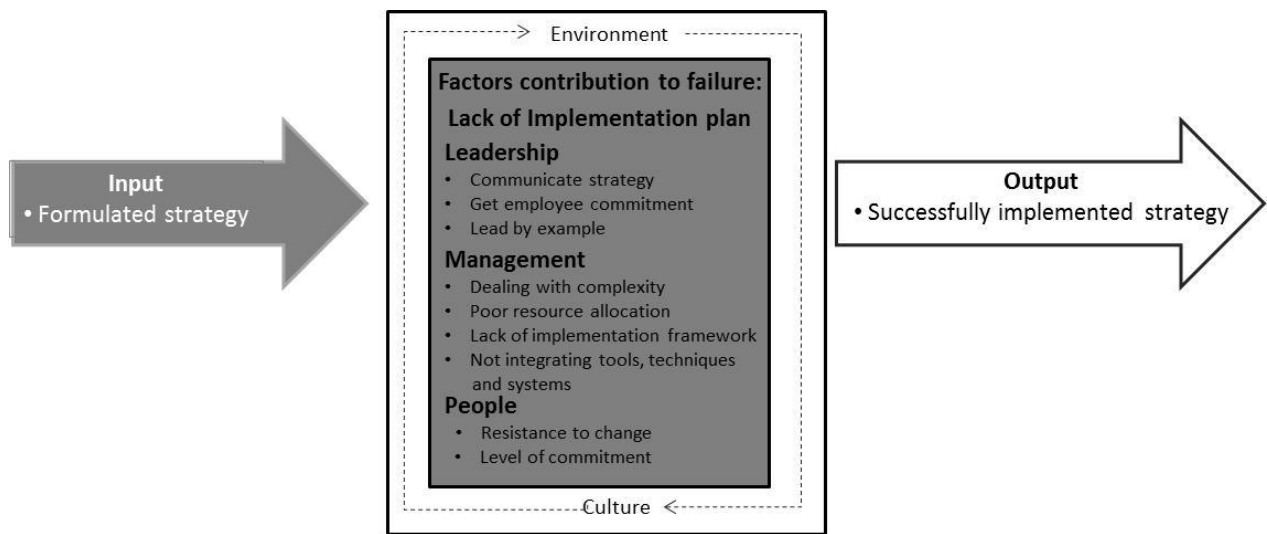


Figure: 8 Factors contributing to strategy implementation failure

Source: Own compilation

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4 CHAPTER 4: LITERATURE OVERVIEW OF THE COMPONENTS OF STRATEGY IMPLEMENTATION

4.1 INTRODUCTION

As previously identified, strategy implementation is seen as having the key components of corporate governance, strategic leadership, organisational structures, strategic and management control systems and culture.

Corporate governance is central to strategy implementation and ultimately the board is responsible for the safeguarding of the implementation of strategy (Ehlers & Lazenby, 2010:264). The board is also accountable for ethical behaviour by the organisation and its members and managers (King III Report on Corporate Governance, 2009:22). Various mechanisms exist to ensure appropriate corporate governance and include the agency theory, the board of directors, executive compensation, legislative requirements and ethical behaviour in organisations.

Strategic leadership and change to achieve the desired performance are interwoven (Pearce & Robinson, 2010:328). Ehlers and Lazenby (2010: 282) see the strategic leader as setting the intent and driving the vision. Strategic leadership impacts on the culture of the organisation and manifests in the structure designed for the organisation as well as delegation of tasks and duties (Jones & Hill, 2010:396).

The architecture of an organisation needs to be brought into line with the strategy to ensure a structure that supports strategy implementation (Slater *et al.*, 2010:469). Organisations are structured to perform work functions and the structure of organisations may change over time based on what needs to be achieved in the organisation. Appropriate structures are important as roles, accountabilities and authorities are defined within the hierarchy. In the 21st century, organisations must modify structures to respond to external pressures, cut costs and remain competitive (Pearce & Robins, 2011:308).

Strategic and management control systems are common in the implementation of strategy (Jones & Hill, 2010:380; Thompson *et al.*, 2007:389). Control systems support managers by providing toolsets to monitor the achievement of goals and the efficiency of resource utilisation (Jones & Hill, 2010:388). The advantage of control systems lies in the fact that

managers can take appropriate corrective action and respond timeously (Sherman *et al.*, 2006:554). Control systems influence the culture of an organisation (Chenhall *et al.*, 2011:106). For the purposes of the study, different control systems are considered and grouped into systems that assist managers and guide output control, and systems that influence and control behaviour.

Organisational culture is distinctive to each organisation and is intangible and based on behaviours, belief systems and values that manifest as culture (Ehlers & Lazenby, 2010:292). Organisational culture is closely linked to the leadership from senior management, peer pressure and practices that support behaviour (Thompson *et al.*, 2007:427). Organisations with a mismatch between the strategy and the culture have difficulty in implementing the strategy (Ehlers & Lazenby, 2010:289). The study will explore the creation of the organisational culture, the relationship between culture and the implementation of strategy, strategy culture conflict, managing the relationship between strategy and culture.

Table 5 describes the fit and what will be discussed in the literature.

Table 5: Components of strategy implementation

Corporate governance and ethics	Strategic leadership	Organisational structure	Strategic and management control mechanisms	Culture
4.2	4.3	4.4	4.5	4.6
Defining corporate governance	Defining strategic leadership	Defining organisational structures	Defining strategic and management control systems	Defining organisational culture
Governance mechanisms	The role of middle managers	Types of organisational structures	Management control systems	Creating organisational culture
<ul style="list-style-type: none"> Agency theory 	Matching strategic leadership to strategy	<ul style="list-style-type: none"> Simple structures 	<ul style="list-style-type: none"> Short term objectives 	Relationship between culture and implementation of strategy
<ul style="list-style-type: none"> Board of directors 		<ul style="list-style-type: none"> Central vs. decentralised structures 	<ul style="list-style-type: none"> Functional tactics 	Strategy culture conflict
<ul style="list-style-type: none"> Executive compensation 		<ul style="list-style-type: none"> Functional structures 	<ul style="list-style-type: none"> Balances scorecard 	Managing the strategy culture relationship
<ul style="list-style-type: none"> Legislative requirement 		<ul style="list-style-type: none"> Divisional structures 	<ul style="list-style-type: none"> Business re-engineering 	Values and ethics
Ethics in strategy		<ul style="list-style-type: none"> Matrix structures 	<ul style="list-style-type: none"> Continuous 	

			improvement	
		<ul style="list-style-type: none"> • Production team structures 	Output controls	
		<ul style="list-style-type: none"> • Tall vs. Flat structures 	<ul style="list-style-type: none"> • Budgets and Resources 	
		<ul style="list-style-type: none"> • Outsourcing 	<ul style="list-style-type: none"> • IT systems 	
		<ul style="list-style-type: none"> • Integration 	Behavioural controls	
			<ul style="list-style-type: none"> • Rewards and incentives 	
			<ul style="list-style-type: none"> • Policies and procedures 	
			The strategy management office	

Source: Own compilation

4.2 CORPORATE GOVERNANCE AND ETHICS IN STRATEGY

Corporate governance is important in the implementation of strategy as it is a mechanism to align the interest of shareholders, which is maximised sustainable return on investment, with the operational management of the organisation. Corporate governance governs business practices through rules and regulations that ensure fair competition and sound business practice (Jones & Hill, 2010:38) and ensures ethical behaviour in formulating and implementing strategy. Business involves the management of risk and uncertainty and the challenge for management is to determine the acceptable level of risk and uncertainty while it endeavours to grow stakeholder value (Van Wyk, 2011:2).

Corporate scandals such as Enron brought renewed focus to the importance of corporate governance and the segregation of duties to restrain senior management strategic decisions. The work done by the Security Exchange Commission (SEC) and frameworks such as the Sarbanes Oxley Act of 2002 in the United States of America (Sherman *et al.*, 2006:97), Turnbull in the United Kingdom and King in South Africa and the adoption of these guidelines into accounting practices, monitor and control management actions in support of strategy and are closely governed. These accounting requirements have the intent of protecting the stockholders. Stockholders, as the financiers and carriers of the business risk, are central to corporate governance (Sherman *et al.*, 2006: 95) and elect a board of directors to represent their interests, who in turn selects a Chief Executive Officer (CEO).

In South Africa, the regulatory framework, through the various pieces of legislation, has a direct impact on corporate governance (Ehlers & Lazenby, 2010:95).

4.2.1 Defining corporate governance

The King Report (2002:7) defines corporate governance as “holding the balance between economic and social goals and between the individual and communal goals” and therefore protects the individual, the organisation and society (King II Report on Corporate Governance, 2002:7). The report identified “discipline, transparency, independence, accountability, responsibility, fairness and social responsibility” as characteristics of good corporate governance (Ehlers & Lazenby, 2010: 96; King II Report on Corporate Governance, 2002:7). For the purpose of this study, corporate governance is defined as mechanisms put into place to protect the interest of owners and shareholders and to monitor the appointment of a manager’s use of strategies to deliver long-term sustainable returns aligned with the interests of shareholders (Hitt, Ireland & Hoskinsson, 2005:333; Jones & Hill, 2009:36).

Corporate governance is important in both the formulation of strategy and in the implementation thereof as it follows principles of corporate social responsibility (Ehlers & Lazenby, 2010:91). The formulation of strategy is affected by corporate governance as strategies have to benefit all stakeholders and reflect the vision, mission and values of an organisation, set clear measurable and reachable goals and the roles of the board of directors are clarified (Ehlers & Lazenby, 2010:91). The implementation of strategy is affected by corporate governance as it defines the role of the board and management to implement strategy, develop measurable plans and measure performance in terms of economic, social and environmental impact (Ehlers & Lazenby, 2010:91). Corporate governance exists to assure shareholders that managers are pursuing strategies that support their interest (Jones & Hill, 2009:26). Corporate governance is relevant to strategy implementation as it offers monitoring and controlling mechanisms to contribute to the maximisation of a sustainable competitive advantage (Hitt, Ireland & Hoskinsson, 2005:307).

For the purposes of the study, corporate governance is defined as mechanisms to govern the business practices to ensure ethical behaviour and act in the broad interest of all stakeholders.

4.2.2 Governance mechanisms

Various governance mechanisms can be used to ensure that the implemented strategy benefits the organisation in totality. These are the separation of duties, the board of directors, executive compensation and legislative requirements such as adhering to the auditors and financial reporting requirements.

4.2.2.1 Agency theory

Ownership links to the implementation of strategy through managers, who, as agents of shareholders, must implement the designed strategy effectively to achieve the long-term goals of the organisation and to achieve the return on investment for shareholders. Organisations are structured to separate ownership (shareholders) from management. The role of business management and the selection of strategies are left to professional managers, to whom shareholders have delegated the decision-making. The managers are therefore the agents of the shareholders (Jones & Hill, 2009:32). The agency theory governs the business relationship between stakeholders in situations where there is delegated decision-making (Jones & Hill, 2010:352). This relationship extends to shareholders and management to cascade delegated decision-making within the organisation (Jones & Hill, 2010:352). Where there is a shared goal of long-term return of investment to shareholders, the agency relationship works well (Jones & Hill, 2009:33). There is, however, a risk that managers can act in their own self-interest (Jones & Hill, 2009:33).

4.2.2.2 Board of directors

The board of directors has a fiduciary responsibility to protect the assets of shareholders. They also have stakeholders and guide the strategic direction of the business and appoint an executive manager (Sherman *et al.*, 2006: 98). In South Africa, the King Report defined that the board should hold management accountable for implementing the formulated strategy as well as for monitoring the implementation of the strategy (Ehlers & Lazenby, 2010:260; King III Report on Corporate Governance, 2009:20).

4.2.2.3 Executive compensation

Executive compensation can be used as a control mechanism to ensure sound corporate governance and should be linked to organisation structure and firm performance

(Romanchek, 2012:4). Kury (2010:44) illustrated the mismanagement of earnings for personal gain by stating the cases leading to the creation of the Sarbanes Oxley legislation. Kury (2010:44) states various cases where executives pleaded guilty to conspiracy charges and were convicted for conspiracy, securities fraud, and bank fraud, grand larceny, and falsifying business records. The focus on corporate governance is crucial in the principal-agent relationship as the consolidation of ownership in institutional investors can allow managers to conceal negative performance in the organisation (Kury, 2010:59). To curtail this, executives are commonly remunerated by means of stock-based compensation. This practice gives executives stock options or shares in order to motivate them to increase the value of the shares (Jones & Hill, 2009: 37). Romanchek (2012:4) indicated that the financial measure of total shareholder return (TSR) should be used over periods of one to five years to guide executive compensation.

4.2.2.4 Legislative requirements

The financial reporting requirements and the compliance to legislation are sound governance mechanisms. The roles of auditors are to ensure that financial reporting requirements are met and support sound governance through the ability to qualify financial reports. In South Africa, the King Report (I, II and III), in addition to the Companies Act of 1973, provides a code of practice and conduct for businesses. Other legislation that influences governance are the Labour Relations Act of 1995, the Basic Conditions of Employment Act of 1997, the Employment Equity Act of 1998, the National Environmental Management Act of 1998, the Insider Trading Act of 1998, the Public Finance Management Act of 1999, the Promotion of Accesses to Information Act of 2002, the Securities Services Act of 2004 and the Companies Bill of 2007. Government creates regulatory requirements and can penalise organisations not meeting expected product and safety standards (Sherman *et al.*, 2006:567). Customers enforce compliance to expectations by buying products, and legal and financial system regulations require compliance (Sherman *et al.*, 2006:567).

As many gold producers are listed on the New York Stock Exchange, compliance to the Sarbanes Oxley Act of 2002 in the United States of America is required in addition to South African legislation. The Sarbanes Oxley Act of 2002 applies to all public companies and their auditors doing business in the United States of America. It is overseen by the Public Company Accounting Oversight Board, which is overseen by the SEC and regulates financial

reporting and auditing and has criminal penalties for transgressions (Sherman *et al.*, 2006:97).

4.2.3 Ethics in strategy

The increased awareness of corporate governance and the focus on corporate citizenship have linked ethics to the creation and implementation of strategy. Organisations are regarded as corporate citizens and have an accountability to behave ethically and report to society on the transactions (Thompson & Strickland, 2003:67). Businesses have an ethical responsibility to all stakeholders, including shareholders, employees, customers, suppliers and the community (Bamford & West, 2010:25; Jones & Hill, 2010:365; Thompson & Strickland, 2003:65).

Unethical behaviours occur when a manager puts the goals of the organisation or personal goals before the rights of stakeholders (Jones & Hill, 2010:367). Unethical behaviour can be self-enrichment, information manipulation, anti-competitive behaviour, and opportunistic exploitation of the value chain, substandard working conditions, environmental degradation and corruption (Jones & Hill, 2010:367). Ethical accountability is further defined by the King III Report (King III Report on Corporate Governance, 2009:22). The board of directors has an accountability to promote a culture in which ethical conduct is the norm and where a clear set of core values are embraced to guide and direct behaviour as the board must ensure sound corporate citizenship (King III Report on Corporate Governance, 2009:22).

This school of thought has created the concept of Corporate Social Responsibility (CSR) by which organisations govern themselves by looking at what is fair, right and what does not cause harm (Ehlers & Lazenby, 2010:88).

Ethical behaviours are guided by the value system of the organisation and for this reason many organisations formalise their core values and code of ethics (Thompson *et al.*, 2007:434). Organisations have an obligation to shareholders to protect the shareholder's investment and an obligation to employees to treat them equitably with dignity and respect in return for input invested in the organisation (Jones & Hill, 2009:40; Thompson & Strickland, 2003:67). All other stakeholders have an expectation that organisations treat them fairly and equitably and act as responsible corporate citizens (Jones & Hill, 2009:40; Thompson & Strickland, 2003:67), and companies often share their code of ethics and organisational

values with stakeholders as a large portion of customers and suppliers prefer doing business with ethical organisations (Thompson *et al.*, 2007:432). As the world business approach becomes more global, business reputation and managing reputational risk are increasingly important (Sherman *et al.*, 2006:567). An organisational culture with a strong set of core values and ethical standards, which is supported by employees and used to govern behaviour, is more successful in implementing strategy and tends to perform better (Thompson *et al.*, 2007:435). Jones and Hill (2009:44; 2010:375) identified poor individual ethics, ethical unawareness by business, an all-business organisational culture, performance pressure and lack of leadership as contributing to unethical behaviour in businesses.

Corporate governance and ethics are important in the South African gold mines as shareholders' value must be protected in a declining industry. Pressures on profitability and sustainability, legislative requirements and social uplift are immense, and capital in the form of shareholder fund is necessary continue business.

4.3 STRATEGIC LEADERSHIP

Strategic leadership is intertwined with driving change in the organisation (Pearce & Robinson, 2010:328). Strategic leadership is the ability of a strong leader to drive strategic change and implement the strategic vision (Ehlers & Lazenby, 2010:282; Pearce & Robinson, 2010:328), thereby setting the strategic intent. It is the ability to “anticipate, envision, maintain flexibility and to empower others to create strategic change as necessary” (Hitt, Ireland & Hoskinsson, 2007:375). Part of strategic leadership is defining required performance and the steps that need to be achieved to attain the vision (Pearce & Robinson, 2010:328). Strategic leadership is provided by senior management and flows through the organisation through the culture to the structure of the organisation, in that structural design through the delegation of authority and accountability again affects the culture, linking structure and culture (Jones & Hill, 2010:396).

4.3.1 Defining strategic leadership

Strong leadership from the CEO and senior management is required to underpin the vision, mission and values of an organisation and to implement the strategy and align organisational units (Kaplan & Norton, 2008:20-21). Strategic leadership involves the entire senior management team and the role of the executive leader is the alignment of the management

team (Ehlers & Lazenby, 2010:289). Strategic leaders are the top and senior management team, the board of directors and, in large global organisations, regional executive teams are included in the definition (Ehlers & Lazenby, 2010:282). Senior management drives culture and they determine the values, beliefs and practices of the organisation (Jones & Hill, 2010:395; Thompson *et al.*, 2007:416) and flow through the organisation through the culture to the structure of the organisation, in that structural design through the delegation of authority and accountability again affects the culture, linking structure and culture (Jones & Hill, 2010:396). The action and behaviour of senior management are important as their values and beliefs are imprinted on the organisation (Jones & Hill, 2010:395).

Culture change is a difficult task as ingrained behaviour and ways of doing need to change and competent top leadership is crucial for cultural change (Jones & Hill, 2010:395; Kaplan & Norton, 2008:21; Thompson *et al.*, 2007:416). Organisations with strong cultures reinforce values and institutionalise practices that support the culture and belief system (Pearce & Robinson, 2000:421). Leaders are building organisations and often need to overcome resistance to change (Pearce & Robinson, 2010:331). The building of the organisation is closely linked to the culture and includes creating common understanding, clarification of accountabilities and authorities, management empowerment, getting workforce commitment and staying connected with the inner workings of the organisation (Pearce & Robinson, 2010:331). Leadership needs to be developed and building leadership capabilities, responsibilities, relationships and structures are the foundations of change (Miller *et al.*, 2013:3). The implementation of strategy is led from the top with management monitoring and managing the implementation process while applying 'constructive pressure' to achieve positive results, developing stronger competencies, behaving ethically and in a socially responsible manner and taking corrective steps to ensure strategy implementation remains on track (Thompson *et al.*, 2007:439).

Klein (2011:25) found that managers and leaders need to be able to manage culture as functional culture supports strategy implementation and dysfunctional culture disrupts. The relationship between leadership and culture is inter-related as culture is affected by leadership styles, human resource practices, and dissemination of power as well as job design (Klein, 2011:25).

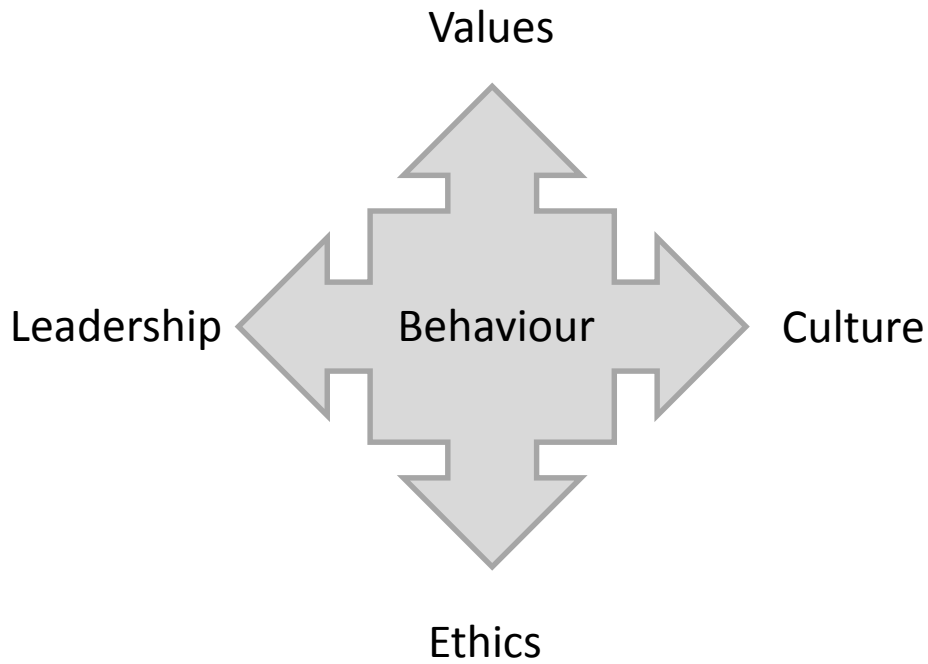


Figure 9: The interrelated nature of strategic leadership

Source: Own compilation from the work of Miller *et al.* (2013:3); Jones & Hill (2010:395); Kaplan & Norton (2008:21); Thompson *et al.* (2007:416)

Based on the literature, strategic leadership, for the purpose of the study, can be defined as top, senior and middle managers who drive the strategy implementation process and influence the interrelated nature of behaviour, culture, ethics, leadership and values.

4.3.2 The role of middle managers

The role of middle managers is important in the implementation of strategy and achieving desired performance as they implement change through setting the scene and influencing colleagues and employees to affect required change (Rouleau & Balogun, 2011:954). Middle managers help to form the culture of the organisation through mobilising social and cultural systems and these manifests in their use of language, interactive forums and conversations with stakeholders from their point of understanding the strategy (Rouleau & Balogun, 2011:959).

It is important to understand the sphere of influence of the middle manager in the implementation of strategy and therefore it is important that senior management and the

executive leadership set the appropriate strategic context and lead by example. The interaction between senior and middle managers has a direct impact on strategy implementation, as middle managers can be cynical about organisational change (Barton & Ambosini, 2013:739). Barton and Ambosini (2013:721) coined the term organisational change cynicism (OCC), which explains the failure to implement strategy as a consequence of resistance or inability to change based on a lack of commitment and failure to adapt behaviour to support the strategy, specifically in the middle manager ranks. Barton and Ambosini (2013:739) determined that OCC is high when information availability is low and where middle managers are suspicious of behaviours, words and deeds by senior management and therefore reduced commitment to strategy by middle managers. Effective leaders and good senior management involve leaders in decision-making processes and thereby reduce OCC (Barton & Ambosini, 2013:739).

4.3.3 Matching leadership approaches to strategy

In order to successfully implement the chosen strategy, the leadership approach must match the strategy (Ehlers & Lazenby, 2010:289). Growth strategies require focus on relationships, communication goals and strategy and motivating people (Ehlers & Lazenby, 2010: 289). Combination strategies demand a leader with people and task skills who can join different cultures and value systems (Ehlers & Lazenby, 2010:289). Decline strategies need more autocratic leadership to reduce costs and assets (Ehlers & Lazenby, 2010: 289). Research into the direct effect of the style of leadership on the implementation of strategy is limited (Hakonsson *et al.*, 2012:184). Hakonsson *et al.* (2012:199) found in the study of Danish small and medium enterprises that in order to implement strategies effectively executives with a preference for delegation and the avoidance of uncertainty are required.

Wilderom *et al.* (2012:835) investigated the longitudinal effect of combined charismatic leadership, organisational culture and organisational performance and found a significant relationship between culture and charisma. Culture and charisma are interrelated and both relate to perceived performance (Wilderom *et al.*, 2012:835). Charismatic leaders inspire followers and give followers the confidence to achieve objectives (Wilderom *et al.*, 2012:836). Charismatic leaders behave in a confident charismatic way and tell stories about bold decisions, behave symbolically and speak gracefully (Gavin *et al.*, 2010:477). Wilderom *et al.* (2012:844) found a significant and positive relationship between the

charismatic style of top leadership and perceived and actual organisational performance. There is a significant and strongly positive relationship between organisational cultures with empowerment, external orientation, interdepartmental cooperation, human resource focus and organisational performance (Wilderom *et al.*, 2012:844). Wilderom *et al.* (2012:844) found a significant and positive relationship between the charismatic style of senior management and the culture of empowerment, external orientation, interdepartmental cooperation and human resource orientation.

Thompson and Strickland, (2003:358) have identified a number of factors that influence managers and how they implement strategy. These are:

- Their experience and knowledge of the business;
- Levels of experience in current position (novice or veteran);
- Personal networks in the organisation;
- Own skills in problem identification, problem solution, administrative skills and interpersonal skills;
- Authority given;
- Personal leadership style; and
- Perception of role they need to play in implementing strategy.

Strategic leadership is necessary to implement strategies and executive team members are often assigned strategy implementation roles based on the strategic themes in addition to normal duties (Kaplan & Norton, 2008:119). Kaplan and Norton (2008:21) state that strategy implementation is attainable for effective leaders based on the management processes they describe, especially under the guidance of a senior strategy management office. Executive leadership is necessary for the implementation of strategy, but an outline of what is required by a leader cannot be given (Kaplan & Norton, 2008:21).

Based on the literature, it can be agreed that the role of the executive leaders and the senior management team in the implementation of strategy is very important, as their actions influence the ethical position, structure and culture of an organisation. The relationship between organisational culture and leadership is interrelated and the actions and behaviours of senior management affect the culture and performance of the organisation.

Within the South African gold mines context, with regional businesses and geographically dispersed business units, the leadership of both senior and middle managers on the business units influences culture, behaviour and performance of the organisation.

4.4 ORGANISATIONAL STRUCTURES

In leading the way for successful strategy implementation, a competent and capable organisation is essential. In attempting to understand how changes in strategy may require changes in structure, the basics of organisation structure will be studied.

An organisation is defined in terms of groups, components, relationships of components and effectiveness of arrangement (Collins Dictionary, 2008) in an organised concern, order or method. This implies a shared interest or purpose. A business or administrative group is unified into a structure (Collins Dictionary, 2008). This implies that relationships exist between parts and the whole. Organisation can also imply the conforming to rules, standards or demands of an organisation, especially that of an employer (Collins Dictionary, 2008).

Organisations exist to get work done (Jaques & Clement, 1994:173). To complete work requires a combination of people, structure and management. This implies the appropriate organisational structure, with competent individuals at the correct level and a set of work procedures and practices that facilitate the work process (Jaques & Clement, 1994:173). Structures includes hierarchies, which are defined as a structure of roles, in which an individual in a higher role (manager) is held accountable for the productivity of individuals on immediately lower roles (subordinates) and can be called to account for their activities (Jaques, 2006:4).

The work done by Chandler set the foundation as to how organisations change as they grow. Chandler stated that organisation structure is directed by the assortment of tasks the organisation follows and structure changes over time as strategy changes (Chandler, 1962). Chandler identified a structural flow change as organisations grow (Chandler, 1962). Growth in organisations leads to the development of extra functional skills, which, with further growth, lead to the questions about a centralised or decentralised approach, and further growth in terms of departments and divisions leads to the formalisation of policies and procedures to ensure standardised behaviours (Chandler, 1962).

4.4.1 Defining organisational structures

Organisational structure refers to how people, tasks and resources are formally organised to interact with each other and achieve the goals of the organisation (Pearce & Robinson, 2012:298).

Mintzberg (1979:3) defined the structure of an organisation as “as the sum total of ways in which it divides labour into distinct tasks and then achieves coordination amongst them”. The organisations consist of five parts starting with the strategic apex, which houses senior management, the middle line, which links the strategic head with operations, the operational core, which is responsible for the production of goods and services, the technology structure, which analyses processes and improvements and lastly support staff, which is the functional disciplines supporting the organisation (Mintzberg, 1979:20). This is coupled with coordination mechanisms that allow task adjustment, supervision and the standardisation of work processes, output, skills and knowledge and cultural norms and behaviour (Mintzberg, 1979:7). Increased standardisation of work output is accompanied by high levels of supervision and direction (Mintzberg, 1979:7). This is opposed to mutual adjustment where employees are expected to coordinate their work in support of organisational goals without guidance from supervisors (Mintzberg, 1979: 7). It can be seen from this that the structure of an organisation and the coordination mechanisms within influence how work is done.

Mullins (quoted by Jones & Hill, 2011:253) defined organisational structure as the ability to deliver good management through the structure by defining tasks, responsibilities, work roles and relationships. Robbins (as quoted by Sherman *et al.*, 2006:426) stated that organisational design is the development of structures through work specialisation, formalisation, departmentalisation, control span, command chain, centralisation and decentralisation. The organisational structure is a formal framework by which tasks are separated, coordinated and grouped into jobs (Sherman *et al.*, 2006:426).

Managers that succeed in implementing strategy build organisations with sufficient resource strength, capabilities and competencies (Thompson *et al.*, 2007:363). These managers ensure that the implementation of the strategy is backed by enough resources in the form of money and skilful people to ensure success (Thompson *et al.*, 2007:363). Successful strategy implementation relies on capable employees to staff the organisation, forming a strong

management team with sufficient depth of skills, structured in a value chain and business processes with authority to make decisions that support the implementation of strategy lower down (Thompson *et al.*, 2007:363). Management is the resource of using people in a capacity as managers to make decisions, and to design and implement strategy to achieve the future goals of the organisation (Thompson *et al.*, 2007:363-368).

Organisational structure is also defined as formalised relationships (Hill & Jones, 2011:253) that facilitate decision-making and roles linked to value creation to support the competitive advantage (Jones & Hill, 2010:380). Organisational structure is therefore a vehicle to organise people into groupings so that their collective effort will deliver preferred outcomes (Hill & Jones, 2011:254). Structure is based on specific value-creating tasks, where tasks and roles are clearly linked to increasing the competitive advantage through increased quality, better efficiencies and greater customer response (Jones & Hill, 2010:381).

Structuring an organisation formalises decision-making and determines accountability as well as guiding information flow, resource allocation basis and providing a grounded base for control mechanisms (Bamford & West, 2010:325). Organisations should be structured to identify opportunities and create value through an organised system of activities (Bamford & West, 2010:326). The structure should improve the value chain through better communication, coordination and control (Bamford & West, 2010:326). Good communication improves the flow of information up and down the structure, thereby improving the ability to respond to changes in the environment (Bamford & West, 2010:327). Effective control systems and a coordinated response supported by good communication lead to effective strategy implementation (Bamford & West, 2010:328). Organisations are structured around the core business (operations), supported by non-core areas such as the techno-structure, which centres around specialist advice to management and staff functions to support operation (Bamford & West, 2010:329-331).

Ehlers and Lazenby (2010:323-324) identify factors that affect the allocation of labour and coordination of activities as job specialisation, behaviour formalisation, which is task standardisation, training to ensure appropriately skilled employees and socialisation into the organisation (Ehlers & Lazenby, 2010:323-324). The grouping of employees and managers, unit size and decisions on centralisation or decentralisation influence design and standardisation (Ehlers & Lazenby, 2010:324).

The building blocks of organisational structure (Hill & Jones, 2011:216) are firstly, the grouping of tasks, functions or divisions, and secondly, the allocation of authority and responsibility (tall or flat, centralised or functional versus de-centralised or divisional and grouped in several ways by geographic area, product, customer base or process). Thirdly are the integration mechanisms such as matrix structures (Hill & Jones, 2011:216-219). The value chain should have a profit centre approach (Thompson *et al.*, 2007:377). Primary organisational building blocks are traditional departments such as research and development, engineering and design, production or operations, sales and marketing, information technology, finance and accounting and human resources. Process departments such as supply chain or new product development differ in that people working in these units have the entire accountability for all the aspects of the process (Thompson *et al.*, 2007:377).

From these definitions, it can be concluded that organisation or business is a combination of people (group of people identified by a shared interest or purpose), management (the relationships that exist between separate components in a coherent whole and the effectiveness of the arrangement of separate components in a coherent whole) and structure (the coordination of separate components into a unit or structure). Business is a function of structure, people and management.

For the purpose of the study, structure can be defined in terms of organisation design and the structure in terms of layers, skills and expertise that are needed as support resources. This entails defining processes, roles, and reporting relationships in the organisation. People can be defined as a resource in terms of skills, expertise, ideas generated and the driver of the demand side of the business.

Organisational structure is therefore the process used to structure the effort of work to perform actions to implement strategy.

4.4.2 The importance of organisational structures

In determining the most appropriate structure to create value, managers must decide the following:

- What is the best way to group tasks into functions and functions into business units that will create specific proficiencies and implement the designed strategy (Jones & Hill, 2010:381);
- What is the appropriate accountability and authority (Jones & Hill, 2010:381); and
- How cross-functional work between functions and divisions should be improved in an increasingly complex structure (Jones & Hill, 2010:381).

In research done by Olson *et al.* (2005:53) on the importance of structure and process to strategy implementation, they found substantial evidence to suggest that organisations that match their structure and behaviour to strategy outperform those that do not. In the study, 50% of participants adopted structures and support behaviour that support strategy, though the process of alignment between behaviour, structure and strategy is not clear (evolutionary or management consensus) (Olson *et al.*, 2005:53).

Successful strategy implementation requires a fit between strategy and organisational architecture (Slater *et al.*, 2010:469). The right organisation architecture has the right capabilities and organisation structure to support the implementation of strategy. To implement strategy, management must assess whether it has the correct capabilities to do so, with capabilities determined by organisational architecture (Slater *et al.*, 2010:478). The right organisational architecture is therefore equally important to the right strategy (Slater *et al.*, 2010:478).

To adapt to the 21st century, organisations must improve on traditional structures to focus on core competencies, reduce costs and expose the organisation to positive outside influences (Pearce & Robins, 2011:308). This will include structuring to redefine the role of the corporate office, balancing control needs with integration, and restructuring to support strategic fit (Pearce & Robins, 2011:309).

Within the context of the South African gold mines, structures are very important as it impacts directly on the cost structure and the need to rebase to achieve sustainable profit. The need for job creation with a largely unskilled workforce, as per the national growth path, makes the restricting of organisations difficult. This is because the reorganisation has to be

discussed with government and unions. The demand for social uplift and increased wages directly impacts costs, and increased efficiency in organisational structures is necessary.

4.4.3 Types of organisational structures

4.4.3.1 Simple structure

Most organisations start in an entrepreneurial form with the owner-manager and employees. This inexpensive structure is flexible as the owner-managers execute strategy directly, but are no longer functional when an organisation grows, and most organisations migrate to a functional structure next (Ehlers & Lazenby, 2010:324). This is also referred to as a simple structure suited to new organisations, single product organisations, crisis organisation and organisations that need to remain entrepreneurial (Bamford & West, 2010:339).

4.4.3.2 Centralised versus decentralised

Organisational structures simply organise the work effort required to execute strategy into value chains and appropriated business processes. Forces driving the structure differ based on the internal circumstances of the organisation as well as internal politics, executive judgements about people, reporting relationships and available skills (Thompson *et al.*, 2007:373). To support the implementation of strategy, companies must decide on the level of authority allocated to managers of business units and how much decision-making should be centralised or decentralised. The trend has been moving towards decentralised structures where senior management maintains control by limiting the empowered managers and employees' discretionary power and by having a strong focus on accountability for decisions taken (Thompson *et al.*, 2007:380).

Diversified organisations with greater complexity tend to move to divisional or multidivisional structures organised by business lines or geographic regions with divisions having their own functional support (Bamford & West, 2010:342).

4.4.3.3 Functional structures

Functional structures are the grouping of employees through function or discipline, based on their expertise and skills or resources used (Jones & Hill, 2010: 398) and support “growing business activity or volume” (Bamford & West, 2010:340). Functional structures are also used when control is more important than efficiency, as in government or public service organisations (Bamford & West, 2010:342). Functional structures have the advantage that they allow the development of specialists with expert knowledge and transfer knowledge and skills within the department increasing the technical skills base, thereby increasing the effectiveness and allowing better management control (Ehlers & Lazenby, 2010:326; Jones & Hill, 2010:399). Functional structures allow greater control over procedures and related processes and support specialisation that will improve the strategic position of an organisation (Bamford & West, 2010:341). The negative side of functional structures is that communication problems can develop as different functional areas have different goals and a different understanding of strategic issues (Jones & Hill, 2010:402, Chapter 12, ref 41). Functional structures in a particular location may not have the flexibility to respond to different geographical areas (Jones & Hill, 2010:403). In functional structures, managers must be aware of escalating bureaucratic costs that indicate problems in structural responsiveness (Jones & Hill, 2010: 403). In a functional design, the attention needs to be on the organisation as a whole to avoid functional competitions, a ‘silo’ approach, and to ensure adequate cross-functional exposure for managers (Ehlers & Lazenby, 2010:327).

4.4.3.4 Divisional structures

In a divisional structure, a central corporate office governs relatively autonomous divisions or units, which each has its own functional specialists (Pearce & Robinson, 2011:300). This structure allows the delegation of authority for strategic management (Pearce & Robinson, 2011:300).

4.4.3.5 Matrix structure

In an attempt to overcome the disadvantages of functional and divisional structures, matrix structures were created, where each employee has a functional and divisional reporting line

based on his/her specialised skills (functional) and the flow of his/her work (divisional) (Bamford & West, 2010:344).

4.4.3.6 Production team structure

This approach takes temporary advantage of the matrix structure and preserves the divisional structure (Pearce & Robinson, 2011:304). Functional managers and specialist are assigned to a new product idea and work on the total value chain, leading to quicker innovation at lower cost with fewer management levels (Pearce & Robinson, 2011:304).

4.4.3.7 Tall versus flat structures

Flatter structures are more popular than taller structures, which are often linked to the complexity of companies, are less flexible and are slower to respond to changes (Jones & Hill, 2010:384). Taller or multi-layered structures with many levels are expensive and may result in problems with communication as decisions and feedback take long to filter up and down the organisation and decisions and feedback distort due to the long chain of command (Jones & Hill, 2010:384). Top managers tend to create more of a bureaucracy as they may feel out of touch with operations and create mechanisms to remedy that, thereby creating additional work through notes, progress reports and meetings, which increase the cost base (Jones & Hill, 2010:384). A hierarchy with the least number of levels creates the most competitive advantage due to the ability to respond quickly to changes (Jones & Hill, 2010:384). Employees are empowered through allocation authority and accountability (Jones & Hill, 2010:384). The advantage of a decentralised structure is that it allows senior managers to focus on strategic issues, as day-to-day information to them is reduced, and this creates flexibility and reduces the bureaucracy as lower level managers have the authority to make decisions for areas that they are accountable for, thereby adapting better to local conditions, which removes the need for managers to manage managers, thereby eliminating a level (Jones & Hill, 2010:384-386).

The advantages of a centralised structure are better control of activities, better centralised information systems, as well as strong leadership and quick decision-making (Jones & Hill, 2010:384-386). Managers must make decisions that are all-encompassing of organisational

goals and that get a collective response from the total organisation (Jones & Hill, 2010:384-386).

4.4.3.8 Outsourcing

After the identification of value chains and business processes, management has to decide what should be performed internally and what should be outsourced in order to allow the company to outperform competitors on strategy-critical activities (Pearce & Robinson, 2011:274;Thompson *et al.*, 2007:373). Organisational structures aim to organise work and integrate functions and levels to clarify what work needs to be done to achieve objectives (Jones & Hill, 2010:380). Outsourcing streamlines internal operations and flattens structures while reducing bureaucracies and allows management to respond quicker to changes in the external environment (Thompson *et al.*, 2007:374). Outsourcing allows the organisation to focus on core competencies and support activities such as the marketing, supply chain, pension and health benefits and IT that are not company specific and are frequently outsourced (Jones & Hill, 2010:403). Functional activities are frequently being outsourced if outside providers can provide a more cost-effective service (Pearce & Robinson, 2011:275). This is also called business process outsourcing, where routine business management activities previously done in-house are outsourced (Pearce & Robinson, 2011:314). Though outsourcing can allow managers to increase their business focus and can minimise distractions, it can also obscure potential problems (Pearce & Robinson, 2011:275). Suppliers of outsourced activities can aid in the implementation of strategy as a close relationship with the supplier adds capabilities and resource strength (Thompson *et al.*, 2007:375).

Table 6: Positive and negative aspects of outsourcing

Positives of outsourcing	Negatives of outsourcing
Lower cost structure than in-house service	Loss of control over activity
Reduction in capital required to provide the service	Possible creation of future competitors
Managers can focus on important strategic activities	Loss of internal skills, creating vulnerability
Improved competitive advantage because of increased focus	Negatively perceived by market, investors and public
The expertise of the outsourcing partner	Good legal agreements for services are

allows the organisation to develop own abilities	difficult
	Risk of non-completion and underbidding by suppliers
	Fragmentation of work culture

Source: Adapted from Pearce & Robinson (2011:316)

4.4.3.9 Integration

Managers need to ensure that there is sufficient communication and coordination between departments, functions, business units and divisions to ensure that work is executed efficiently and efforts are not duplicated and that distortion of information is minimised (Jones & Hill, 2010:386). Direct contact between managers and reporting managers is necessary to set the context in order to overcome obstacles and solve problems (Jones & Hill, 2010:386). Setting context is sharing the background in which work needs to be done, problems identified and assignments given to avoid duplication of work, and lets different functions and managers see the broader picture and their own role in it (Jaques, 2006:101). The relationship between managers of equal standing and authority needs to be managed as failing to do so will send problems to the top manager for resolution, resulting in an ineffective structure (Jones & Hill, 2010:386). Shared teamwork across functions or divisions is labelled collateral team working (Jaques, 2006:101), also known as cross-functional teams with defined working relationships (Jaques, 2006:101). Multi-functional teams reporting to a single manager are on the rise (Jones & Hill, 2010:386). Liaison roles, where a manager is made accountable for coordination between functions, can also be created to communicate information across the business (Jones & Hill, 2010:386-388).

4.5 STRATEGIC AND MANAGEMENT CONTROL SYSTEMS

The concept of strategic control systems is very wide and can easily become a study on its own. The focus will therefore be on broad systems of personal control, output control and behavioural control (Jones & Hill, 2010:390). Control systems should be effective by establishing of a new target or standard, measuring and monitoring, evaluating performance and taking corrective action strategy (Thompson *et al.*, 2007:389). The intent is on whether

the control systems identified support the implementation of the strategy. Organisational control systems are internal management tools.

From the literature reviewed, it became clear that there are several views on what constitutes strategic and management control systems. For the purpose of this study, the wider view of strategic control systems inclusive of management control systems is used. In the review of the literature, control systems are divided broadly into personal control, output control and behaviour control (Jones & Hill, 2010:416), as well as management control in which other systems and mechanisms are grouped.

Table 7: Summary of views on strategic and management control systems

Control system	Bamford & West	Hitt <i>et al.</i>	Thompson <i>et al.</i> ,	Kaplan & Norton	Ehlers & Lazenby	Pearce & Robinson	Jones & Hill	Sherman <i>et al.</i>
Management controls								
Short term goals					x	x		
Functional tactics					x	x	x	
Balanced scorecard	x		x	x	x	x		x
Business re-engineering			x		x	x		x
Continuous improvement			x	x	x			
Personal controls							x	
Output controls							x	
Budgets				x	x			x
Resources			x	x	x			
IT systems			x	x	x	x	x	
Behavioural controls							x	
Rewards and incentives			x		x	x		
Policies and procedures			x		x	x		

Source: Own compilation

Management controls, output controls and behavioural controls will be discussed in the literature.

4.5.1 Defining strategic and management control systems

Hitt *et al.* (2007:339) define strategic control systems as mechanisms that evaluate the appropriateness of the organisations' strategies to the external environment and the competitive advantage sought and used to evaluate the focus on implementation requirements. Pearce and Robinson (2011:355) identify "premise control, strategic surveillance, special alert control and implementation control" as mechanisms used to implement strategy. Premise control is the analysis of environmental and industry factors on which strategic assumptions are based (Pearce & Robinson, 2011:355; Sherman *et al.*, 2006:555). Strategic surveillance monitors the internal and external factors that can affect strategy implementation (Pearce & Robinson, 2011:355). Sherman *et al.* (2006:576) see the monitoring of the external environment as separate from the internal surveillance and see the external environment focusing on competitors, industry developments, new products, new regulations, new technology, local and global economic as well as social condition changes. Special alert controls trigger the reassessment of the strategy-based events that could affect it (Pearce & Robinson, 2011:355; Sherman *et al.*, 2006:576). Implementation controls are used to determine whether the strategic plan is properly implemented (Pearce & Robinson, 2011:355; Sherman *et al.*, 2006:576). The implementation controls include monitoring strategic trusts or projects to evaluate whether the effort applied has the desired effect, and milestone reviews where progress is judged at a predetermined point to evaluate going forward or making adjustments to the implementation process (Pearce & Robinson, 2011:355).

Control systems are common in the implementation of strategy (Jones & Hill, 2010:380; Thompson *et al.*, 2007:389). It ranges from systems such as budgets to provide adequate resources for strategy implementation to the institution of policies and procedures that support strategy, management information and operational systems that allow the monitoring of the implementation of strategy and reward and incentive systems to support strategic change (Jones & Hill, 2010:380; Thompson *et al.*, 2007:389). Control systems provide management with a toolset to incentivise employees to improve quality, customer service, efficiency and to monitor and provide feedback on the achievement of goals (Jones & Hill, 2010:380) and monitor the use of current resources (Jones & Hill, 2010:388). Strategic control systems formalise what is measured, by when and how in terms of drivers required to meet efficiency, quality, innovation and customer service required to implement strategy

successfully through timeous and accurate information (Jones & Hill, 2010:388). According to Sherman *et al.* (2006:554), the benefit of control systems is that they allow managers to understand that there is a problem with the deployment of resources (human or physical) and to alert managers to take corrective action. Employee behaviour is more positive when they know that their behaviour is monitored in terms of performance levels (Jones & Hill, 2010:388).

Control systems also link to the culture of the organisation (Chenhall *et al.*, 2011:106). Formal control can help a culture of innovation as managers are more likely to realise the benefits of tools and mechanisms to contribute to innovation (Chenhall *et al.*, 2011:106). Managers are also more likely to evaluate innovate ideas against the framework of the set objectives of the organisation (Chenhall *et al.*, 2011:106). The degree of innovation impacts on the culture and how an organisation responds to the changing circumstances, and may therefore impact on the ability to implement strategy successfully.

Control systems should enable the functional areas to execute work, extend to corporate governance and focus on personal control systems (face-to-face interaction supported by performance management), output control systems (based on goals and objectives), and behavioural control systems (including remuneration and rewards) (Jones & Hill, 2010:416) and should govern the business processes used to implement strategy.

For the purpose of the study, control systems support the implementation of strategy through the monitoring of the business results and employee behaviour through resources, policies and procedures, IT systems, reward and incentive systems and standardisation of knowledge that support and motivate the behaviour required to meet the strategic objectives.

4.5.2 Management control systems

4.5.2.1 Short-term objectives

In order for organisations to successfully implement their designed strategies, it is important that long-term objectives are morphed into short-term objectives to help show managers what needs to be done. Ehlers and Lazenby (2010:338) see short-term goals as translating the vision into clear directions and actions that need to be taken. Pearce and Robinson (2011:268) define short-term objectives as “measurable outcomes achievable or intended to

be achieved in one year or less". Short-term objectives allow operational managers to set out to achieve quantified and specific operational results and are translated into action plans, activities or functional plans to support the achievement of the competitive advantage (Pearce & Robinson, 2011:268). Tactics, action plans or functional plans need to be specific, identify a clear timeframe and identify the responsible person (Pearce & Robinson, 2011:268).

Pearce and Robinson (2011:268) identified three ways in which short-term objectives can assist with the implementation of strategy. They are:

- "Short-term objectives operationalise long-term objectives" (Pearce & Robinson, 2011:268). This implies that long-term objectives are broken down into modules to ensure each module objective is reached in order to active the long-term objective.
- "Discussion about and agreement on short-term objectives help raise issues and potential conflicts within an organisation that successfully require coordination to avoid otherwise dysfunctional consequences" (Pearce & Robinson, 2011:268).
- "Finally, short-term objectives assist in strategy implementation by identifying measurable outcomes of action plan or fundamental activities, which can be used to make feedback, correction and evaluation more relevant and acceptable" (Pearce & Robinson, 2011:268).

Short-term objectives are helpful in that they help establish priorities, which can be used as a basis for resource allocation; they help in monitoring progress in achieving long-term goals and serve as checkpoints for operational and strategic control (Ehlers & Lazenby, 2010:268). It is important that short-term objectives, action plans and functional tactics flowing from it be linked to specific outcomes that must be achieved.

The short-term objectives relate to the turnaround strategies in South African gold mining in terms of cost targets and the reduction of low value assets. The improvements in mine safety and the targets set for 2008 and 2013 (Vogt *et al.*, 2011:4) to be in line with international standards is an example of broad strategic priority, which was then translated into functional tactics of being disaster free and the specific objectives in terms of fatality free incident rates for various periods for the mining industry. This was supported by the DMR functional plan of reducing fatalities and the objective of closing unsafe workplaces to reduce mine fatalities (Vogt *et al.*, 2011:4) and the success achieved from this (Patel, 2012:1).

4.5.2.2 Functional tactics

To support the short-term objectives, tactics are developed in functional areas, including marketing, finance, operations and human resource management to clarify actions required to achieve short-term goals (Ehlers & Lazenby, 2010:342; Pearce & Robinson, 2011:288). Functional tactics translate the grand strategies into what needs to be done now or in the foreseeable future and they specify what must be done to achieve short-term goals (Ehlers & Lazenby, 2010:342). Functional tactics also promote a wider understanding of the strategy as it involves operational managers in the formulation of tactics (Ehlers & Lazenby, 2010:342).

4.5.2.3 Balanced scorecard methodology

The balanced scorecard was developed by Kaplan and Norton and is a management system to implement strategies by translating them into business outputs (Kaplan & Norton, 2008:1; Pearce & Robinson, 2011:363). The balanced scorecard supports the implementation of strategy as it closes the gap between long-term goals and short-term objectives (Ehlers & Lazenby, 2010:339). It links the achievement of strategic objectives through linking performance standards to control systems (Jones & Hill, 2010:390). Bamford and West (2010:365) support the balanced scorecard approach, because, in their view, financial performance is a result of activities that people perform and not the cause. The balanced scorecard approach views the organisation from the perspectives of learning and growth, internal business, customer perspective and a financial perspective and links each to strategic objectives and measures.

4.5.2.4 Business process re-engineering

Business process re-engineering differs from programs such as Six Sigma and TQM in that business re-engineering seeks to gain a substantial improvement and to create a step change (Thompson *et al.*, 2007:399). Six Sigma and TQM are continuous improvement programs that bring gradual improvement and are often used after re-engineering to build on the base created (Thompson *et al.*, 2007:399). Business re-engineering is when activities from across functions are pulled into one single department to unify performance in one value chain (Thompson *et al.*, 2007:395). It is more a process orientation of how customers want to deal with the organisation (Pearce & Robinson, 2011:310).

4.5.2.5 Continuous improvement

Benchmarking is a process often used to determine which businesses are the best at certain things and have outstanding practices. Through analysis of data, industry best practices are determined and businesses benchmark their own performance against these to determine room for improvement and continuously improve their own standards (Thompson *et al.*, 2007:390-392). Six Sigma quality programs and Total Quality Management (TQM) are broadly recognised techniques to reduce the cost base, improve quality, defect reduction and improved customer services (Thompson *et al.*, 2007:395). Ehlers and Lazenby (2010:369) include re-engineering as part of the continuous improvement process due to the interrelatedness and complementary nature of re-engineering and TQM. Continuous improvement through the adoption of best practices improves operational performance and increases competition in order to regain a competitive advantage.

4.5.3 Output control systems

4.5.3.1 Budgets and resource allocation

Strategic change is about convincing employees to embrace the new strategy, to understand the new strategic direction, to overcome resistance and managerial leadership to convincingly communicate the new strategy and purpose thereof (Thompson *et al.*, 2007:361). To support this, a clear accountability hierarchy is required that defines all specific and managerial accountabilities and authority of the role (Jones & Hill, 2010:383). This goal can be visibly supported by a reallocation of resources, a shifting of funds and people to show commitment, catalyse implementation and give credibility (Thompson *et al.*, 2007:390). Resources can be tangible (like capital assets) or intangible. Ehlers and Lazenby, through the work of Kaplan and Norton (2004:30), define intangible assets as “human capital (skills, knowledge and talent), information capital (data basis, information systems, networks and technology infrastructure and organisational capital (culture, leadership, employee alignment, teamwork and knowledge management)” (Ehlers & Lazenby, 2010:336). Employee skills as a resource are becoming more important as we move towards knowledge-based economies (Ehlers & Lazenby, 2010:336). The allocation of financial resources in the form of an operational budget provides a framework within which managers must operate to achieve the set goals and objectives (Jones & Hill, 2010:392).

In the South African gold mines, both tangible and intangible resources are important. Tangible resources such as capital and free cash flow are limited due to escalating costs and the falling gold price, as well as a decline in the overall industry share values. Intangible resources in the form of skills are critical as the industry is unattractive to potential employees to bring in new skills and the current skilled workforce is aging.

4.5.3.2 IT systems

In the technology-driven age, electronic on-line systems to monitor operational progress are commonplace, becoming more essential and are often used for better strategy execution and to provide a competitive edge (Thompson *et al.*, 2007:402; Jones & Hill, 2010:393). Various analytical toolsets and models, such as activity-based costing to evaluate product profitability, are in use to review performance and predict customer behaviour (Kaplan & Norton, 2008: 7). Accurate electronic benchmarking systems allow for continuous monitoring of operational results and of opportunities for improvement (Jones & Hill, 2010:393). Key strategy implementation indicators must be tracked through information systems covering financial performance, supply chain data, operational data, employee data and customer data and information provided must be timeous and accurate (Thompson *et al.*, 2007:402).

Well-timed information on key strategic indicators such as customer data, operational data, employee data, supplier data, financial performance and variances to operational plan is easily identified and allows for quick corrective action to eliminate unfavourable variances (Thompson *et al.*, 2007:402). Timeous and accurate management information systems allow managers to manage variations in behaviour (Jones & Hill, 2010:393). Information systems can also help an organisation in differentiating itself from others as the information provides an opportunity to address concerns or to gain a competitive advantage (Thompson *et al.*, 2007:402). It also allows the prediction of trends to provide proactive opportunity to create supporting infrastructure or invest in employee training or recruiting (Thompson *et al.*, 2007:402). Information technology has become affordable and accessible and is used to monitor behaviour and standardise organisational knowledge, making it easier to implement strategic objectives (Jones & Hill, 2010:393).

4.5.4 Behavioural control systems

4.5.4.1 Rewards and incentives

Underpinning any strategic implementation programme are the management of change and the achievement of individual commitment to the strategy. Employee commitment to strategic change is sustained by creating motivational incentives that reward the achievement of key indicators (Thompson *et al.*, 2007:405; Jones & Hill, 2010:394). Motivating top managers and employees to implement strategy that requires risk and changes in structure, leadership and culture is difficult and incentives such as share options, restricted share plans, golden handcuffs and golden parachutes as well as cash bonuses can be used (Ehlers & Lazenby, 2010:299-301; Pearce & Robinson, 2011:280). Monetary rewards can be performance bonuses, increases, profit sharing or share schemes. Rewards must be related to strategic objectives that need to be achieved and should link to the broader performance objectives of the organisation (Jones & Hill, 2010:394). Non-monetary rewards take the form of special recognition, increased work freedom and quicker promotions, status, recognition, benefits, preferred assignments etc. (Jones & Hill, 2010:394). The key factor in reward and incentive schemes is to ensure that the correct behaviour is encouraged and that strategically relevant outcomes are achieved and the behaviour of managers and employees positively influenced (Thompson *et al.*, 2007:408; Jones & Hill, 2010:380). Reward systems and bonus plans should match the strategy of the organisation and executive compensation should take the level of strategic risk into account (Pearce & Robinson, 2011:284). Depending on the organisational culture, performance management through continuous personal feedback can be an excellent control system (Jones & Hill, 2010:388). Control systems linked to performance goals and incentive systems can motivate employees to implement strategic objectives (Jones & Hill, 2010:391). Brun and Dugas (2008:716-730) identified recognition as a key aspect in strategy implementation and retention of skills and identified four recognition practices (Brun & Dugas, 2008:716-730). The four recognition practices are existential recognition that puts people first, work performance recognition that is concerned with work and career support, dedication recognition that recognises effort and personal contribution to work, and lastly, results recognition that rewards the results achieved (Brun & Dugas, 2008:726).

4.5.4.2 Policies and procedures

Work practices and behaviour in companies are governed by policies and procedures and can either support the new strategy or be an obstacle to implementation (Thompson *et al.*, 2007:390-392). Policies simplify decision-making and empower managers and subordinates to make the right operational decisions and act timeously (Pearce & Robinson, 2011:267). New policies and procedures that support the new strategy can be created to assist in directing desired behaviour by providing top-down guidance (Thompson *et al.*, 2007:390-392). It also serves to overcome resistance as the implementations of new strategies are often linked to job losses. Part of the managerial role is the enforcing of new policies, procedures and operating practices (Thompson *et al.*, 2007:390-392).

Standardisation provided by policies and procedures assists in providing a consistent approach to strategy critical activities across geographically dispersed business units (Thompson *et al.*, 2007:391). Policies and procedures are used to standardise behaviour required to meet objectives (Jones & Hill, 2010:392) and improve managerial effectiveness as standardisation reduces routine decisions (Pearce & Robinson, 2011:276). Standardisation can extend to the standardisation of inputs that must meet pre-determined criteria; or the standardisation of output through the specification of tolerances, variances and other criteria that the final product or service must meet; or through the standardisation of conversion activities that ensure that all of the tasks and activities are performed in a similar or standardised way. Standardisation of policies includes standard operating practices (Jones & Hill, 2010:392). Standardisation aids the quality delivered by a company and ensures consistent quality (Jones & Hill, 2010:392).

In creating policies and procedures to direct behaviour, a middle of the road approach is recommended with enough policies and procedure to set a clear direction and boundaries, but few enough so that it does not become a burden (Thompson *et al.*, 2007:390-392). Pearce and Robison (2011:277) state that empowered employees act within the guidelines set. This is done by defining how things are done, encouraging similar treatment of activities, quicker decisions, guiding basic behaviour, supporting strategic change, and offering pre-defined answers to routine problems and helping managers make sound unemotional decisions (Pearce & Robison, 2011:277).

Policies and procedures influence the culture in an organisation through directing acceptable behaviour and actions. Changes in policies and procedures can therefore assist in changing the culture to that which is a better fit for the new strategy (Thompson *et al.*, 2007:390-392).

4.5.5 The strategy management office

Strategic change is a process that must be proactively managed in order to achieve the set objectives implemented (Ehlers & Lazenby, 2010: 265). A new organisational function was created to be the owner of the strategy implementation system and to be cross functional (Kaplan & Norton, 2008:18-19, 281-303; Kaplan & Norton, 2005:72-80). The office for strategy management has a threefold accountability, i.e. as the owner of the continuous loop strategy process, as architect performance management and other processes to ensure implementation, and lastly as the integrator to ensure that functional processes owned by functional heads are linked to strategy (Kaplan & Norton, 2008:18-19, 281-303; Kaplan & Norton, 2005:72-80).

4.6 ORGANISATION CULTURE

Organisational cultures have been studied thoroughly in the 1970 and 1980s and the founding work by Olian and Rynes (1991:310) and Goodman and Darr (1996:7) is utilised. The culture in an organisation is important as it can either support strategy implementation or hinder the outcome (Ehlers & Lazenby, 2010: 289). A good culture fit implies that business cultural norms and behaviours are aligned to the strategy and support execution (Thompson *et al.*, 2007:427).

The impact of culture on the implementation of strategy was identified by Olian and Rynes (1991:310) and Goodman and Darr (1996:7). Ahmadi *et al.* (2012:295) found a strong correlation between the organisational culture and the implementation of strategy. Their research found that all types of cultures influence strategy implementation; however, that range of influence is affected by the type of organisational culture (Ahmadi *et al.*, 2012:292). They also found that an emphasis on strategic objectives is important to implement strategy (Ahmadi *et al.*, 2012:292). Lawson *et al.* (2013:50) found that there is a strong relationship between the performance culture of an organisation and the alignment of an organisation with its mission and vision, the presence of transparency and accountability, and the ability of an

organisation to solve conflict (Lawson *et al.*, 2013:50). Cultures have a significant impact on corporate performance management and organisations should be aware of their cultural maturity in relation to their mission and should ensure that managers and employees understand the mission and vision conflict (Lawson *et al.*, 2013:47). In establishing a performance culture, the organisation also has to ensure the timely disclosure of information that creates a culture of transparency and accountability and also a resolution of conflict in a fair and reasonable manner (Lawson *et al.*, 2013:47).

4.6.1 Defining organisational culture

“Corporate culture refers to the character of a company’s internal work climate and personality as shaped by core values, beliefs, business principles, traditions, ingrained behaviours, work practices and styles of operating” (Thompson *et al.*, 2007:415). Pearce and Robinson defined organisational culture as “the set important assumptions (often unstated) that members of an organisation share in common” and is unique to that organisation and influences organisational behaviour (Pearce & Robinson, 2011:340). Organisational culture is intangible and is based on the behaviour, belief system, assumptions and values that employees and managers share and is expressed in traditions, legends and stories that guide decisions (Ehlers & Lazenby, 2010:292). Organisational culture includes “rules and regulations, resources, customs and practices, shared values; language, belief systems, economics, policies and procedures and traditions and assumptions” (Jaques, 2006:140). Organisational culture is founded in the shared values and beliefs that direct behaviour towards other employees, customers and suppliers and control behaviour (Jones & Hill, 2010: 394). The culture of an organisation defines how the organisation conducts business and how it treats employees and includes the values, acceptable norms and ethics for behaviour as well as group pressure to fit in; therefore, the total work climate (Thompson *et al.*, 2007:416). The intangible approach of people to their work and their general attitude reflect the culture (Thompson *et al.*, 2007:416).

For this study, organisational culture is defined as intangible and determines how organisations present themselves, conduct business and determine how people (managers, employees, stakeholders) are treated. It is formed out of shared values, belief systems, traditions, assumptions and work practices and is learned.

4.6.2 Creating organisational culture

As culture is based on business practices and manifests in behaviour, it can be observed. Culture is visible in the relationships between managers and employees that are affected by communication, teamwork and esprit de corps among employees as well as the organisation's relationship with suppliers and the community in which it operates (Thompson *et al.*, 2007:416). Culture is also visible through traditions and tales reflecting what the organisation stands for and illustrates behaviours that are encouraged as well as puts pressure on employees to live up to the traditions set by the organisation's values (Thompson *et al.*, 2007:416).

Culture is fluid and evolves as the organisation is affected by changes in the environment, management changes, profitability changes, technologies, growth, mergers and acquisitions (Thompson *et al.*, 2007:419).

Culture is perpetuated through the recruitment of new employees who fit the culture (Jones & Hill, 2010: 393). Organisational socialisation is the term used for the process by which employees learn the values, norms and beliefs, often through stories and traditions (Jones & Hill, 2010:395). According to Schein (Jones & Hill, 2010:394), the internalisation of company values by an employee as his or her own makes culture a powerful control system as employees' behaviour is guided unconsciously through values. Where there is a good culture strategy fit, peer pressure regarding business practices supports implementation and allows easier eradication of operational practices that do not support the strategy (Thompson *et al.*, 2007:427). The contingency perspective of strategy implementation argues a strong fit between the culture and strategy and managers modify systems and structures to reinforce the desired culture (Klein, 2011:24). In the general perspective of organisational culture and strategy, certain types of cultures are seen as superior regardless of the generic strategy used by the organisation (Klein, 2011:24). Employees commit to the organisational values through a process of internalisation that guides behaviour so that they are "intrinsically rewarded" for behaving within the values, and the group assumptions become their own (Pearce & Robinson, 2011:340).

4.6.3 The relationship between culture and the implementation of strategy

In an engaged workplace, where employees identify with the values and behaviours, and support the vision, strategy implementation is easier because commitment levels are high (Thompson *et al.*, 2007:427). Shirey (2011: 3) found that managing culture affects behaviour and change associated with the implementation of strategy. Klein (2011:22) explored the relationship between strategy implementation and culture based on shared features, which included environmental uncertainty and coping. The research finding supports the strong relationship between strategy and culture, and the stated cliché statement of culture eats strategy for breakfast has support for defensive, aggressive and passive aggressive cultures (Klein, 2011:25). Constructive cultures are a strategic resource as they are adaptable, flexible and positive regardless of the type of strategy deployed (Klein, 2011:25).

Organisations with strong cultures are more externally focused on markets and customers and rely less on policies and procures and monitoring to impose discipline and norms as all employees know how to act in different situations (Pearce & Robinson, 2011:340). A strong culture is deep-seated in the organisation psyche and a mismatch to strategy hampers implementation (Ehlers & Lazenby, 2010: 295). Weak cultures lack a sense of identity and do not support strategy implementation (Ehlers & Lazenby, 2010:289). Organisations with resilient cultures have traditions, stories, tales and legends that reinforce the culture (Pearce & Robinson, 2011:340).

Olian and Rynes (1991:310-311) and Goodman and Darr (1996:7) identified three aspects where the relationship between culture and strategy influences the implementation of strategy, namely acceptable behaviour, acceptable work and how work is to be completed. Klein (2011:25) added that the type of generic strategy implemented was not an important factor in explaining the impact of culture on strategy. Cultures can be categorised as constructive, passive-defensive or aggressive-defensive based on the Organisational Culture Inventory (OCI) (Klein, 2011:23). The organisational culture can be seen as a resource as it can help with the utilisation of opportunities and the neutralisation of threats and can assist in the implementation of generic strategies (Klein, 2011:24). As culture is difficult to change, the impact thereof should be considered during the formulation phase of strategy to ensure an optimal fit (Shirey, 2011:4).

Strong leadership from senior management on acceptable behaviour leads to stronger peer pressure results in a culture where behaviour and practices support the implementation of strategy (Thompson *et al.*, 2007:427). Where the acceptable work practices are strongly embedded in the culture, it is by far easier to eliminate work practices that do not support the strategy or are not aligned to operational practices strategy (Olian & Rynes, 1991:311; Goodman & Darr 1996:7). The implementation of strategy is eased through managers cultivating and supporting a culture that supports desired behaviours and work practices (Thompson *et al.*, 2007:427).

In situations where employees have incorporated the organisational values as their own and have adjusted their behaviour to align to the value system, their levels of commitment to the organisation's vision, strategy and performance parameters have increased (Olian & Rynes, 1991:310; Goodman & Darr, 1996:7). This alignment between employees and the organisation improves the employees' perception about work and results in increased effort on behalf of employees to implement strategy and improve operational performance (Thompson *et al.*, 2007:427). The alignment of values of the individual employees with the organisation creates a common language and base and individuals are more committed to the organisation and to help it succeed (Jones & Hill, 2010:393). "These aspects of culture strategy alignment say something important about the task of managing the strategy execution process: Closely aligning corporate culture with the requirements for proficient strategy execution merits the full attention of senior executives" (Thompson *et al.*, 2007:427).

The intent is to create a culture that results in a work climate and behaviours that implement strategy and move away from actions that will harm strategy implementation (Thompson *et al.*, 2007:427). Where there is a good strategy culture fit, employees feel more engaged in their work and perform better in a generally more positive environment (Thompson *et al.*, 2007:427). Adaptive cultures allow organisations to respond easier to changing environments and introduce changes to strategy and operations (Jones & Hill, 2010:397). Jones and Hill (2010:397), through the work of Peters and Waterman, identified three sets of common values for successful organisations. Firstly, successful organisations have an action-orientated approach that allows innovation, autonomy and entrepreneurship (Jones & Hill, 2010:397). Secondly, the business model is based on the mission, reflecting core business expertise and thirdly successful organisations put people first as productivity is gained through people (Jones & Hill, 2010:397).

4.6.4 Strategy culture conflict

In situations where there is a poor fit between the strategy and the culture, implementation is difficult and resistance to change common (Thompson *et al.*, 2007:427). Managers do not commit fully to a strategy that is not supported by the culture (Thompson *et al.*, 2007:428). Misalignment between culture and strategy needs to be resolved through a change process that drives cultural change as best possible to ensure that the strategy can be implemented (Thompson *et al.*, 2007:427). Culture can be a valuable asset to implementing the organisation's strategy if the values and behaviours entrenched support the strategy (Jones & Hill, 2010: 394). The resolution of a culture-strategy mismatch can be through the revision of the strategy, but mostly through the development of new work practices and behaviours that support the implementation of strategy (Thompson *et al.*, 2007:428). Implementing a strategy that is not aligned to the current culture and requires extensive cultural change is difficult as it requires large changes in management employees (Pearce & Robinson, 2000:427).

Changing an organisation's culture is a very difficult task as current behaviour is entrenched and people in general are suspicious of change (Thompson *et al.*, 2007:428). "The single most visible factor that distinguishes successful culture change efforts from failed attempts is competent leadership at the top" (Thompson *et al.*, 2007:429). Dysfunctional culture impacts negatively on the ability of an organisation to perform well and is noted through strong internal politics, focus on policies and procedures and limited attention to people (Pearce & Robinson, 2000:424). After senior management has identified dysfunctional parts of the culture and defined new culture and behaviours, they have to gain commitment to change and instil new behaviour to replace unwanted behaviours through examples by senior management supported by middle managers and supervisors (Thompson *et al.*, 2007:428). Unhealthy cultures have a silo approach, resist change and do not adopt best practices (Ehlers & Lazenby, 2010:295).

4.6.5 Managing the strategy culture relationship

To achieve the desired change and pursued opinion leaders, it is necessary to explain the reasons for change, how current behaviours and practices oppose the achievement of the new position and explain how new behaviours and practices are introduced as well as their benefits (Thompson *et al.*, 2007:430). The strategy culture relationship should link the

context of the strategy to the mission, with senior management reinforcing the message and associated change followed by using internal personnel that represent change to implement strategy and amend reward systems to support strategy (Pearce & Robinson, 2000:425). The focus should be on changes that least suits the current culture as this encounters resistance (Pearce & Robinson, 2000:425). A strategy-culture fit that is close-fitting aligns behaviour by creating structure and standards through value-driven informal rules (Ehlers & Lazenby, 2010:296).

Culture change required	High	1 Changes linked to mission and organisational norms	2 Reformulate strategy or large scale organisational change
	Low	4 Reinforcement of culture and focus on synergies	3 Manage around culture
		High	Low

Strategy culture fit (Change in current culture required)

Figure 10: Managing strategy-culture relationship

Source: Pearce & Robinson (2005:301); Ehlers & Lazenby (2010:297)

Addressing strategy-culture fit should be followed by forceful action as defined by Thompson *et al.* (2007:431) below:

1. Replacing senior management that are not supporting the new strategy and changes.
2. Creating role models of the new behaviour by promoting people who possesses it.
3. Creating new breed managers by appointing outsiders with the right attributes to key positions.
4. Screening new appointees to ensure that all new appointees fit the new culture.

5. Compulsory culture training for all employees to learn and understand the new culture and behaviours.
6. Focus on implementation of work practices and desired behaviour.
7. Incentive schemes that support the new changes.
8. Reward desired behaviour through pay increases linked to change.
9. Change policies and procedures to support change.

These steps should be supported by executives leading by example, creating new traditions and celebrating change successes, as well as creating a set of symbols to support change (Thompson *et al.*, 2007:432).

4.6.6 Values and ethics

Strong core values and a code of ethics are culture shaping and therefore many organisations have adopted formal values and a code of ethics (Thompson *et al.*, 2007:434). A shared value base and ethical framework create shared beliefs and principles between the organisation and its employees and a common understanding of how business is done. (Thompson *et al.*, 2007:435). In organisational change involving people, alignment between the values of the individual and the organisation is important (Ehlers & Lazenby, 2010:269). Clear values and ethical codes ease the implementation of strategy as they guide behaviours and let employees know what acceptable codes of conduct are (Thompson *et al.*, 2007:436). Core values and ethical standards are building blocks for the culture and form the cultural norms (Thompson *et al.*, 2007:436). Values are recurrent in the form of advertising and letterheads, and create a new language centring around the values (Pearce & Robinson, 2000:419). Thompson *et al.*, (2007:43) have suggested the following steps in order to form cultural norms:

1. Employ new employees only when they fit in with the organisation's values.
2. Induct and train employees and managers into the values of the organisation as well as the code of ethics.
3. Senior management must reiterate the importance of values and ethical behaviour in internal communication.
4. Judge the appropriateness of policies and procedures against the organisation's values and code of ethics.

5. Include behaviour aligned to core values and ethical conduct in performance management.
6. All levels of management and supervision should give continuous focus to the importance of values and ethics in their areas.
7. Encourage peer pressure to support the value-driven behaviour and reprimand out-of-values behaviour.
8. Recognise and reward individuals and groups that live the values.
9. Establish ethics enforcement processes.

The benefits of cultural norms founded in core values and ethics are that it validates the integrity of the organisation and steers employees towards desired behaviour as well as creates a shared consciousness of what is appropriate (Thompson *et al.*, 2007:437). The relationship between culture, ethics, values and leadership is inter-related and depending on the types of culture, the relationship can be moderating or mediating (Klein, 2011:25). The successful implementation is based on the balance between these areas of structure, systems and culture (Jones & Hill, 2010:380). It can be concluded that there is a strong relationship between the leadership of an organisation, how it is managed and structured, the control mechanisms used and the culture of the organisation. All these impact on the implementation of strategy.

Based on the researcher's experience, there is a strong culture in the South African gold mines. This is rooted in a combination of difficult underground operational conditions, a strong regulatory framework to comply with and a historically high risk high reward approach to mining. Historical results in mine safety compared to international standards, together with the agreed tripartite alliance to improve safety, links to the culture of risk taking.

4.7 FRAMEWORK FOR STRATEGY IMPLEMENTATION

From the review of the literature, the researcher proposes a structure for strategy implementation as illustrated in the figure below.

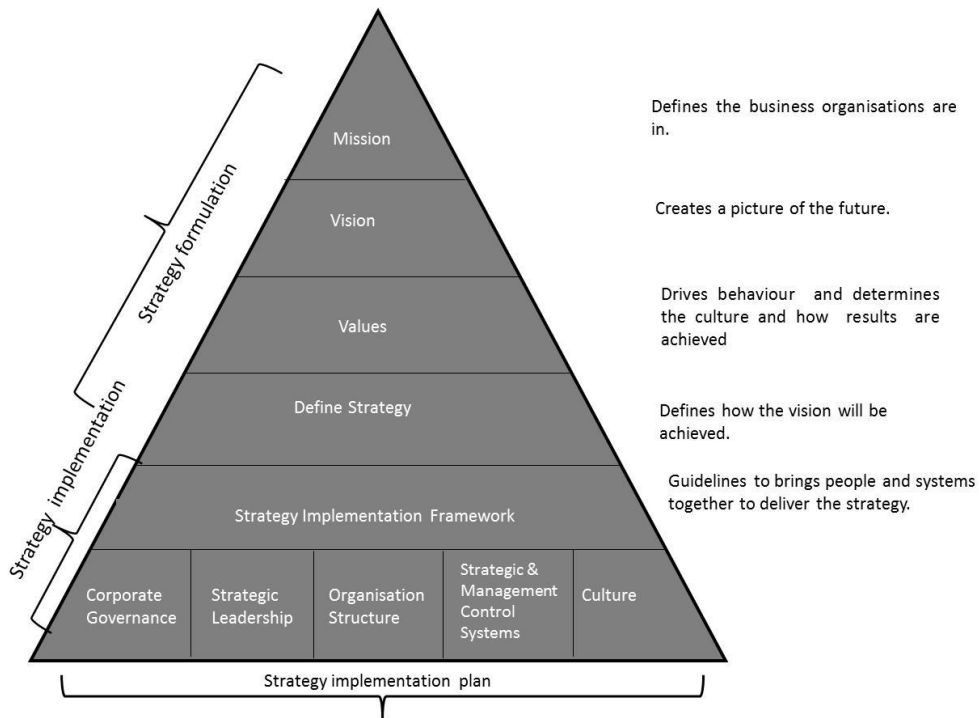


Figure 11: Business structure for strategy

Source: Own compilation: Concept adapted from AngloGold Ashanti business framework

Figure 12 below proposes a structure for the implementation of strategy in the South African gold mines.

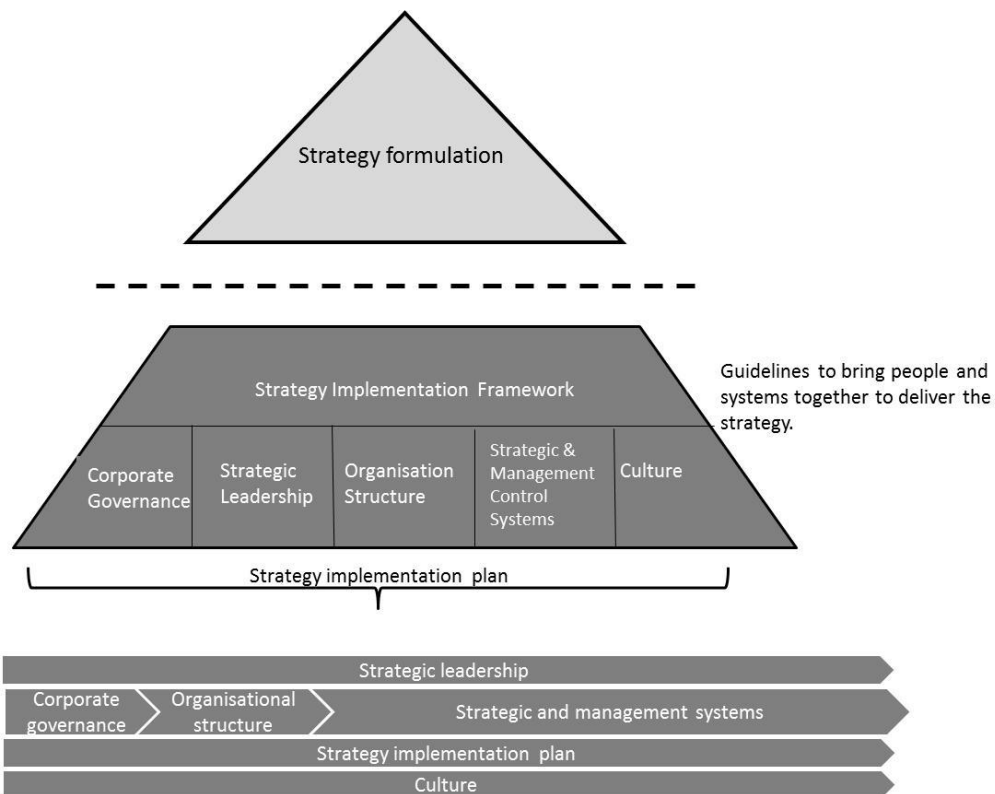


Figure 12: Business structure for strategy implementation

Source: Own compilation

Corporate governance and ethics are important in the implementation of strategy. The behaviours of the organisation and its employees must promote the best interest of the stakeholders and specifically support the interest of shareholders in achieving sustainable return on investment. Corporate governance aligns to strategy implementation as strategic control mechanisms are used to govern performance (Jones & Hill, 2010:363; Kaplan & Norton, 2008:149)

Strategic leadership drives the implementation of strategies. Senior management and middle management assist with the implementation of strategy. Executive leadership outlines what is required in terms of strategy implementation and gives guidance to management on the implementation. Leadership drives values, ethics, behaviour and culture that are inter-related and influence the successful implementation of all strategies and strategic change.

Organisational structures that are appropriate to the strategy ensure a good fit between the organisational architecture and strategy to be implemented. Appropriate structures add value and allow the right work to be completed. Appropriate structure provides clarity on roles, tasks, accountability and authority and supports the implementation of strategy.

The intent of control systems should remain the achievement of strategic objectives and the implementation of strategy. The translation of strategic objectives into short-term objectives, functional tactics, balanced scorecards or any performance management mechanism is suitable as long as it complements the implementation of the strategy. With all control systems, it remains critical that managers manage the employees and not the system as over regulated systems lead to the development of bureaucracy eroding the organisation's competitive advantage (Jones & Hill, 2010:393).

Organisational culture is intangible and includes the entrenched shared behaviour, values and beliefs. Culture is visible in control systems such as policies and procedures and how organisations deal with discipline. It is inter-related with values and ethics that stem from the governance system, strategic leadership, organisational structures and control systems.

4.8 CONCLUSION

In conclusion, the literature showed that strategy implementation includes corporate governance, strategic leadership, organisational structures, strategic and management control systems supported by organisational culture and a strategy implementation plan. Corporate governance is a cornerstone of strategy implementation (Jones & Hill, 2010:363; Kaplan & Norton, 2008:149). The importance of strategic leadership and the total senior management team in the implementation of strategy are supported by the work of Kaplan and Norton (2008:20-21), and Ehlers and Lazenby (2010:289). Senior management determines culture (Jones & Hill, 2010:395; Thompson *et al.*, 2007:416), organisational structure and the structural design that guides the delegation of authority and accountability, which, in turn, influences culture, linking structure and culture (Jones & Hill, 2010:396). Successful strategy implementation requires a good strategy-culture fit. Control systems contribute to the implementation of strategy through management control systems, personal control systems, output control and behaviour control systems (Jones & Hill, 2010:416). The translation of the objectives into a strategy implementation plan creates a basis for successful implementation.

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5 CHAPTER 5: EMPIRICAL RESEARCH

5.1 INTRODUCTION

Gold mines in South Africa have experienced challenges on various fronts in the last couple of years. The profitability and sustainability of the industry are under threat due to the decline in net gold production and escalating costs (Bauzus, 2011:1; Cohen & Burkhardt, 2013:1). Other factors contributing to the decline are the fall in the gold price and the decline in share value, as well as increased wage demands and demands for social upliftment.

During 2012, the gold price started to slide sideways and began its decline, and by March 2013, had reached the longest month-on-month decline in sixteen years (Denina, 2013:1).

In 2012, Gold Fields lost 16.5% of its share price, AngloGold Ashanti lost 23% and Harmony 22.9% (MacKay, 2012:1). After further reductions in share prices early in 2013, McKay (2013:1) identified the reduction in share price and loss in the value of gold mining companies as the downturn in the mining cycle.

This makes effective strategy implementation to reposition at lower gold prices and maintain sustainable profit vital. As previously identified, strategy implementation is seen as having the key components of corporate governance, strategic leadership, organisational structures, strategic and management control systems and culture.

5.2 RESEARCH QUESTION AND CONTEXT

The goal of the study is to explore strategy implementation in the major South African gold mining organisations. This is done by developing a strategy implementation structure based on strategy implementation literature and then testing the actual perceived implementation of strategy in South African gold mining against the structure, determining gaps between theory and practice.

The following secondary objectives will be explored:

- Explore whether the main elements of strategy implementation as described in theory – corporate governance, strategic leadership, organisational structure, strategic and management control systems and culture – are present and used in South African gold mines.

- Explore awareness of corporate governance to act in the general interest of all stakeholders.
- Explore whether strategic leadership is seen as part of strategy implementation.
- Explore whether the structure supports the implementation of the strategy, or whether structures have been adjusted to support strategy implementation.
- Explore whether the strategy is supported by strategic and management control systems to support the implementation of the strategy.
- Explore whether changes to the organisational culture are imbedded through shared beliefs and values, and whether the beliefs and values support the strategy, thereby managing the strategy-culture fit.
- Explore the degree of use of strategy implementation plans.

Research was completed with the major groups within the South African gold mines, specifically with gold mining operations in hard rock, deep level mining. Participants from AngloGold Ashanti, Goldfields, Sibanye Gold and Harmony were interviewed and their responses and perceptions studied. To protect the identity of individuals and organisations, organisations are identified in the analysis as organisations A, B, C and D. Participants were also treated anonymously.

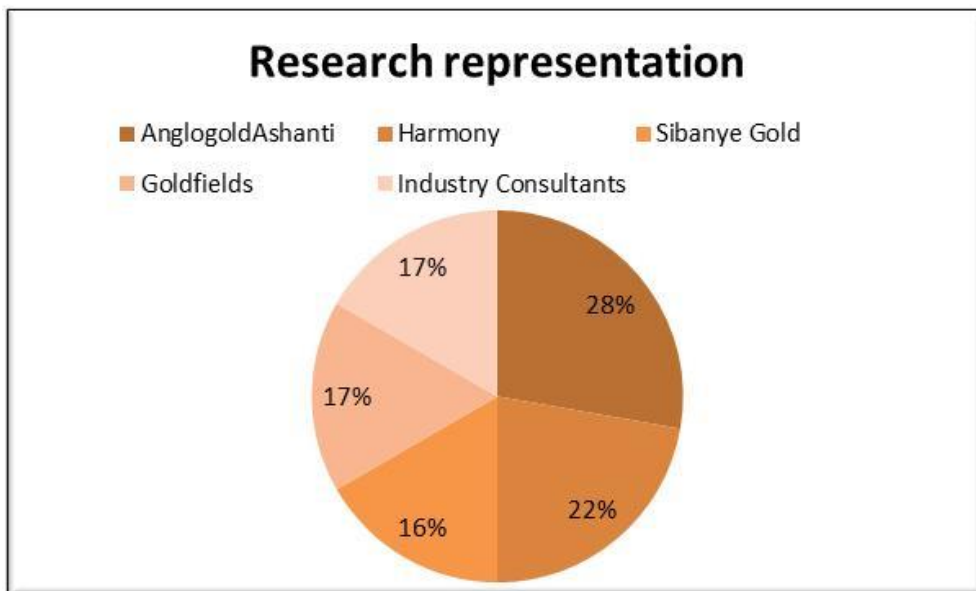


Figure 13: Research representation of South African Gold Mining organisations

Figure 13 shows the representation of participants from the South African gold mines interviewed. This representation excludes the focus group of six participants interviewed. All

managers were part of management teams where the number of employees exceeded 5 000 people.

5.3 RESEARCH METHODOLOGY

5.3.1 Research approach

The approach followed is that of qualitative research. The qualitative research approach followed is that of exploratory research, allowing the researcher to gain an understanding of the meaning individuals or groups assigned to the problem; in this case, exploring the strategy implementation in South African mines (Creswell, 2009:4). Qualitative research was chosen to interpret the complex nature of strategy implementation. Qualitative research is sensitive to the context, interpretation and the perspectives and perceptions of people involved (Yilmaz, 2013:313). The inductive reasoning analysis allows for analysis without predetermined categories (Yilmaz, 2013:313) and searches for patterns in perceptions and interpretation.

The interviews were based on open-ended semi-structured questions and observation is by means of field notes that capture as much detail as possible. The researched used prompting questions to further investigate responses based on the answers provided.

From the literature review, a structure for the implementation of strategy was developed from work by various authors and best practices identified. This structure was explored through discussions with individuals involved in the practical application of strategy. Interviews were then transcribed and analysed and themes and patterns grouped (Creswell, 2009:15). In the analysis of data, themes and practices were analysed and themes and practices within the industry identified and then the gap between industry practices and the structure was identified.

5.3.2 Paradigm perspective

The paradigm is a conceptual framework that implies shared beliefs in a research community that influences how we see things (Thomas, 2010:292). Worldviews can be divided into ontological, which looks at the reality of nature, epistemological, which looks at the relationship between the researcher and the research, and methodological, which looks at the

process of research (Creswell, 2007: 6; Yilmaz, 2013:316). Creswell (2007:6) added axiological, which looks at the role of the values that the researcher brings to what is being researched; as well as rhetorical, which evaluates the style of research writing in the first person (Yilmaz, 2013:316). The methodological worldview is used in this research.

5.4 RESEARCH DESIGN

The empirical research is discussed in terms of the research design, sampling, recording of data and analysis thereof.

Yilmaz (2013:312) defines qualitative research as “an emergent, inductive, interpretive and naturalistic approach to the study of people, cases, phenomena, social situations and processes in their natural settings in order to reveal in descriptive terms the meaning that people attach to their experiences in the world”. As strategy and strategy implementation are sensitive topics, the qualitative research approach was deemed best as it is sensitive to interpretation, context, perspectives and perceptions (Yilmaz, 2013:313), and is suitable to explore the implementation of strategy in South African gold mines.

The research approach was to collect data by means of observation notes and interviews with individuals in their natural settings, which are mines and mining offices (Creswell, 2009:175). This implied that the researcher was central to the process, as she personally collected data and concentrated on understanding the significance that participants attach to issues (Creswell, 2009:175). The researcher looked at the gold mines to understand the “how” and “what” of strategy implementation, rather than the quantification of the process (Yilmaz, 2013:317). The inductive analysis approach was followed where the research moved between the data from transcribed interviews and themes to ensure that a comprehensive understanding of the implementation of strategy in the South African gold mines is reflected (Creswell, 2009:175) through thorough descriptions of the purposefully selected small sample representing gold mining management (Yilmaz, 2013:317).

5.4.1 Sampling and participants

Participants were selected based on the organisation that they work for, their position in the organisation and their involvement with the implementation of strategy. The selection criteria were as follows:

- Professionals from the gold mining environment.
- Senior managers (occupying positions in the mining Patterson grading system of E band with selected D uppers based on the role).
- Willingness to participate in the research after discussing the purpose and process of the research.
- Consent to record the interview with the researcher.
- Time availability of management to conduct the interview.
- Professionals who are willing to be observed during the performance of their daily work-related activities.

The table below shows the number of interviews conducted. A total of 22 interviews were conducted inclusive of a focus group. Additional details are available in Addendum 10.

Table 8: Summary of interviews conducted

<i>Organisation</i> <i>A</i>	<i>Organisation</i> <i>B</i>	<i>Organisation</i> <i>C</i>	<i>Organisation</i> <i>D</i>	<i>Industry</i> <i>consultants</i>	<i>Total</i> <i>in</i> <i>focus</i> <i>group</i>	<i>Total</i>
5	4	2	4	3	5	23

As can be seen from Table 8, all of the mining organisations were interviewed and managers interviewed were purposefully selected based on their seniority and were involved with the implementation of strategy. Care was taken to avoid studying the so-called backyard (Creswell, 2009:177) by not selecting managers in direct relation to the researcher. Industry consultants and focus groups were used as part of the verification strategy. Industry consultants were interviewed as they work across the organisations and have a broader view that can be used to increase the validity. Focus groups were interviewed in addition to individual participants in order to cross-check findings and increase rigor. The approach to sampling was that data saturation will determine sample size; therefore, the research process continues until no new themes appear.

Table 9: Overview of participant profiles

Participant Profile		Including Focus groups	
Item	Category	Frequency	Percentage (%)
Gender	Male	19	79%
	Female	5	21%
Age	21-30	0	0%
	31-40	10	42%
	41-50	8	33%
	51-60	6	25%
Qualifications	Bachelors degree/ Diploma	24	100%
	Honors Degree	13	54%
	Masters / Doctorate	8	33%
Management qualification	Intermediate management diploma	2	8%
	Management Development Program	11	46%
	MBA / MBL	5	21%
Experience	<5	1	4%
	5-10	3	13%
	11-15	4	17%
	16-20	6	25%
	20+	10	42%

5.4.2 Establishing research roles and research settings

The data collection process was by means of interviews in the natural environment of the participants and interviews took place on various mines and site offices, mostly in the office of the interviewee. Holding the interviews in natural settings had the advantage of seeing participants act within their familiar context (Creswell, 2009:175) and contributed to many instances of extensive post-formal interview discussions on the implementation of strategy in South African gold mines.

The researcher established her role through an initial phone call to explain the research and to check the willingness and availability of the participants and to establish a rapport. This was followed by an introductory e-mail, as per Addendum A, sharing further context and also questions to be asked when an appointment has been set, at the convenience of the participant. Interviews were held at the convenience of the participant, which resulted in interviews on mines and at mining offices, which is their natural work environment. The researcher followed an interview protocol of standardised semi-structured questions, with probing questions (Creswell, 2009:183). This required security access to be arranged as the

environment is secure, due to the nature of mining gold. Since a rapport had already been established with participants through telephone calls and e-mails, all were helpful in arranging access and providing directions.

5.4.3 Data collection

The data collection process consists of several steps, starting with the purposive selection of participants. The purposive sampling strategy consisted of evaluating data on electronic networks such as LinkedIn and through gaining information about shared mining forums through the Chamber of Mines. Forums such as the Production and Mine Managers Forum, the Human Resource Practitioners in South African Mining and the Administrative and Financial Managers forum contain details in order to identify suitable candidates for the research. Purposive sampling is used to ensure that the participants selected can assist in answering the research question (Creswell, 2007:118; Creswell, 2009:178).

In order to increase validity, the data collection, semi-structured questionnaire was developed and tested through a pilot study. The results of the pilot study led to some refinement of the questions and a series of prompting questions that can be asked to stimulate the conversation. The detailed interview questions with prompts can be seen in Addendum 5. A key feature in qualitative research is the gathering of information by the researcher and by talking to people within the context of research (Creswell, 2009:175). The table shows the semi-structured, open-ended questions that were used in the interviews.

Table 10: Semi-structured interview questions

1.	What links are there between the organisational strategies and shareholder expectations of long-term sustainable growth?
2.	How do you see the role of management/leadership in implementing strategies?
3.	How does the organisational structure support the implementation of the strategies?
4.	How do various systems within the organisation support the implementation of strategies?
5.	How does the culture or climate in your organisation influence the achievement of strategies or objectives?

6.	What approach do you follow to implement strategies?
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The interview process started with the researcher being warm and friendly towards the participant and used open body language. The researcher used minimal verbal responses such as “mm-mm” and “uh-huh” and non-verbal gestures such as a nod of the head and leaning forward will be used to give assurance to the participant that the researcher is actively listening and to avoid bias. This should also encourage the participant to talk more. Clarification was used to ensure a better understanding of the researcher and to show active listening. The researcher reflected what was said back to participants to ensure a correct understanding and to allow for clarification or expansion on a train of thought. Paraphrasing by rewording thoughts ensures a shared understanding by both participant and researcher. The researcher also used pauses in the conversation without responding, which often led to participants expanding on their comments. Prompting questions were asked to encourage further comments on a topic. Open-end questions such as “you mentioned...” or “can you expand...” were used. After each question, the researcher will summarise to ensure that the important themes that appeared were captured.

Observation notes were made during the interview to capture the thoughts of the interviewer and researcher and to describe the “who”, “what”, “when”, “where” and “why” of the semi-structured, one-on-one interview. Research notes extended to theoretical notes, which were made after the interview in an attempt to identify patterns and themes in the interview. Methodological notes were captured and refer to reminders, instructions and critical remarks intended for the researcher.

5.4.4 Recording of data

The researcher also developed a form to capture the supporting background information and data required for the study, as can be seen in Addendum 4 (Creswell, 2007:118).

Each interview started with the researcher discussing the informed consent form with the participant. The participant was asked to sign the informed consent certificate to indicate his or her willingness to participate and to give permission for the interview to be recorded. The informed consent form is included in Addendum 2, and the certificate of

consent in Addendum 3. The confidentiality and anonymity of participants were ensured and data, interviews, transcriptions and notes were stored securely to ensure the participants' right to privacy. The interview data was recorded digitally by using Livescribe, a pen and notebook that record the voice data and interview notes and are unobtrusive. A voice recording cell phone was used as back-up for recordings and the MP3 files later transferred to the computer before transcribing. All interviews were transcribed into verbatim scripts and stored electronically on a secure server.

The multiple sources of data (both voice and researcher notes) were stored electronically as Livescribe files and MP3 computer files. The researcher wrote electronic field observation notes directly after each interview and these files were stored electronically. Signed consent certificates and background information were digitally scanned and are also saved as electronic documents on a secure server. Themes were mapped on the Mindjet MindManager 2012 software. Multiple sources of data were used to gather information and include interviews, focus groups and observation notes.

5.4.5 Data analysis

The data analysis process started with the researcher re-reading all the interview notes and making verbatim transcripts of interviews. This allowed a general sense of interviews and allowed the researcher to reflect on the overall interview depth (Creswell, 2009:185). This allowed the researcher to pick a base interview and map topics, categories and responses to semi-structured, open-ended questions and to perform a preliminary analysis. The coding framework was a combination a predetermined codes (based on the theoretical structure for strategy implementation) and codes emerging from the interviews (Creswell, 2009:187). The researcher frequently did coding and data quality checks throughout the analysis to ensure the dependability of the analysis.

The content analysis consisted of cross-interview analyses and the mapping of topics and categories as well as the frequency that a theme occurred. After this part of the analysis, the researcher went through the transcripts of interviews again and selected responses that can be used as quotations to support the rich detail.

The themes identified were analysed against sub-groups. The sub-groups included the interviews with industry consultants and the focus group discussions. Pattern differences and similarities between sub-groups and main respondents were analysed. This analysis was done as part of triangulation to ensure credibility.

The description of the themes occurred by means of a narrative path to convey findings (Creswell, 2009:189). Responses were selected from interviews to support the themes and used in the detail analysis to the point of data saturation and a discussion of interconnected themes.

As a final step, the themes identified were mapped against the theoretical strategy implementation framework identified previously and gaps identified to increase credibility. The gaps between theory and practice were then discussed.

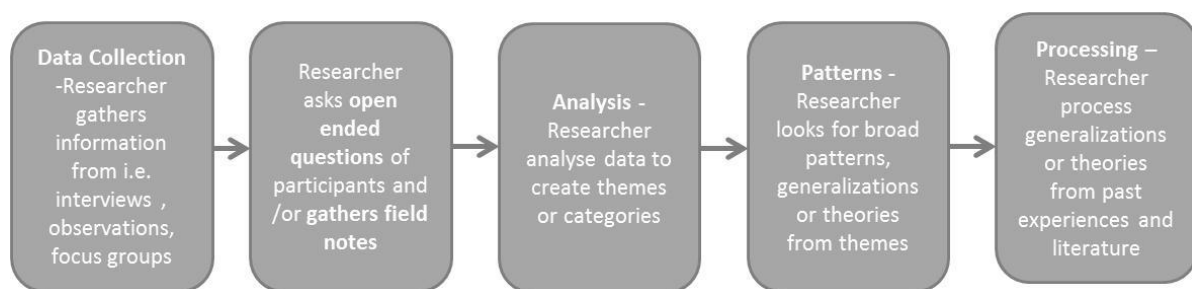


Figure 14: Inductive logic of a qualitative research study

Source: Adapted from Creswell, 2009:175

5.4.6 Ensuring data quality

Qualitative research needs to ensure that the research is valid and reliable and criteria for the standards for evaluation of the completed research are referred to as rigor (Morse *et al.* 2002:14). Qualitative validity is ensured through the establishment of set procedures (Creswell, 2009:190) and the accuracy of the research data (Yilmaz, 2013:318). Qualitative reliability refers to the consistency of the data obtained using the same research instrument, under the same conditions with the same subjects (Creswell, 2009:190; Yilmaz, 2013:317). Validity and reliability are closely associated with quantitative research and Creswell

(2009:319) states that qualitative research needs to be judged on its own terms. Validity is judged through the credibility of data (Yilmaz, 2013:319).

In 1985, Lincoln and Guba (as cited by Yilmaz; 2013:320) determined that qualitative research rigor is judged through credibility, transferability, dependability and confirmability. Credibility is the truth value (in quantitative research) and believability of the research by participants (Yilmaz, 2013:320). Credibility is determined through the following as defined by Miles and Huberman (Yilmaz, 2013:319): (1) context-rich and detailed description, (2) plausibility, (3) triangulation leading to converging conclusions, (4) linkages to categories of theory, (5) coherent and systematic approach to findings, (6) clarification of guiding principles used, (7) defining uncertainties, (8) looking at negative cases and counter explanations, and (9) participants considering findings to be an accurate or coherent explanation, or not.

Transferability (external validity in quantitative terms) is the ability to transfer findings to parallel settings by using thick descriptions (Yilmaz, 2013:320). The researcher used responses in the form of quotations to support themes. Dependability (quantitative reliability) is the clear and audited research strategy, with methods and procedures and judged through (1) a clearly defined research question, (2) defining basic paradigms or constructs, (3) describing the researcher's role and status in the site, (4) were data collected across the full range of setting suggested by the research question? (5) coding and data quality checks, (6) meaningful parallels across data sources, and (7) peer reviews (Yilmaz, 2013:320). To support the dependability, the research question was clearly defined, the role of the researcher described and data collected over a wide range (Yilmaz, 2013:320). In addition, coding and data quality were checked regularly during collection and analysis, meaningful parallels drawn across data sources and finally peer reviews were used to cross-check findings and increase dependability (Yilmaz, 2013:320).

Confirmability is the ability to interpret data through a clear analysis free of bias (Yilmaz, 2013:320). Confirmability was ensured by having the interviews professionally transcribed and then rechecking the transcriptions for obvious errors (Creswell, 2009:190). The researcher frequently went back to the coding as established and rechecked for consistent application across the process (Creswell, 2009:190).

To ensure quality and uphold research principles, the researcher incorporated the following methods:

- Pre-pilot testing of questions to eliminate uncertainty in interpretation and to test plausibility of questions, as well as evaluate links to theory.
- Pilot interviews were held to give the researcher the opportunity to gain interview practice and to assess the research timetable.
- The research process was meticulously described to ensure clarity of processes and methods.
- Comprehensive observation notes were written after each interview and interview notes were taken to add additional details and support the researcher's recall of the interview.
- Findings were reviewed with participants and peers to ensure believability and increase truth value.
- Established a verification strategy of using thick, rich detail to increase validity and also triangulation of checking findings from consultants and focus groups to the findings of individual participants.
- The findings were verified with participants.

5.4.7 Ethical aspects

The research was conducted in an ethical manner with the researcher being upfront about the research theme, intent and nature of the study, participant selection and research methods and written consent obtained prior to being interviewed. The researcher treated personnel with dignity and respect and maintained the confidentiality and anonymity of all participants. The researcher was also watchful of socio-demographic and individual differences among participants, such as language, age, gender and race and the researcher did not discriminate against any person. All participation was voluntary, and all information will be regarded as confidential and treated as anonymous to protect the identity of participants. Any company-specific information obtained or company-specific trends identified through research will be kept confidential, and companies will be referred to as company A, B, C or D. Further information linking participants to organisations is available in Addendum 10. Job titles are not revealed, but all participants are part of senior management on mines or in the regional/corporate offices.

5.5 RESULTS

The results reflect the analysis of the interviews. The emergent themes were analysed and mapped using Mindjet MindManager Professional and will be discussed. The demographics of the sample will be discussed in terms of showing the experience level, age, qualifications and management-specific qualifications of the managers interviewed.

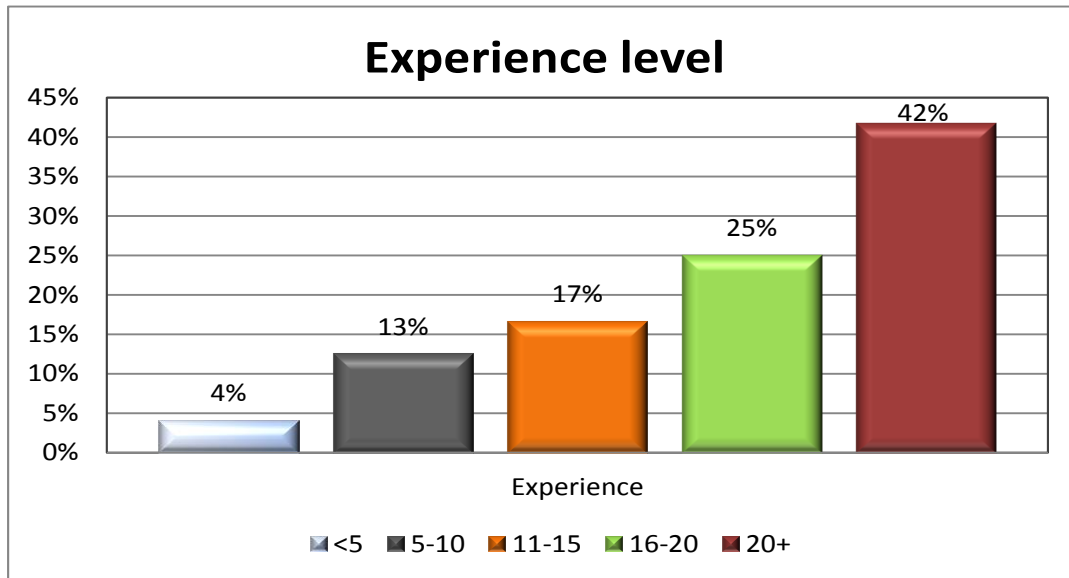


Figure 15: Experience level of managers

Experience levels vary from three years to 34 years in the mining industry. This shows that 83% of the participants have more than 10 years mining industry experience. The average experience level in the mining industry is 19 years.

Figure 16 below shows the age distribution for managers, with a total of 75% of managers being younger than 50 years old.

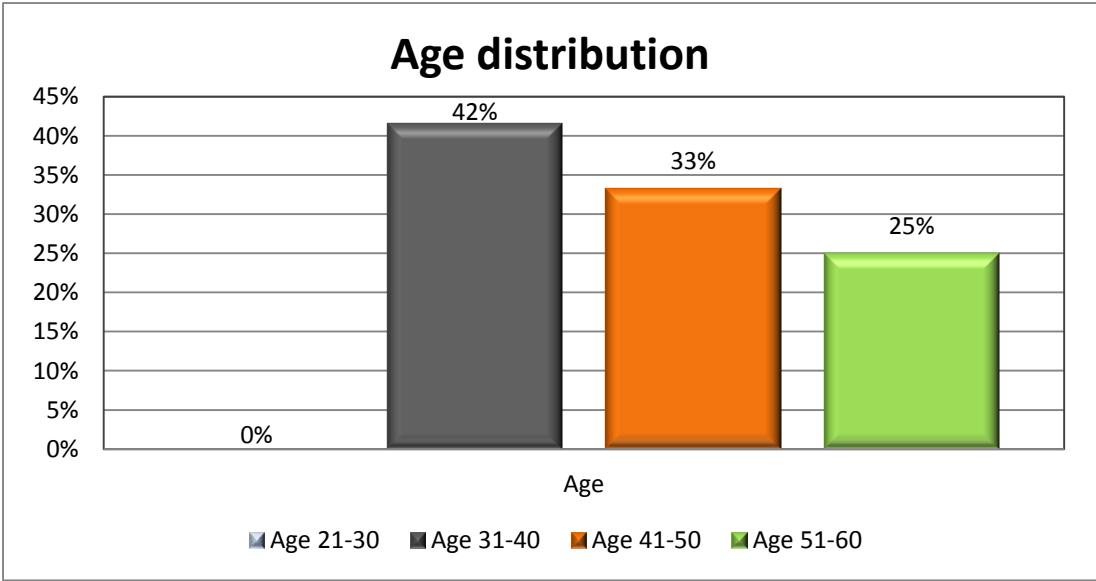


Figure 16: Age distribution of managers

As can be seen from the age distribution graph, the majority of respondents (42%) are in the age group between ages 31 and 40.

Educational levels vary. All participants have a degree; thirteen participants (54%) have honours degrees; and eight (33%) of the participants have master’s or doctorate degrees.

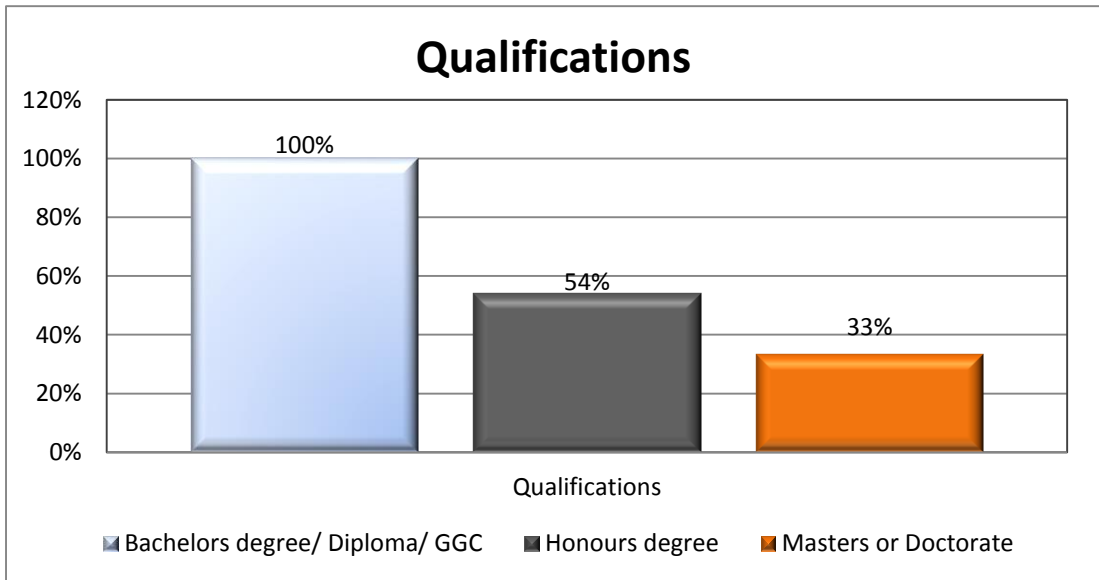


Figure 17: Highest qualifications of managers

Table 11 below shows that 79% of the interviewees have management qualifications in addition to technical, academic qualifications. Forty-six percent (46%) of managers hold a

management development programme qualification (MDP), which is a mining-specific qualification presented through various universities considering broader management topics. A further 21% of managers have a Master’s degree in Business Administration (MBA) or master’s degree in Law.

Table 11: Additional management qualifications of managers

Intermediate management development programme	Management development programme	MBA / MBL	Other	Total
8%	46%	21%	4%	79%

The educational levels and additional management qualifications show that all participants are well qualified and, based on management qualifications and status in the organisations, it can be assumed that they have a theoretical understanding of the implementation of strategy.

5.5.1 Findings

The data analyses centred on the main themes of corporate governance, strategic leadership, organisational structures, strategic and management control systems and culture. Findings on each theme are shown below.

5.5.1.1 Corporate governance

The main themes that were identified in terms of corporate governance centred on the drive for shareholder value, mechanisms to ensure sound business decisions and corporate-driven governance. From the table below, it is clear that corporate governance is interpreted in various ways, with key sub-themes presented below.

Table 12: Variations in the interpretation of corporate governance:

Themes	Associated meaning/explanation	Focus group	Consultants	Total
<i>Generation of shareholder value</i>	Strong awareness of expectations of shareholders of returns on funds invested and goal to create value.	1	3	11
<i>Mechanisms to ensure sound governance</i>	Business planning and life-of-mine process are ingrained in the industry as are widely viewed as sound governance practices.			9
<i>Driven by corporate office</i>	The corporate offices and board of directors are seen as drivers of shareholder and board expectations.	1	1	7
<i>External environment</i>	The external environment is extended to the wider stakeholder base, including government, communities and unions.	2		7
<i>Mining cycle</i>	The repetitive mining cycle of cash conservation and growth reoccurs historically			4
<i>Dynamic strategy adjustments</i>	Strategy adjustments based on changes in the external environment to quickly adjust strategy			5
<i>Growth and sustainability</i>	Growing the business and sustaining a profitable future		1	3

It was evident that the main focus is on the *generation of shareholder value* through return on investments. Mining plans are designed with shareholder value in mind and there is good consideration of relationships with shareholders. The same mining plans are then used as *governance mechanisms to ensure* that the interests of shareholders are protected and to ensure that strategies are focused on returns aligned to life-of-mine planning. The mining plans are also used by corporate office to align the shareholders and board expectations. The board of directors and corporate office are seen as closer to the shareholders, and alignment

to mining plans is *driven by corporate*. There is a separation between business units (mines) and corporate office.

The following quotes¹ show the orientation towards the generation of shareholder value:

“As far as the shareholders’ expectations come, I mean obviously they go for growth. And then the dividends that come along with their shareholding, as far as we go or the company as such, our strategy is for the mine to actually achieve that growth for the shareholder and obviously to pay the dividends as and when it becomes available cause as long as you do not pay the dividends your shareholders will not continue supporting you. So our strategy as far as I am concerned is totally in line to achieve those expectations from the shareholders.” (Participant 8)

“So on the outcome when you go through your strategic selection process one of the points to consider is shareholder or stakeholder expectation, right, so I think a lot of companies what they do is in their iterated strategy setting cycles is they pick up shareholder expectations, they get on standard. They do road shows they do conferences and invest a lot of time with the shareholders, you know? And I think that reflects in their analyses which then define strategy setting. I think that that is the direction of the linkage, then it is the case of translating to some extent what the shareholder wants in terms of what we achieved. Yeah, some companies would go all out to satisfy the shareholder.” (Participant 10)

Consultants had broader views on the generation of shareholder values, and though agreeing on the generation of shareholder wealth, there is more focus on the longer-term growth and sustainability, which lack in the responses of other participants. Conversation in the focus group also showed that the timeframe focus in terms of shareholder returns has shifted. The following quotes show the views of consultants towards the generation of shareholder value:

“If you look at organisational strategy in terms long-term planning, especially in the industry, industry usually, up to a couple of years ago, had a much longer-term view of growth investment etc. What I have, what I think has happened over the last couple of

¹ Please note that, although the quotes were language edited to remove obvious linguistic and/or spelling errors, they were to some extent left unedited – this was done to maintain the authenticity of the utterances.

years, is that the nature and the kind of shareholder that, you know, get in the industry is much more orientated towards shorter-term profits so they are not really that keen on long-term clients and long-term investments. Waiting too long for returns on investment, which do force the organisation into a shorter-term view; to me it should not be exclusive. I think you can still have shorter-term deliveries, but the moment that you actually start changing your strategy to a much shorter-term strategy without discounting the longer-term issues, I think you start running on thin ice.” (Participant 15)

“Okay, the first link is probably the shareholders’ expectation that there will be growth so therefore the board will then put together the strategies so the link between the board and the shareholder is the first link; after that, it will be the board, the shareholder with the organization through stakeholder relationships and stakeholder contacts. So the confidence level will then be created by the board and then the board will have to see that the organisational strategies will have to be translated, in order to achieve those. But there is another link, so there is a business link for growth, but the sustainable issue lies within “can I as a shareholder be associated with that type of business?”, i.e. fatality rate... diamonds or that sort of stuff so the organisation will also have to satisfy the shareholder that there is growth within the organisation that I can invest in, but it is also the type of industry that I can be associated with in terms of their practices in terms of how they do their business. So that will bring the sustainable side into call so that sustainability is really the true stuff, it is economical in value.” (Participant 17)

The entrenchment of business plans and life-of-mine plans as part of normal business governance mechanisms is shown by the following quotes:

“From the pathway to value, you are cascading and you bounce back from financial directives and look at what is not good enough, cut your cost, look at the ounces on the table”. (Participant 2)

“There are various vehicles to do that. There is the pathway to value, which is held annually. I won’t call it a strategy session, but where the business units come along and say what we can do. That is then evaluated against the yardstick that the board has put into the ground.” (Participant 3)

The following quotes show the drive by corporate office:

“Your Excom level is obviously in corporate office and there is the direct link between the executives with shareholders. The guys at business unit level, I don’t think they even know who shareholders are and I think there is no connection with shareholders on business units except the connection between business unit and corporate.” (Participant 1)

“I would say there is, you know, I think at operational level it is not always clear for the, the people on operations. There is a link, but definitely, if you look at the, you know, the corporate directive and drives, you know, if they have a proper business plan it will be in light of shareholder expectations because they are much closer to the shareholders than the operations are. So basically for me the whole planning cycle return in mind, it is informed by what the shareholders expect you know it is about return investment that is the drive.” (Participant 11)

Themes that appeared regarding the *external environment* were mentioned with specific consideration of the wider stakeholder base, including specifically government and political pressures, unions and labour relations and compliance to the social and regulatory environment. Responses centred more on responding to the environment than anticipation of the external environment, thus being reactive.

“If one invests as a shareholder in an organisation, the environment where the organisation is operating in terms of the relationship between your communities and labour relations, and at the end of the day, remember that shareholders are more about money, but also in terms of the strategy. Will I get my return back? Basically, I would say “normally”. The organisations are looking at anything between 15 and 20% returns, you know, so that is more important, that is how I see the links.” (Participant 12)

Minor themes that appeared are the mining cycle, dynamic strategy adjustments and a sustainable future. Analysis showed participants are aware of the *mining cycle*, seen as cash conservation and then growth, followed by cash conservation. It is repetitive and cyclic in nature, and seems to be brushed off as part of normal business. Despite consideration of the

external environment, *dynamic strategy adjustments* in response to mining changes are very limited. The reference to a *sustainable future* and growth was very limited.

5.5.1.2 Strategic leadership

From the interviews, the strong interlinks between strategic leadership, culture and organisational structure appeared. The themes emerging from the analysis are differences in the role between senior and middle management in the implementation of strategy, strategic leadership and values, the level of understanding regarding strategy, including communication around strategy as well as the authority to implement strategy.

Table 13: Themes in strategic leadership

Themes	Associated meaning/explanation	Focus group	Consultants	Mines
<i>Role of senior management</i>	Senior management consist of the top and senior management team, board and regional executive teams that set the tone and direction of the organisation and lead strategy implementation.	1	2	12
<i>Role of middle management</i>	Middle management is the link between senior management and the delivery of strategy.	1		13
<i>Leading by example</i>	The example set by leadership in terms of acceptable behaviour and values that influence culture	Yes = 3, No = 3, try to = 8		
	Values forgone	1	2	8
<i>Level of understanding</i>	The context set by senior management to ensure that strategy is understood and can be translated into performance steps to implement the strategy	1		9
Sub-themes				

<i>Communication</i>	The need for managers to inform people about the strategy that must be implemented			9
<i>Authority</i>	The authority given to make decisions and implement strategy			9

From the analysis, the *role of senior management* is seen as to create strategy. Formulate, own, envision, and set direction are terms used to describe the role of senior management. The role of senior management appears to stop at creating the strategy, and strategy implementation is passed to middle management. Senior management is considered the executive committee and corporate or regional corporate offices, depending on the organisation. This is illustrated by the following quotes:

“These roles of senior management are very clear in that they have to really link up with the strategy and the strategy has to link up with the outcomes, and the operational requirement would have to be in place to achieve these outcomes and senior management or the leadership will be the ones that will have to make these strategies.”
(Participant 2)

“For me, senior management need to chart the course, okay. They need to be thinking the strategy, they need to be understanding what the key drivers to that strategy are and I see it on management as the execution, you know, of the strategy, you know.”
(Participant 11)

Consultants viewed leadership as a compliance mode, rather than transformational. This is illustrated by the following quote:

“Huge absence of leadership and the presence of management in the sense of complying rather than mobilising and transforming. So we are striving to comply rather than striving to achieve a strategic objective.” (Participant 17)

The *role of middle management* is seen as implementation and to operationalise the strategy. *Middle management* must take ownership of the strategy and translate the strategy to lower

levels to ensure a consistent understanding of what must be implemented. The accountability for successful implementation seems to be with middle management. This is illustrated by the following quotes:

“Mid-management is responsible for taking down goals, management strategies, whatever; they are also responsible for delivering on the goals” (Participant 1).

“They are the ones that should operationalise and make sure that expectations are rolled down to the lower levels.” (Participant 2)

“To understand the broad framework, but within it do it that way, that way which allows for better execution as middle management”. (Participant 4)

“And then there is a transition almost from leadership into management when it is time to execute.” (Participant 7)

“Your middle management is the guys with the most pressure. It is the guys that sit with top management from above and guys below them and subordinates that most execute work instructions.” (Participant 9)

“The role of management on operational level is to understand what we want to achieve and they need to ensure that people at the bottom, you know, in the shaft floor, have the same understanding.” (Participant 11)

“Because I think your middle management are your key drivers, eventually, for the day-to-day things and if there is a barrier or a lack of commitment you won’t get it.” (Focus group member)

The connection between strategic leadership and culture becomes clear during the analysis of interviews in terms of *leading by example*. The role of senior management is to drive culture, through determining the values of an organisation (Jones & Hill, 2010:395; Thompson *et al.*, 2007:416). The example set by management must show commitment to values and beliefs through their behaviour and work practices, thereby cultivating the desired culture. The focus

group concurred with the findings, as did some consultants. The following quotations illustrate:

“In certain instances, there are managers that I can look up to and say that they really do. But they are human beings and human beings tend to default back to nature; well, things don’t go so well.” (Participant 2)

“There is a huge cocktail of culture in the organisation; old culture, new miners. I always say I do not change culture, but it is an oxymoron as my work is to change culture. The only way to change culture is to change culture. You know how you change culture? You have to do. Add new systems, new ways.” (Participant 4)

“The programme is quite good and it is on autocratic process transformation. I think if you look at the mining industry, most of us, our tendency is naturally towards the autocratic, whereas, you know, people want more for us to transform. You know with the idea, that depending on the situation, you need to move that leadership style of yours. But there is more of a tendency for transformation in that autocratic leadership creator.” (Participant 7)

“Yeah, I won’t make an example for, but one thing I have seen, big people saying things that they are not supposed to or doing things that are not supposed to be done by the big bosses, you know. (Participant 12)

“Although there is a central intention, like I said, senior managers or leaders at various sections will give adverse influence at culture because of their own preferences and their own perceptions and their own needs” (Participant 16)

The focus group agreed with other participants on examples set by leadership. The following quotation illustrates:

“Yeah, you get top management to believe in the strategy and implement the strategy but usually your lower management, your middle management at some stage, they just see it as another window dressing exercise.” (Focus group member)

Senior managers imprint their values and beliefs on the organisation through their behaviour and actions (Jones & Hill, 2010:395), thereby affecting culture. Strategic leaders should *lead by example*. The analysis showed that values are forgone when there is production pressure. The perception of positive intent in attempting to drive values fades and behaviour is perceived as reverting to past autocratic behaviour. The perception that values disappear in light of production pressure is present in all organisations. In organisations A and B, participants went as far as to say that safety as a value specifically falls away. The following quotations highlight:

“So, yeah, I think and then it doesn’t matter what systems you got in place, it doesn’t matter what safety value is portrayed, production must come first.” (Participant 1)

“In instances where things are not okay, I think , we tend to, they forget and we forgo those values.” (Participant 2)

“But people tend to forgo their values when pressure is on, especially in the production side and they want to meet the target. They forgo their values very easily to make sure that they meet production targets.” (Participant 3)

“I believe so and obviously when there is pressure on them, especially like the current gold price as such, then one tends to very quickly fall back to the old style of autocratic enforcement of production. I know it is not popular to say it, but then safety takes a second place; because tons have got to come at any price.” (Participant 8)

“I don’t think the intent is to disregard the values system, but circumstances mount pressure.” (Participant 9)

“I think it gets left alone because we are always chasing the hard stuff and thinking that the soft is not that important.” (Participant 10)

“Okay, you practice it to a certain extent where things are going smoothly, you practice it probably 100%. The minute the things start to go wrong, that is where this whole caring-responsibility thing collapses.” (Participant 14)

As part of translating strategy into required performance to achieve the strategy, strategic leaders must set appropriate strategic context. This entails creating a *level of understanding* of the strategy, to facilitate implementation. The analysis showed the perception that some senior and middle management does not have the appropriate *level of understanding* of strategy. Consultants agreed with this. The lack of *level of understanding* cascades with the perceptions that production levels and D band and below employees do not understand strategy; just targets and goals. The focus group supported this perception. The following quotes illustrate:

“From about a year ago, especially in light of the turbulence in the external environment, I think we have not had a very clear strategy and in that light I think that understanding has dropped. In the early days, when things were easier, people knew. But now, in the last little while, things changed, I think that when you now ask senior people what is the strategy for South Africa you will get various answers.” (Participant 4)

“Yeah, I think you know, you struggle to get a good understanding of the strategy past a D upper level, which is the up skill of the mining because then it becomes targets, goals and it becomes very short term it becomes your weekly things your monthly your daily targets.” (Participant 5)

“Very few of them, I wouldn’t even slice it down because I wonder if the top level also understands the strategies.” (Participant 10)

“I think that is about, you know, Mancom level. I think the point that the communication stops is because people aren’t clear on what probably the strategies are that they must implement. First of all, there is that clarity of the actual strategy that must be implemented, then that is not communicated down correctly to the people and then that is the gap, obviously, that I am talking about in terms of understanding exactly what has to be done. You know, if you say this, it is said between Exco and Mancom there is a bit of a gap already and as it goes down, information gets lost. Or not lost, distorted.” (Participant 14)

“The mine captain level, I don’t think people understand strategy until that level. Maybe, maybe and maybe D upper and above people will take time and say, okay what is our company’s strategic objectives for the next five years.” (Participant 6)

“I think it falls away at the senior, already at the senior management level already it fades away. Where it should really translate throughout the organisation.” (Participant 17)

Communication is an important part of strategic leadership, affecting culture and the understanding of strategy. The *communication* process is formal, through structures and communication channels, but not personal *communication* from leadership. The analysis shows that managers must inform employees about strategy, but that *communication* centres around process rather than content. The focus group identified barriers to communication. The following quotes illustrate:

“Obviously, they would have their workplace meetings in the morning before they go underground, obviously where all the important information is shared. We have our shaft communication sessions.” (Participant 13)

“We have expected them to inform employees of what is happening and I think with the changes in the mining environment, it is clear if you don’t engage with your actual employees or find a platform how to do that, and obviously get some feedback from them, in terms of large organisations, you often tend, if there is a disruptive nature, your company or your organization is severely impacted.” (Participant 7)

“There is a communication breakdown within the mining industry; it gets to certain levels, but that is where it ends, so the skills are there but the strategy and implementation, it is just communication. I think there is a big communication gap.” (Participant 14)

“There is that barrier I would say. It depends on who you talk to, but in my mind, I think there is a divide. I don’t think it even ends at middle management, I think it goes all the way down.” (Focus group member)

Part of strategic leadership is the creation of structures to implement strategy, and giving authority is an enabler to get the required performance. The following quotes on authority levels are provided to illustrate this point:

“I think they do, yeah, but again there are undermining factors.” (Participant 1)

“Yes and no. Yes in a sense that some managers, depending on their level, have the prerogative to implement and they implement whatever they want. The no part is that often you have to consult for certain decisions that you want to take.” (Participant 2)

“I think that there is a certain presence of authority that has been taken away, which has now gone into a corporate office type accountability and what it has done is it has limited the authority to a certain extent what the general manager is able to do in terms of strategy implementation and decision-making; the decision-making still happens, it happens at higher levels, which just adds a lot of bureaucracy in the process.” (Participant 5)

“Not at all levels; there is still a lot of bureaucracy in the company’s structures and red tape.” (Participant 6)

“People in management positions are not allowed to make decisions. They are given instructions.” (Participant 9)

“That is a difficult question. In terms of authority, well we are given the guidelines to implement it so, yes in a certain way they do have the authority to implement it, but obviously under the guidelines from Exco.” (Participant 14)

The focus group could not come to a conclusion, as they were divided on whether authority should be taken or given.

5.5.1.3 Organisational structures

Organisations are a combination of people, management and structures. Organisational structure is used to structure the effort of work to implement strategies. Structures include

layers, skills and expertise. People represent the skills and expertise required to implement strategies, and management the relationship between components.

The main themes that emerged from the analysis regarding organisational structure centred on whether structure supports the strategies, role clarity, authority and hierarchies. Sub-themes appeared to centre on the people component of organisational structures, specifically pertaining to skills and the right people to implement strategies.

Table 14: Themes in organisational structure as a component of strategy implementation

Themes	Associated meaning/explanation	Focus Group	Consultants	Mines
<i>Structure supporting strategy</i>	Structures are revised to support the implementation of strategies.	1	2	9
<i>Role clarity</i>	People in management roles are not clear on what is expected of them.	1	3	8
<i>Authority</i>	People are empowered to make decisions or not.		1	6
<i>Hierarchy</i>	Hierarchy refers to the layers or levels of management within an organisation.	1	1	11
<i>Right people to implement strategies</i>	Refers to people with the right skills and abilities in the right positions to implement strategy.	1	3	9
<i>Skills</i>	The skills set required to implement the mining strategies successfully.	1	3	7

Structure is not revised to support strategies, but is revised as a response to economic pressure. *Structure-supporting strategy* fails, as it is not revised to support implementation, nor is structure resourced to support strategies. Attempts at change are overcome by regressing to legacy structures. As structures are rigid, new work is forced onto old

structures, and therefore the strategy changes, but the structure remains the same. The consultants and focus group supported this. The following quotations demonstrate:

“You do your strategy sessions every year, and you don’t change your structures every year” (Participant 13).

“Look, I think that is often where some of the gaps are, that we come up with very good strategies, but you don’t resource it.” (Participant 7)

“Unfortunately, organisations do not work that way, we have rigid structures and try to feed the work to the structures and make it work. Based on the number of restructurings that we have had, I think that there is a realisation that the structure needs to follow the work. The part we don’t do well is when we restructure; we don’t explain the linkage.” (Participant 4)

“Not at this stage. I think it is actually, I think it actually hinders us a bit and hence the reasons why we see some of the moves that are taking place by the CEO to say that what it actually requires in this type of environment, where we are in. It is financial pressures; there are political pressures; there are all these compliance pressures and all of those kinds of mean that a business is actually quite agile and what this requires is that decisions can be made fairly quickly, but not under and in no way giving away the quality of those decisions.” (Participant 5)

Perceptions on *role clarity* varied with most people in management roles not clear on what is expected of them. In organisations B and C, there is more clarity, and past work routines and Key Performance Indicators (KPIs) dictate roles. Role clarity on lower levels is clearer, as work is more routine and often driven by production targets. The focus group and consultants agreed with the lack of role clarity. The following quotations demonstrate:

“It becomes a bit fuzzy on the on the high levels of management, because I think almost everything becomes your role and your accountability. You know, on an Exco team I am not able to say, you know, this issue of the costs spiralling out of control is not my issue, because I am a human resource manager, you know. You’re looked at as the

Exco team as accountable for all of that and the total performance of the business unit.”
(Participant 5)

“Personally, no, I don’t think everyone knows. For that matter I do not even think that the middle management is totally aware at this stage. They are totally aware of what their position is. I have got to make a very, what do you call it, an observation or a statement, but maybe a controversial one. I think the lowest level might be more aware of what their accountability is than middle management.” (Participant 8)

“No, my personal opinion is I believe there is still a lot to be done in role definition, making each person’s role definition clear and defined.” (Participant 14)

“With things changing all the time, I think it is more chaotic; the people know even less about what they are supposed to do.” (Focus group participant)

Perceptions regarding levels of *authority* varied from a definite lack of authority to partial authority. People are empowered to a degree, with more authority, to make decisions in organisation B. Organisation C gives authority, provided that decisions are within the stipulated framework. In organisations A and D, authority is not given and decisions are taken through consultation or authority can be taken away. The following quotations illustrate:

“It is tough for me. I think it is “phone the top guy first.”” (Participant 2)

“I think that there is a certain presence of authority that has been taken away, which has now gone into a corporate office-type accountability and what it has done it has limited the authority to a certain extent; what the general manager is able to do in terms of strategy implementation and decision-making, the decision-making still happens, it happens at a higher levels, which just adds a lot of bureaucracy to the process.”
(Participant 5)

“It depends on the time. You know, certain authorities, you know, when times are tough, you know, certain authority is taken away from people because, and for the same reason I mentioned, not everyone understands what the strategy is.” (Participant 11)

Some consultants indicted that the bureaucracy of processes is the problem, not authority *per se*:

“I don’t think authority is the problem, I do think that they have the authority that they need but in any strategy change there are certain processes that need to be adapted, so if we can distinguish between red tape and authority, there is a difference between those two.”

Strong multi-level *hierarchies* are a legacy in South African gold mines. Organisation B has succeeded in moving to fewer layers or levels, resulting in quicker decisions and the better empowerment of individuals. The following quotation illustrates:

“I think , in Organisation B, yes we are, we are leaners in our organizational structures and I think therefore certain actions do move faster and yeah, given this flexible gold price, you know, we felt that faster and weather the storm” (Participant 7)

Organisation C has streamlined their *hierarchy* by eliminating multiple levels or layers and is progressing towards a more effective structure. Organisations A and D are perceived by participants as top heavy, with rigid structures and cross reporting. The quotations below express their views:

“By just breaking through the hierarchy it makes it easier, as I believe that hierarchy is crippling the organisation. So if I can break the hierarchy, I have an easier organisation and should be able to achieve better results.” (Participant 4)

“Unfortunately, organisations’ do not work that way, we have rigid structures and try to feed the work to the structures and make it work.” (Participant 4)

“But the more approval levels you have to go through, the less quickly decisions can be made and sometimes it creates a hell of a lot of confusion, which leads you to sometimes questioning the quality of the decision. The decisions that have been made, you know, because you find that the more bureaucratic it is, the decisions are actually being made by people that are quite distant from where the decision is actually linked.” (Participant 5)

“And there is a lot of layers and there is a lot of cross reporting that inhibit, you know, the flow and the delivery thereof, which is something that we are working on specifically in discipline X” (Participant 11)

“Hmm, the thing is that we need a flatter structure to get the objectives; it will help with that workflow we were speaking about, if we can take out, you know, a line of management, it will help.” (Focus group participant)

Organisation B has the least bureaucracy, though some is still evident. Organisation C is attempting to streamline their bureaucracy, although the current process is still onerous. Organisations A and D have more bureaucracy, as perceived by participants. The consultants and the focus group agree that legacy hierarchies are a problem. The quotations below express their views:

“The bigger the organisation gets, the slower the machinery, as more people are necessary to oil it. Bureaucracy is there in terms of systems and processes, but also in terms of culture. That is where leadership needs to do things and to recognise what needs to be done; our organisation is like government. ” (Participant 4)

“No, I don’t think it really supports it and the reason why I say so is, again, going back to the deep hierarchical structures in our industry, I think you have multiple layers where certain layers become obstacles, blockages, bottle necks, whatever, in the implementation and management of strategy.” (Participant 15)

Right people to implement strategies refers to having the right people in the right positions. The general perception is that organisations have the right people, or partly the right people. Though technical *skills* are strong, management *skills* and human resources *skills* are perceived to be lacking. Existing skills are not used optimally and legacy skill sets are common. The following quotations are used to illustrate:

“You know, so for me, it has worked you know often we get branded, we get siloed. We can only do that, so therefore, within a team, there is not actually that who is the

right or the talented person who should be taking this for us and drive it, that exists.”
(Participant 7)

“I think what we have done is that in the last twenty years we have forgotten to develop management, we have forgotten to give supervision, we have got a lot of leaders they are all starting to get a bit grey now. Those are people who picked up management as they went along and we have got still a workforce, we have got operators that are, well, still they really are top notch but we haven’t given our mid-management that skill for their jobs.” (Participant 10)

“I think so, it is just a question that I think we just need to wake up to the reality that business is not the same as usual cause what informs change in structures, is if the game plan changes and the game plan has changed.” (Participant 6)

“I think people have been selected correctly but communication, there is a communication breakdown within the mining industry, it gets to certain levels but that is where it ends, so the skills are there but the strategy and implementation it is just communication I think there is a big communication gap.” (Participant 14)

“Yeah, I do. But then they need to be empowered and I also think that we also have lots of people in the wrong places not doing the right thing.” (Focus group participant)

“I think so and maybe I am an optimist in a certain way, I do think we have the right people. I also think we have the right people with the right kind of capacity and who may have skills that they have developed over time that may with tweaking here and there can effectively do that, but it requires somebody to actually make sure that there is coming back, they need to know what the real role is about and then actually making sure that it happens and it goes right down to strategy implementation and making it work.” (Participant 15)

“It is vital; one of the biggest things that we find that people complain about, managers and leaders are actually the skills. But there is also a duality in that on the one hand they complain that the skills are not up to standard, yet on the other hand the organisations won’t want to invest to up-skill people. To get them on the right level, a

major portion of feedback or what we hear from organisations is that the skills, the hard skills are not up to standard. The soft skills are absent and that personal discipline of people is not what it used to be in terms of dedication to work; personal needs are put ahead of organisational needs.” (Participant 16)

5.5.1.4 Strategic and management controls systems

Strategic and management control systems are a combination of management control systems (goals, tactics, scorecards, and continuous improvement), output control systems (budgets, resources and IT systems) and behaviour controls (rewards and incentives, policies and procedures). These mechanisms or systems are management tools used in implementing strategy.

Table 15: Themes in strategic and management control systems

<i>Themes</i>	Associated meaning/explanation	Focus group	Consultants	Mines
<i>Management control</i>	A combination of control systems and mechanisms that include goals and tactics, scorecards, re-engineering and continuous improvement that monitor business results and alert managers to take corrective action.			7
<i>Output controls</i>	Control mechanisms such as budgets, resource allocation and IT systems that monitor progress and alert management			5
<i>Behavioural controls</i>	A combination of rewards and incentives and policies and procedures that are used to monitor employee behaviour and positively influence it.	1	3	11

South African gold mines are a mature industry and the analysis showed that most participants believed that there are good and effective *management controls* in place, but they can still be improved upon. The following quotations illustrate:

“We have fairly solid systems, and it is in a transformation phase, some systems must morph – some systems you must kill.” (Participant 4)

“I think the facilities are there to be able to do that, the systems which will be able to show you where your problems are, so I think I am quite comfortable from a system point of view; yeah, we are equipped to be able to implement the strategy of Organisation D.” (Participant 11)

“I do believe it is in place, maybe not always functioning 100% as it should, but I mean we work on it and obviously identify where the problems are and address them as quickly as you can.” (Participant 13)

The analysis indicated that there is not adequate communication on strategic objectives and that communication on strategic objectives, goals and tactics is through normal meetings. The following quotations demonstrate:

“In my humble opinion, you have to prompt yourself to get the information and take effort to get the information. We can really improve on the strategies getting everybody on board as these strategies change year in and year out. For higher people it is easier as we get the information in meetings and so on, but for lower people it is really difficult.” (Participant 2)

“That normally is a conversation that then goes into the business plan for consideration to actually put the plan on the table and that again some of the top goals are communicated.” (Participant 7)

“We have got sessions and that are old things that still are in place which I don’t think will fall away because it is important where the VP would take all the C band C uppers and up once a month early in the morning, I mean, it is 6 am, for half an hour to share the information and obviously present the performance of the units and the operation and that is held monthly. We have got quarterly sessions where it is the bigger teams, we have got a communication department and all communication goes through the communication department.” (Participant 13)

The analysis indicated that the output controls in place are centred on budget and resource allocation. Most participants agree that there is a degree of budget flexibility, but that the flexibility involves making the best choice in terms of how to allocate scarce resources. The following quotations illustrate:

“It is difficult, there must be governance, and you have contingencies to take care of things. But basically you must fund your changes.” (Participant 3)

“Every company has, that’s what budget is, the choice between opportunities. That’s open budget. It says I have one hundred alternatives; which ones are most important? I put the money to those, and the ones that are not important, you don’t put money to. So it is really not do you have funds available but what we choose to put that funding to.” (Participant 10)

Behavioural control includes the rewards and incentives to support strategic change. In South African gold mines, this is a result of performance management, as well as policies and procedures that improve standardisation and allow managers and subordinates to make the right decisions and act timeously. The analysis revealed that incentives are not seen as a positive behaviour changer and is perceived as unfair, as per the extract below:

“Hardly, yeah we talk about caring for one another and what else is it, but yes we do it to a certain extent, but more in a punishing mode than in a what did you call it, in an incentive mode in the mining industry.” (Participant 14)

Further exploration of rewards and incentives opened the topic of performance management and the analysis revealed that performance management in South African gold mines is perceived as ineffective. This is partially due to a lack of ownership by line managers of the performance management process and also due to an ineffective “tick the box” process. Consultants and the focus grouped shared the view. As per citations below:

“What I must say you know it is style driven so you get a notification and say, you know, listen guys, remember in the next three weeks we need your papers. So then everybody rushes and does it and then you are constantly reminded of listen you need to do it and get the outcomes and discuss and so. I don’t think it happens

spontaneously; it is more of a yeah now corporate wants it or Corporate office wants it, so we need to do it.” (Participant 1)

“On mine X, I would give it a four out of ten. Simply because people don’t do it properly. There is not enough, there is not enough thought and effort put into performance management.” (Participant 5)

“So you see, that is why I am saying I don’t think it is doing justice to the intended purpose, yeah I think it is just doing for the sake of we have done that. (Participant 6)

“We try to translate it through the use of balanced scorecards, but that in itself has truly become ineffective because what we do is we count the balanced scorecard on a thousand items, so we have a state of the art system, governed by state of the art procedures, you will find on the globe a really, really, good application and it gets used because it has to once a year. As opposed, because we are too busy producing you see to use performance management.” (Participant 10)

“But it is because we are the *manne*, you know, it is part of this tough industry and that works under these tough circumstances and for that matter we are this brotherhood that actually belongs together, right? But whether that is necessarily conducive to management subordinate kind of relations to work towards performance and objectives, I am not always sure that that is the case. Right, that is why you get the situation of people being excused endlessly for bad performance and nothing takes place. Right, so it is kind of a protective environment as well for under performance, that is why I say in a funny way, it is a caring culture. But it is also a culture that is not necessarily to the advantage of the industry, due to the fact that we can’t get rid of dead wood.” (Participant 15)

“Current practice people use systems to manage people mostly because it is a comfort zone; it takes discretion away from them, it takes that whole thing of authority, lines of authority, it is the system that manages you not me.” (Participant 16)

“Performance management is a paper exercise.” (Participant 17)

The analysis indicates that policies and procedures are perceived as necessary yet cumbersome. The intent is not to support strategy implementation. Policies and procedures are more used as governance mechanisms. The following quotations illustrate:

“Yeah, I must say from a from policies and procedures side that sat through a lot of enquiries and inquests, if there were no policies and procedures in place you would have been in jail a long time ago. Because that is where policies and procedures comes from. It is from a mishap, like a fatal, where you need to sit back and say what did go wrong, why did it go wrong and how can we prevent it; that is why policies and procedures are derived.” (Participant 1)

“We sit with policies written like textbooks, and then expect normal people to understand it” (Participant 9)

“It is open to people’s interpretation, formats are loosely applied.” (Participant 10)

“The policies are in place, I mean we have got hundreds of policies” (Participant 13)

“We also, obviously, all your policies have got to be in place because it is linked to your SOX compliance” (Participant 13)

5.5.1.5 Culture

The analysis showed that all participants regarded culture as vitally important, as many identified culture as the basis of success. The themes that appeared centred on the people orientation and values that establish the link between culture and strategic leadership. Internal politics (including silos, hidden agendas and personal interest) and flexibility and adaptability were also identified as themes.

Table 16: Themes in culture as part of strategy implementation:

<i>Themes</i>	Associated meaning/explanation	Focus group	Consultants	Mines
<i>People orientation</i>	A people-centred approach where people are valued and engaged.	1	3	8
<i>Values</i>	The values and associated behaviour are determined by senior management and influence culture	1	3	12
<i>Internal politics</i>	A combination of discipline silos, personal interest and hidden agendas influences how the organisation does business and treats people.			9
<i>Flexibility and adaptability</i>	The willingness and ability of the organisation to adapt to changes.		3	9

The *people orientation* within a culture is visible in the relationships between managers and employees and in relationships with other stakeholders (Thompson *et al.*, 2007:416). In analysing how people are treated, responses ranged from not being *people orientated* (one each in organisations A and D) to the majority of the responses reflecting that organisations are trying to be people orientated. None of the participants stated that their organisation is fully people orientated. Consultants and the focus group confirmed the lack of people orientation. The following quotes illustrate the degree of people orientation:

“It is still very people orientated, look people are the business and, of the company missions that people are our business we cannot produce without people. We cannot produce not having people on the ground, on the surface, wherever, living the company values, portraying what the company is, if there are no people, but I again think politics are making us less and less people orientated and we become more focused on personal agendas.” (Participant 1)

“People leave managers and not businesses, so if managers are not people orientated, because that is your key driver, people will resign and leave the organisation, because

they are leaving the manager and by default the organisation will suffer. On a scale of one to ten, I'll give us six and a half." (Participant 2)

"I think that we are paternalistic. We call it people centred but it is more paternalistic, we will look after you, tell you what you require, and we will design these things and when we design our strategies you are not involved. The intent is there, but you are dealing with a 50-year-plus history." (Participant 4)

"Well, on a scale of one to ten, I would probably give them a five. A five, yes. It's part of the leadership, people use it, you know. I really, I really think that it is the South African track and fairly common through a lot of South African companies to focus on technical issues." (Participant 10)

"I think miners could not deal with the complexity of the number of people they had to deal with. It became too cumbersome to be involved and the easiest way to deal with this thing was not being involved; even this you don't want to hear you don't want to know because it just becomes too much emotional dread to know, I don't want to hear your problems, I don't want to know who you are, where you come from, what your problems are because there are just too many of you to deal with okay." (Participant 11)

"In a funny way, there is a people orientation, but I think it is also a double-edged sword because you allow things to happen that shouldn't and you don't allow for external renewal influences to come in. So it is a funny caring environment but I don't necessarily think it is a conducive environment, conducive in terms of change, I would say. You are part of the team as long as you play within the rules that have always been there, don't drop the bones." (Participant 15)

"In industry we still have a manager approach and the mind-set is my work is to see that you do your work and you have to report to me, that is the mind-set we spend in this industry; we spend all our lives compiling reports; whether they are meaningful or not meaningful, that is not important, you have to do reports and you have to do more reports and more reports. Hence the note that I used earlier on: we manage the history, we don't manage the future." (Participant 17)

“I think it is everyone to their own at the moment.” (Focus group participant)

The analysis indicated that organisation B is making positive progress in developing a *people orientation*. The following quotes illustrate:

“Organisation B is obviously going well. You got there, that it is your whole chain and linked through a course where they want more caring managers and that type of things. So Organisation B is moving in the direction of becoming more people orientated.” (Participant 14)

“People aren’t often open to you. Now, to just connect with the GM and say, tell him exactly what is wrong, there is a fear factor of what line managers might do. So, you know, for me, that is important. The next thing that we are looking at, so what programme or what can be put in place to allow for this open conversation to happen lower in the organisation.” (Participant 7)

The quotes below illustrate the lack of a *people orientation* and focus on being results driven:

“It is cordial, extremely results driven. It does not care about me, it cares about results. Does that sound harsh? That is what it is. We work in a very results-driven organisation. It is nice and cordial, but that is the bottom line.” (Participant 3)

“I must tell you, from the HR point, there is very little sympathy or consideration. Take sick leave, for example, if a guy is off repeatedly, you are thinking about how to discipline him, not caring about his health. I mean, time is money and money is the person doing his work. It’s a harsh culture.” (Participant 3)

The connection between strategic leadership and culture becomes clear during the analysis of the interviews in terms of *values*. The role of senior management is to drive culture through determining the values of an organisation (Jones & Hill, 2010:395; Thompson *et al.*, 2007:416). There is a strong drive to establish organisational *values* in all the organisations, with visible signs and symbols promoting the *values observed* on all mines and offices visited during the interviewing process. Managers are not seen as driving organisational *values*, though participants perceive them to be trying. At the same time, management is seen as

lacking commitment to support values. Participants from all organisations, excluding organisation B, perceived the value drive as without depth. As the multiple quotes illustrate:

“I know on a face-value level, yes, but if you dig a little bit deeper into it and you are exposed to certain things then it becomes a little bit questionable. You know it is not politically correct for a manager not to be seen and behaving in accordance with the values, so a lot of the time you will get a pretence factor so the manager portrays everything when you look at him he is the example of virtue in terms of values and all of those kinds of things, but get into a board room with that person and really discuss issues and you see things starting to creep out in terms of – is that really a value you know.” (Participant 5)

“I think we are still in the learning phase.” (Participant 6)

“If you sit with an ops manager and see what pressure he is working under, it is impossible for him to treat the tenth person coming into his office who has not done his work with respect.” (Participant 9)

“I think in our company it’s not core business. It is a document and a couple of names on the side that get referred to when appropriate. But definitely don’t get used in day-to-day business.” (Participant 10)

“Okay, the values and the beliefs, okay for me, you definitely, at senior management level, we need to create the values and the beliefs. We need to create the culture in order to deliver the strategy.” (Participant 11)

“So they are sort of for change, and they try hard to live to the values; however, you can see through the person.” (Participant 12)

“People, I think, tend to want to live the values, but, I sometimes, you know doubt that there is real commitment in living the values of the company. (Participant 13)

“Well it is driven more on a visual basis, sometimes there is a bit more visibility in terms of the way managers approach people in terms of the values that they set, but it is

mainly all a visual thing that there is a lot of signs going up, these are our values, this that, this is this. Most, I think, that is the most I have seen in terms of carrying it down, there is a bit of actual practicality happening on the floor.” (Participant 14)

When asked how values drive behaviour, most of the participants indicated that values do not drive behaviour. The positive intent of values is recognised, but change in behaviour has not been affected.

“If you know, if you understand what I am saying, you try to preach and emphasise your company values, but there are certain instances that are difficult to live out.” (Participant 1)

“I think we tend to forget and we forgo those values. But there is an effort, always a huge effort to drive the values, we talk about the values and we live these values but generally I don’t see these values, in my humble opinion, as being second nature.” (Participant 2)

“So, while it is a brilliant peg in the ground, I think that in certain areas of our business we have a long way to go. People pay lip service to treating people with dignity and respect.” (Participant 3)

The term *internal politics* refers to a combination of discipline silos, personal interests and hidden agendas that influence how the organisation does business and treats people. It is intangible and may result from a wide spectrum of causes. Though discipline-based silos are common, a silo approach that does not look at the integrated business and protects its own has a negative effect on the implementation of strategy. The focus group was divided on the presence of silos and consultants agreed that there were still too much of a silo approach.

The analysis showed the presence of silos as more prevalent in organisations A and D, with less perceived silos in organisations B and C. The following quotations illustrate the silo approach:

“They sit in silos, and don’t go outside their silos. Each on his own mole mount. That is what they do.” (Participant 9)

“Silos, just like every other mine, well almost every other mine. You spend your energy in blame as opposed to problem-solving; you spend your energy defending your numbers instead of looking for improvement opportunities.” (Participant 10)

“It creates sort of small empires and silos and becomes ineffective because everybody, eh, you tend to protect your department or this empire of yours when you don’t talk the same, you know, when we get in the meeting it is more about defending than building, you know?” (Participant 12)

The following quotations illustrate the progress made in limiting the effect of silos and thereby reducing *internal politics* in organisation B:

“I do not think we suffer that much from the silo base here and I am now speaking again of this mine *per se*. I do not think that we have a very close-knit team in the sense that we do accept that we are all inter-dependent on the next guy. So, no, I don’t think we are very much silo driven; I think it might be the case lower down where you still get the big production and engineering.” (Participant 8)

“I find that because we are shaft based on performance, we have these silos, but it wasn’t, how can I say? We have some links. There were conflicts; a bit of production conflicts because of the shaft based there are many links between silos.” (Participant 14)

Internal politics are also marked by hidden agendas. The analysis indicated that the majority of hidden agendas emanate from unions and union demands and union power plays. The following quotations illustrate:

“Well, I am going to go back to legislators, unions. Certain individuals that have agendas of their own that are not in line with the company’s mission, vision and values; they have certain, let’s call it hidden agendas, which will benefit themselves or their organisation and not the mission, vision and value of the company.” (Participant 1)

“Since 1994, it has changed and people don’t appreciate the environment that they work in, people just want to go into union activities and challenge the organisation and

they forget that the very organisation that they are challenging puts bread in their mouths.” (Participant 2)

“We do have our weekly meetings with them as well, with all the unions as such to try and get them on our side because again; without them we will not be a success.” (Participant 10)

“From a human point of view, it is a difficult environment and I think the problem of the union here, they have so much power, and two things you know the culture and the environment, they are paramount to what you have to achieve.” (Participant 11)

“If there is a negative environment created by unions or by managers then it will obviously prohibit the full implementation of your strategies and your targets and I mean we said it last year; our production was not good toward the end of last year and all our legislative forums collapsed during that period because the unions did not want to attend so you could not drive, for example, your implementation of your social and labour plan. Our strategies that we had around the building of houses, family units and housing, we could not implement those because we couldn’t get the unions around the table.” (Participant 13)

The *flexibility and adaptability* of organisations are becoming more important as the external environment changes and organisations have to adapt to survive and prosper. *Flexibility and adaptability* describe the willingness and capacity of the organisational culture to adapt to changes, through the preparedness and ability of people (employees, managers and stakeholders) to change behaviour. The analysis indicated that most participants perceived that progress was made in becoming more *flexible and adaptable*, compared to the past, but that more progress was required before the cultures can be described as flexible and adaptable. Consultants saw the culture as inflexible. The following quotes demonstrate:

“Culture may be flexible, but people are not given a chance. People centric means you listen to people, involve them, and engage with them. Theoretically, it is easy, people are willing, but the execution is very difficult.” (Participant 4)

“It is changing and it has changed so you will still find some of those old so it adapts but is slowly. It is not fast.” (Participant 13)

“Yeah, I will say, I mean, nowadays, if you asked me ten years ago I would have said no, but now I will tell you we are very much more flexible and adaptable. You know, in a sense, we encourage people with HIV to get tested, we encourage people who are pregnant to just disclose it, they won’t lose their jobs, you know, and they can stay at home for fifteen months, we can pay them, they can also claim for what do you call it the government, labour. So that on its own shows the flexibility in terms of mining and before it was not there. So in terms of moving or changing the culture, I mean, there has been a huge step forward.” (Participant 12)

“I don’t think it is very flexible. It goes back to I think, the industry finds it extremely difficult to embrace the new things, expressions like we have done it the last fifty odd years, why should it be different? I think that is typically the current culture that currently exists, so don’t change that, leave it as it is, so to me, no it is not. It is a tall order.” (Participant 15)

“Inflexible and not very adaptable. We haven’t adapted to new technologies, we haven’t relinquished the things that we have done when the gold price was high and the gold was a lot, we brag of the history of ultra-deep mining and that we are pioneers in that which is not relevant today. We have missed the events in the labour arena; we have missed events in social development and social requirements. Often to such an extent that it must be legislated to force companies to comply; it is like the mining charter as an example. And it is prevalent in the people’s minds; still, when you speak to them, they will refer to history, the way we did it in the Free State or the way we did it at that time and they are irrelevant and inappropriate statements.” (Participant 16)

“Okay, in essence, in most people change is a foreign concept and most people don’t see a need for change because most people experience their work life as being fine; that there is no problem.” (Participant 17)

5.5.1.6 Strategy implementation plan

The strategy implementation plan creates the basis for successful implementation; working on the notion of what gets planned and measured, gets done. The intent of asking participants what approach is followed in the strategy implementation was to determine whether the strategy implementation is structured and whether the measurement and monitoring of implementation are done. From the analysis of the interviews, participants were not confident in the ability of organisations to implement strategies. Participants were careful in responding to the question and often discussed past progress after the formal recorded interview stopped. Strategy implementation is not seen as part of a structured process and is monitored through production plans and performance in normal monthly review meetings. The dedicated monitoring of strategy implementation was absent in participants interviewed.

Table 17: Themes in strategy implementation plans:

<i>Themes</i>	Associated meaning/explanation	Focus group	Consultants	Mines
<i>Strategy implementation plan</i>	Structured plan to implement strategy with monitoring mechanisms and interim objectives or targets.	1	1	8

The following quotes per illustration:

“I’ll give us six out of ten. The metallurgists have been very good, the engineers have been very good on optimisation and upgrades and stuff. I don’t know if it is the nature of the beast, but the mining stuff, well..... Low, just say below par.” (Participant 3)

“Well, let me word it carefully. We are good at the front-end with ideas and coming up with a strategy, but not so good further on. But with the follow through we are not good. We quickly adapt to external changes and then do not follow through. I suppose that is what is called dynamic strategy. As an organisation, I’ll give us 50%. In sustainability and technology we are good; especially in terms of core business not following through. ” (Participant 4)

“Sometimes you think to yourself that the deadlines that you have to meet along the way, they don’t really give you enough of an opportunity to really apply your mind to the strategy in the first place. Okay, so what you end up doing is actually putting a kind of strategy in place that you are not a hundred percent convinced should be the strategy in the first place, because there has not been enough thought that has gone into it and that is because there has not been enough time allocated to giving thought to those processes because in the middle of all of that planning stuff that you doing, your operations are still ticking along and you have got to look after that as well. So part of our problem in the implementation is that the strategy was not right in the first place, and my very strong belief is that this is probably where we start to fail. In the first place, the strategy might not have been the right strategy and for those obvious reasons the implementation becomes very, very difficult.” (Participant 5)

“I haven’t seen that, I think it is shaft based. It is those strategies that are recorded, you know, in an atomic version there are timelines, timeframes; there is feedback. I think in terms of our regular meetings to review is a monthly review of, you know, where are we. But I don’t think it is clearly documented and there is room for improvement.” (Participant 7)

“So it might be more metric orientated, but you know, for the guy at the bottom, the metric is what makes sense to you other than all the clutter.” (Participant 11)

“We have got our strategy session and we then obviously set the strategy that is broken down into objectives and targets and then it translates into our operation and business plan because we only have our operational and planning sessions after we have had our strategy sessions.” (Participant 13)

“I think it is a combination of things, I think sometimes I get a situation where I would even go so far as to be broken down into detail action plans and dates, etc. etc., but what has also happened in the industry is after it has done, all of that work, it tends to go into fire fighting mode then the strategy basically gets shelved and eventually they re-visit that on an annual bases with nothing substantially happening, so it is fire fighting rather than leaving people at the right levels to do the appropriate work and

actually driving the things that are actually essential for longer-term sustainability.”
(Participant 15)

Specific projects with dedicated teams, mostly engineering related, performed better and achieved set objectives. The following quote explains:

“Exactly, and we also set unrealistic timelines. And then we follow the line at the expense of the quality. I had, in terms of the critical path type stuff, if you say that you miss it, you find yourself signing off on timelines, saying we can get through it, we need to still fix this, but it is not a showstopper. And then you keep on fixing things after you have implemented. You have to be very fleet footed.” (Participant 3)

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6 CHAPTER 6: CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The business structure for strategy implementation was developed from theory, and the practical application of the implementation of strategy in South African gold mines was tested against this structure. Findings against the primary and secondary objectives will be discussed in the following sections.

6.2 DISCUSSION OF PRIMARY OBJECTIVE

Table 17 illustrates the findings of the study in terms of *acceptable* (green) indicating little variance; *alert* (yellow) indicating that attention needs to be focused on this as there are some areas of matches and some gaps. *Concern* areas are marked in orange and further attention is recommended.

There are synergies between the structure and practice in terms of governance and some alignment between the use of strategic and management control systems. There are gaps in terms of strategic leadership, organisational structures, behaviour control mechanisms, culture and the use of strategy implementation plans.

Table 17: Gaps between framework (theory) and practice based on actual perceived implementation of strategy in South African gold mining

Legend:

Acceptable	Alert	Concern
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Corporate governance	Strategic leadership	Organisational structures	Strategic and management control systems	Organisational culture	Strategic implementation plan
Focus on shareholder returns	Role of senior management	Structure supporting strategy	Management controls	People orientation	
Mine planning cycle used as governance mechanisms	Role of middle management	Role clarity	Output controls	Values	
Internal focus	Leading by example	Authority Organisations B, C	Behaviour controls	Values drive Organisation B	
	Level of understanding	Authority Organisation A, D		Internal politics (hidden agendas from union)	
	Communication	Hierarchy Organisations B, C		Silos Organisation B, C	
	Authority	Hierarchy Organisations A, D		Silos Organisations A, D	
	Right people to implement strategy – Good skills with some gaps			Flexibility and adaptability	

6.2.1 Corporate governance

Corporate governance is a keystone of strategy implementation (Jones & Hill, 2010:363; Kaplan & Norton, 2008:149). Research indicated that the main focus of organisations is the generation of shareholder value and return on investment; thereby showing corporate governance is in place. The process is driven from the board, which determines required value. Mining planning cycles (including the pathway to value and life of mine plans) are aimed at getting the expected returns and are then used as governance mechanisms. This internal focus may imply that the external environment is not adequately anticipated, making strategy adjustment reactive. The narrow focus on achieving shareholder returns gives the impression of limiting looking at a sustainable future and growth.

6.2.2

Strategic leadership

Strategic leadership drives the implementation of strategies. The analysis identified the components of strategic leadership to be the role of senior and middle management, leading by example, the level of understanding of strategy, as well as communication and authority. Strategic leadership influences culture through senior management leading acceptable behaviour practices that support the implementation of strategy (Thompson *et al.*, 2007:427). The analysis showed that the role of senior managers is to focus on strategy formulation, with implementation cascaded to middle management. The analysis indicated that managers are aware of the importance of their role in leading by example and setting the tone and are perceived as trying. The analysis showed that leadership reverts to autocratic behaviour and does not lead by example when there is production pressure and those values are foregone. This negatively impacts strategy implementation. Part of strategic leadership is the ability to translate strategy into the required performance and steps to accomplish the set vision (Pearce & Robinson, 2010:328). Understanding the strategy is the first step in working towards implementation. The analysis showed that there is a perception that some senior managers do not understand strategy, nor do some middle managers. The majority of participants believed that strategy is understood only at some senior levels with no understanding of strategy at D lower and below levels and that strategy merely consists of targets and goals on these levels. The perceived lack of understanding of strategy is a concern as managers must translate strategy into action and communicate in order to implement strategies successfully. In terms of communication, responses centred on processes, and the analysis showed that communication about strategy was limited in terms of content and was not personally from leadership.

6.2.3

Organisational structures

Organisational structures included the themes of structure supporting strategy, role clarity, authority, hierarchy, the right people to implement strategies and skills. Organisational structures should be adjusted to support the implementation of strategy. The analysis indicated that organisational structures are not aligned to support strategy. New work is forced onto rigid, old structures and changes are resisted by legacy structures. Role clarity is problematic with new work in unrevised structures resulting in most managers being unclear on their roles. Organisations B and C showed slightly better role clarity due to KPIs and past work routines. Accountability (and therefore authority) and formal decision-making are signs

of well-structured organisations (Bamford & West, 2010:325). Authority to implement strategies relates to the strategic leadership style. There are marked differences between organisations regarding the authority to perform the role. In organisation B, people are empowered to a degree. Organisation C gives authority, provided that decisions are within the stipulated structure. In organisations A and D, authority is not given and decisions are taken through consultation, or authority was taken away, which negatively affected the implementation of strategy. Historically, South African gold mines have had multiple layers and strong hierarchies. There were marked differences between organisations. Organisation B has fewer layers with quicker decision-making and more empowered employees. Organisation C has streamlined its hierarchy and is progressing towards a more effective structure. Organisations A and D are perceived as having too many layers, being top heavy with rigid structures, cross reporting and bureaucracy, which align with the perceived lack of authority. Bureaucracy is still evident in organisations B and C, but interventions are in place to address excessive bureaucracy. The right people with the right skills are required to implement strategies and organisations have the right people, but their skills are not used optimally. Legacy skill sets are common, and a lack of new structures and clear roles will result in people reverting to work that they are comfortable with, instead of work required to implement the strategy. Technical skills are good, but there are gaps in management skills and human resource skills.

6.2.4 Strategic management and control systems

Strategic and management control systems are management tools used in implementing strategy and consist of management control systems (goals, tactics, scorecards and continuous improvement), output control systems (budgets, resources and IT systems) and behaviour controls (rewards and incentives, policies and procedures). Management controls are in place, with room for improvement. Output controls are in place and reasonably effective, focusing on budgets. Behavioural controls are in place, but policies and procedures are cumbersome; rewards, incentives and performance management are in place, but ineffective.

6.2.5 Culture

Organisational culture is described through the themes of people orientation, values, internal politics and flexibility and adaptability. Findings show that organisations are trying to be

people orientated; the intent is there, but people are not getting it right. None of the organisations are perceived by participant as people orientated. Culture is linked to strategic leadership through organisational values. The analysis showed that managers are not perceived as driving values. There are pockets with a positive intent to drive values, while in other areas, managers lack commitment to values. All organisations, excluding organisation B, experienced the value drive as without depth. Values do not drive behaviour. Internal politics are centred on the hidden agendas of unions and silos. Organisations B and C are not affected negatively by silos, and organisations A and D have negatively perceived silos. Organisations have become more flexible and adaptable over time, but more progress is required before the cultures can be described as flexible and adaptable.

6.2.6 Strategy implementation plans

Planning the implementation of strategy is important as many factors influence the effectiveness of strategy implementation, and an outline of what is required cannot be given (Kaplan & Norton, 2006:21). Findings indicated that participants are not confident in the ability of the organisations to implement strategies. Strategy implementation is part of the mining plans in the planning cycle and are not structured or planned in terms of achieving objectives. Participants indicated that there is no dedicated monitoring of strategy implementation, as strategy implementation in normal monthly operations was limited to mine plans. Specific projects (mostly engineering related) with dedicated teams performed better and achieved set objectives.

6.3 DISCUSSION OF SECONDARY OBJECTIVES

The strategy implementation structure will be compared to generic strategy implementation in South African gold mines, as determined from the analysis.

From the findings, it is clear that all the components of the strategy implementation structure, namely corporate governance, strategic leadership, organisational structure, strategic and management control systems and culture are present and used in South African Gold mines. Although all the elements are present, there are concerns about the degree of use and the efficiency of application. These concerns will be discussed per element.

6.3.1 Corporate governance

The analysis indicated that corporate governance is in place, as the main focus of organisations is the generation of shareholder value and return on investment. The analysis showed that the board of directors, through corporate offices, determines the required value. Participants indicated that mining planning cycles, including the pathway to value and life of mine plans, are aimed at getting the expected returns. The mining plans then become governance mechanisms.

The analysis of responses brought some concerns to light. In terms of the application of governance, there is an internal focus on planning to achieve desired shareholder returns, to the extent that the external environment is not adequately anticipated. These views were supported by consultants. This implies that the environment and strategy adjustment are reactive and not dynamic. The focus on achieving shareholder returns in the mining cycle seems to be partial against a sustainable future and growth.

6.3.2 Strategic leadership

Strategic leadership is intertwined with the culture and the organisational structure, and appears throughout the implementation of strategy. Strategic leadership, for the purpose of this study, was defined as top, senior and middle management who drive strategy implementation and influence the interrelated nature of behaviour, culture, ethics, leadership and values.

From the analysis, the role of strategic leadership is seen as creating the strategy, with a focus on formulation. Participants identified senior management as the executive committee and corporate or regional management team. The implementation of strategy is viewed as the work of middle management. This differs from the theory that sees strategy implementation as led from the top, with management monitoring and managing the implementation process (Thompson *et al.*, 2007:439). Strategic leaders implement strategy and skilfully drive change (Ehlers & Lazenby, 2010:282; Pearce & Robinson, 2010:328). There is an apprehension that accountability for strategy implementation is cascaded instead of remaining with senior management.

Strategic leadership links closely to culture in that senior management must lead on acceptable behaviour as behaviour and practices support the implementation of strategy

(Thompson *et al.*, 2007:427). The analysis shows that managers are aware of their role in leading by example and setting the tone and the analysis shows that managers are trying. The analysis showed that values are foregone when there is production pressure and that leadership reverts to autocratic behaviour and does not lead by example. This has a negative impact on strategy implementation. Strategy implementation is improved in a culture where managers support desired work practices and behaviours (Thompson *et al.*, 2007:427).

Understanding the strategy is the first step in working towards implementation. The analysis showed that some participants perceived senior leadership as not understanding the strategy, similar to some middle management. Some consultants shared this view. The majority of participants believed that strategy is understood only at senior levels with no understanding of strategy by D lower and below levels. At lower levels, it was indicated that strategy is just targets and goals. Part of strategic leadership is the ability to translate strategy into required performance and steps to accomplish the set vision (Pearce & Robinson, 2010:328). The lack of understanding is a concern as managers must translate strategy in order to implement strategies successfully.

Communication on strategy is part of strategic leadership and affects the understanding of strategy and culture. The analysis showed that communication on strategy was limited in terms of content and not personally from leadership. Responses on communication centred on process. The analysis indicated that authority was qualified and only partial, and those decisions have to be taken through a consulting process, or within a set guideline or framework.

6.3.3 Organisational structures

Organisations are a combination of people, management and structure. The study definition of structure referred to organisation design and the structure in terms of layers, skills and expertise to support resources. This includes defining processes, roles, reporting relationships and people as a resource. The structure required organisational structures to be adjusted to support the implementation of strategy. The analysis showed that most participants did not think that the organisational structure supported the strategy and consultants, and the focus group agreed with this view. Attempts at change are resisted by legacy structures and new work is forced into rigid, old structures.

When organisational structures are redefined based on work to be done, roles are clear. Role clarity in unrevised structures is not clear. The analysis showed that most people in management roles are unclear about their roles, a view again confirmed by consultants and the focus group. In organisations B and C there is a bit more clarity on roles, driven by KPIs and past work routines.

The analysis regarding the authority to perform the role showed a distinct difference between organisations. In many instances, authority was given, but qualified. In organisations A and D, authority is not given and decisions are taken through consultation, or authority was taken away. In organisation B, people are empowered to a degree. Organisation C gives authority, provided that decisions are within the stipulated framework. The perceived lack of authority in organisations A and D negatively affects the implementation of strategy. Organisations should be structured to determine accountability (and therefore authority) and to formalise decision-making (Bamford & West, 2010:325). Authority to implement strategies relates to the strategic leadership style.

Strong multi-level hierarchies are a legacy in South African gold mines. The analysis shows distinct differences appearing in the industry, with organisations A and D being perceived as having too many layers, being top heavy with rigid structures and cross reporting. Organisations A and D are also seen as bureaucratic, which aligns to the perceived lack of authority. Organisation B has fewer layers with quicker decision-making and more empowered employees. Organisation C has streamlined their hierarchy and is progressing towards a more effective structure. Bureaucracy is still evident, but interventions are in place to address excessive bureaucracy. Consultants concurred with the view that there are too many layers.

The right people with the right skills are required to implement strategies. The analysis showed that organisations have the right people, but that skills are not used optimally. Legacy skill sets are common, and a lack of repositioning the legacy skill sets will result in people reverting to work that they are comfortable with, instead of work required to implement the strategy. The analysis also showed good technical skills, but shortfalls in management skills and human resource skills.

The theory states that strategic leadership flows through the organisation, through culture to structure of the organisation, and that structural design through the delegation of authority and accountability affects culture (Jones & Hill, 2010:396). If organisational designs are not aligned to strategy, the result is an organisational structure that does not support the implementation of strategy, further resulting in role ambiguity, a lack of authority and a tendency to create a bureaucracy, as seen from the analysis.

6.3.4 Strategic and management control systems

The intent of control systems is to allow managers to see the problem with the positioning of resources and to alert them to take remedial action (Sherman *et al.*, 2006:554). Strategic and management control systems consist of management control systems (goals, tactics, scorecards and continuous improvement), output control systems (budgets, resources and IT systems) and behaviour controls (rewards and incentives, policies and procedures). These are management tools used in implementing strategy.

South Africa gold mines are a mature industry and the analysis showed that participants believe that the industry has good management control systems, but there is room for improvement. The consultants and the focus group also shared this view. Participants indicated that communication on strategic objectives is limited to normal run-of-the-mill meetings and that not all employees know the strategic objectives. The analysis of output controls centred on budgets, with participants indicating that there is a degree of budget flexibility, but that this implies making choices in the allocation of scarce resources. Jones and Hill (2010:383) advise that a clear accountability hierarchy is required, with specific managerial accountabilities and role authority.

Control mechanisms in terms of behavioural control systems link closely to culture. Rewards and incentive schemes can be used to encourage correct behaviour by managers and employees and to ensure strategically relevant outcomes (Jones & Hill, 2010:394). The analysis indicated that incentives are perceived as unfair and even punishing, rather than a reward. Discussing rewards and incentives leads to discussions on performance management, as rewards and incentives are an outcome of performance management in South African gold mining. Jones and Hill (2010:416) grouped performance management under personal control systems, but as it influences behaviour, it is grouped under behaviour control systems for the

purpose of this study. The analysis indicated that performance management was ineffective in organisations A, C and D and was viewed as partially effective (60%) in organisation B. The consultants viewed performance management as ineffective throughout the industry. The analysis showed that line management does not take ownership of the process. The performance management process is therefore driven by HR, resulting in an ineffective tick-the-box exercise, not supporting strategy implementation. Performance management, through continuous personal feedback, can support the implementation of strategy and motivate employees to implement strategic objectives (Jones & Hill, 2010:391). Recognition practices to support strategy implementation include putting people first and recognising work performance, thereby linking back to the culture of the organisation (Brun & Dugas, 2008:716).

The analysis showed that policies and procedures are perceived as necessary yet cumbersome in both volume and application. However, the intent of policies and procedures is to simplify decision-making and to empower managers and employees to make the right decisions (Pearce & Robinson, 2011:267), to standardise behaviour (Jones & Hill, 2010:391) and to improve managerial effectiveness (Pearce & Robinson, 2011:276). Excessive policies and procedures may increase bureaucracy and increase hierarchy, negatively affecting the effectiveness of the organisational structure.

The study definition of control systems is that they support strategy implementation through the monitoring of business unit results and employees behaviour. The analysis shows that there are good management control systems, but that they can be improved upon. It further shows that output control systems are in place and reasonably effective. The analysis shows that behavioural control system in terms of policies and procedure are in place, though cumbersome, and that other behavioural control systems are in place, but ineffective.

6.3.5 Organisational culture

The organisational culture is interrelated with other aspects of strategy implementation. Culture impacts the strategy implementation through acceptable behaviour, acceptable work and how work is completed (Goodman & Darr, 1996:7; Olian & Rynes, 1991:310). This links acceptable behaviour to values, behavioural control systems and strategic leadership. Acceptable work is linked to organisational structures through role clarity and authority and

to control systems through behavioural controls. Work completion can be linked to strategic leadership through the level of understanding of strategy; control systems through behavioural controls such as performance management and rewards and incentives, policies and procedures promoting standardisation; as well as organisational structure through hierarchy, structures and authority.

The analysis showed that all participants judged organisational culture to be vital to the success of the organisation, forming the basis of everything we do and that leaders must create culture. Some participants suggested that unions and being production driven have a strong impact on creating culture. The analysis showed four key areas in organisational culture, i.e. the people orientation, values, internal politics and flexibility and adaptability. Consultants held the view that culture is fundamentally important and that there is underlying work that must be done to transform the industry.

Culture is visible in relationships between managers and employees and relationships with stakeholders, and manifests as people orientation (Thompson *et al.*, 2007:416). In analysing how people are treated, the majority of responses revealed that organisations are trying to be people orientated. The intent is there, but organisations (people) are not getting it right. Organisations A and D had one response each that stated that the organisation is not people orientated. No participant stated that he/she perceived his/her organisation as people orientated. This is significant, as Jones and Hill (2010:397), through the work of Peter and Waterman, identified putting people first as one of three common values for successful organisations.

The analysis showed that there is a strong drive to establish organisational values in all organisations. The researcher also observed visible signs and symbols promoting values in all sites, offices and mines. The analysis showed that managers are not seen as driving values. There is in some areas a positive intent to drive values, and with other managers, there is a lack of commitment to values. This links to strategic leadership where the role of senior management is to drive culture through the values of the organisation (Jones & Hill, 2010:395; Thompson *et al.*, 2007:416). Analysis showed that all organisations, excluding organisation B, experienced the value drive as without depth. The analysis indicated overwhelmingly that values do not drive behaviour. This seen in the lack of leading by example and strategic leaders are seen as foregoing values under production pressures; it is

found that culture is not imbedded through shared values and beliefs. As values and beliefs are not shared through the different levels in the organisation, it cannot support strategy implementation, implying an unfortunate strategy-culture fit. This said, there are pockets of excellence in all organisations.

Internal politics describe the combination of silos, hidden demands and personal interests. Pearce and Robinson (2000: 424) indicated that strong internal politics, a focus on policies and procedures, and limited attention to people are indicators of dysfunctional cultures. Discipline-based silos are common and silos that have an integrated business approach positively impact strategy implementation. Silos that protect themselves and do not integrate with other disciplines have a negative effect on the implementation of strategy. The analysis indicated that silos are more prevalent in organisations A and D, with fewer perceived silos in organisations B and C and closer interdependence. Consultants held the view that silos are still prevalent as a result of poorly structured organisations with a lack of role clarity. Internal politics are also marked by hidden agendas. The analysis indicated that most hidden agendas arise from union demands.

Flexibility and adaptability describe the capability and willingness of organisations to change through the readiness and capacity of people (employees, managers and stakeholders). Jones and Hill (2010: 397) stated that organisations with adaptive cultures respond easier to changing environments and introduce changes in strategy and operations easier. The analysis showed that most participants believed that organisations have become more flexible and adaptable over time, but that more headway must be made before the cultures can be described as flexible and adaptable. The consultants viewed the industry as inflexible and slow to adapt.

6.3.6 Strategy implementation plans

There are many factors that influence the effectiveness of strategy implementation, and an outline of what is required cannot be provided (Kaplan & Norton, 2006:21). The relationship between strategic leadership and culture is interrelated, and senior management has an effect on culture and influences the performance of the organisation. Organisational structure and strategic and management controls systems also impact on the implementation of strategy. The consideration of all factors influencing implementation and impact of the business

environment requires that strategy implementation is well thought through, planned and structured. This leads to the use of a strategy implementation plan. This allows progress to be monitored and alerts to possible failures in implementation.

From the analysis it became clear that participants are not confident in the ability of the organisations to implement strategies. Responses were carefully worded, but followed by long discussions off the record. Strategy implementation is not structured or planned and driven as part of the mining plans in the planning cycle. Thereafter, strategy implementation is part of normal monthly meetings. The dedicated monitoring of strategy implementation was absent in participants interviewed. Specific projects (mostly engineering related) with dedicated teams performed better and achieved set objectives.

6.4 CONCLUSION

The study focused on developing a theory-based strategy implementation structure and evaluating the practical application of strategy implementation against the structure. As can be seen in Figure 18, there is an acceptable match in terms of corporate governance and strategic and management control systems. Gaps are identified in terms of organisational structure and culture. Strategic leadership and the lack of a strategy implementation plan show large gaps to the theory, which is a concern.

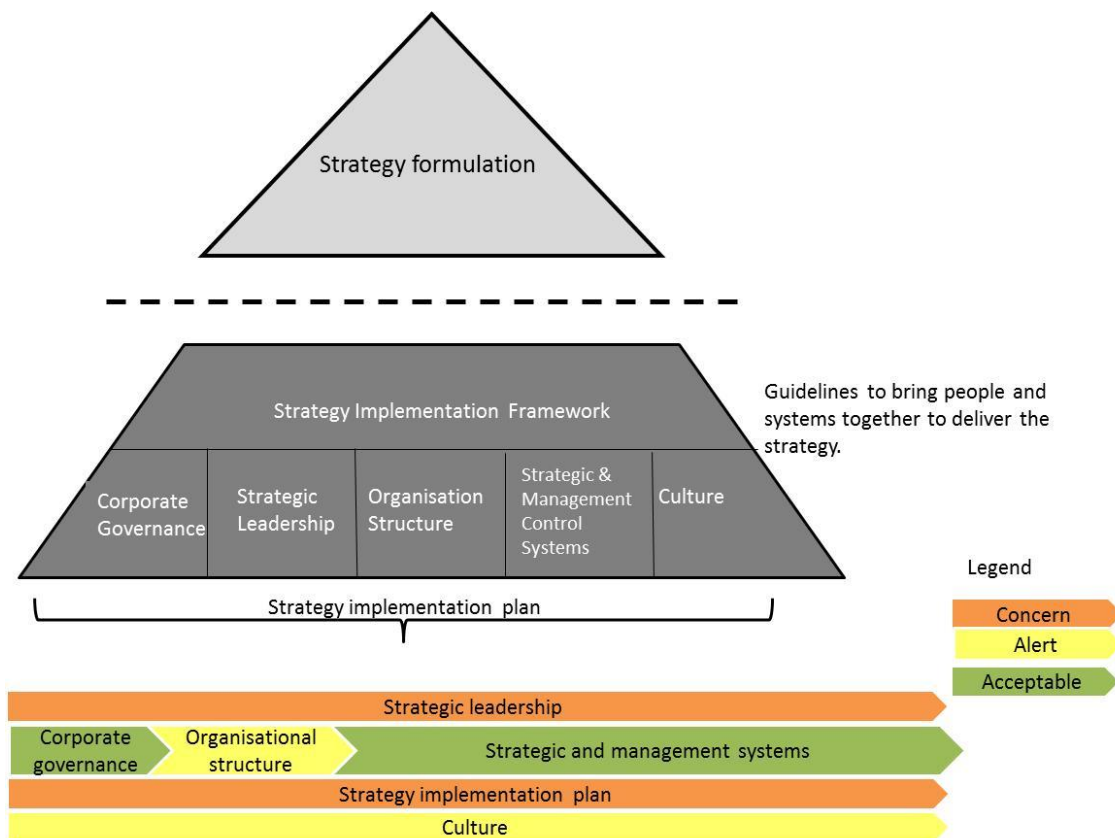


Figure 18: Business structure for strategy implementation – Gaps between theory and practice

Source: Own compilation

In terms of corporate governance, there is a strong focus on shareholder returns, which may take the focus away from growth and sustainability. The approach to use mine planning cycles as governance mechanisms is acceptable, but coupled with the internal focus of mines may cause reactive responses to the external environment.

Strategic leadership indicated some concerns when testing theory against practice. This was evident in terms of the perceived role of senior management, which should focus on leading by example, establishing the desired work practices to establish a people orientated culture, sharing of knowledge and communication to create adequate understanding of strategy in order to translate strategy implementation into plans, as well as steps and objectives to achieve the stated strategy.

Strategic leaderships also create the required organisational structure, with role clarity, accountability and associated authority to implement strategy. This must be supported by people with the right skills and transgressing legacy skills to enforce the required change.

Strategic and management control systems have a good match to theory in terms of management and output control systems. Significant gaps were identified between theory and practice in terms of behavioural control systems driven by perceived poor correlations between rewards and incentives, a lack of performance management and policies and procedures' contribution to increased bureaucracy.

Culture in totality is on an alert level, with mixed responses between organisations. The intent to move to a more people-orientated industry is there, but this is not achieved in reality. There is a perceived lack of commitment to organisational values by senior management (excluding organisation B). This results in a situation where values are not driving behaviour, and manifests as an inflexible and inadapttable industry.

Though sound strategies may be in place, implementation fails. The absence of strategy implementation plans is noticeably not linked back to strategic leadership.

6.5 LIMITATIONS OF THE RESEARCH

The study focused on major producers in South African gold mines only. This limits the application of findings to other areas of the mining industry. The strategy implementation structure should apply. Applicability to smaller producers in South Africa may be useful, but as differences in certain areas pertaining to organisation B were indicated, the same differences may apply in closer-knit, smaller, low-margin operators with a smaller corporate and/or regional structure.

The timing of interviews was coincidentally aligned with major changes the industry in terms of the mining cycle, wage negotiations and the start of economic restructuring. This may influence findings as the general mood was sombre. Should research be repeated, these factors should be considered, as they impact strategic leadership, organisational structures in terms of role clarity and authority, strategic and management control systems in terms of performance management, and culture in terms of people orientation and internal politics.

6.6 RECOMMENDATIONS FOR THE INDUSTRY

South African gold mines have survived and thrived for many years, going about business as usual. Lately, the external environment in terms of government expectations, the regulatory framework and social demands have changed the face of the industry, coupled with a downturn in the mining cycle. The need exists to adapt or slowly bleed to death. In terms of governance, the industry needs to create a greater external focus on business unit level to be able to do dynamic and pre-emptive strategy adjustments. This will allow a more action-orientated approach that allows innovation, autonomy and entrepreneurship, aligned to the common values of successful organisations (Jones & Hill, 2010:397).

Strategy needs to be re-evaluated to determine the fit between strategy and culture. The old cliché of “culture eats strategy for breakfast” still holds true and strong cultures are deep-rooted in the organisational psyche. Leadership needs to evaluate whether and how change should go about, or risk failing in implementing strategy. Strategic leadership needs re-evaluated values and, should the values remain as is, there needs to be visible and public commitment communicated to all levels. Strategy should be communicated through the organisation to increase the level of understanding thereof. Unions should be included in sharing the understanding of the strategy and requirements to implement.

In terms of practical application, organisational structure must be revised based on the work required to implement the new strategies. From that, roles must be developed and clarified, accountabilities and authorities tied down and linked to behavioural controls through performance management, rewards and incentives.

Regardless of the decision on values, the industry needs to increase its people orientation as putting people first is one of the common values for successful organisations (Jones & Hill, 2010:397). Strong human resource skills are required to help move the cultures to constructive cultures, which are positive, adaptable and flexible regardless of the strategy applied.

Lastly, I would recommend a well-thought-through plan for the implementation of strategy; working from the premise, what gets measured gets done. Cascading aspects of strategy implementation through the business planning process is reasonable, but more time needs to be spent on the implementation of strategy through dedicated meetings, communication sessions and personal contact.

6.7 SIGNIFICANCE OF THE STUDY

The study is significant in that it tests the practical application of theory in a robust and mature industry. The need for a strategy implementation plan is shown, as practice showed the lack thereof. This will also close the loop to strategic leadership with management driving implementation.

6.8 RECOMMENDATIONS FOR FUTURE RESEARCH

In terms of gold mining and mining in totality as contributor to the South African economy, research can be conducted on the application of the Organisational Change Inventory (OCI) developed by Klein (2011:23) to categorise cultures as constructive, passive-defensive or aggressive-defensive in order to utilise or change culture to be a positive resource in the implementation of strategy.

Research into the impact of the so-called “mining culture” on the culture, with specific attention to people orientation, and strategic leadership, may increase the understanding of how to approach the large-scale change required. Research can also be done on why strategic and management control systems in terms of behavioural controls are not used effectively.

Further research can be conducted into the effect of unions on the culture of organisations, including the power shift between unions impacting on the organisation. Other possible research is in the alignment of union values with the values of the organisation to determine intrinsic alignment, as both organisations and unions benefit from increased organisational performance.

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ADDENDA

- ADDENDUM 1: PER APPOINTMENT EMAIL**
- ADDENDUM 2: INFORMED CONSENT FORM**
- ADDENDUM 3: CERTIFICATE OF CONSENT**
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ADDENDUM 1: PER APPOINTMENT EMAIL

As part of my master's degree study, I am required to do qualitative research into South African mines. The research focus is on the "*Implementation of generic strategies in the South African gold mines*", pertaining to general industry issues such as strategies to address profitability and sustainability, dealing with the regulatory framework in terms of the state intervention in the minerals sectors (SIMS), the Social and Labour Plan (SLP) and the Minerals and Petroleum Development Act of 2002 & 2013 (MPRDA) and socio-economic concerns through the mining charter and wage demands.

The focus of the research will be on how management perceives the implementation of strategies in general for the organisation. The research will further explore strategy implementation in the bigger South African gold mining industry.

Because of your vast experience in a mining company, I would hereby like to invite you to take part in my research. Your participation in this research is completely voluntary and will in no way impact on your work, future evaluations or the organisation that you work for. I will contact you personally to make an appointment. The session will be approximately 1 hour and will include the six questions below.

Your participation is valued, but is completely voluntary. Results are reported for the gold mining industry and not per mining company.

The questions:

1. What links are there between the organisational strategies and shareholder expectations of long-term sustainable growth?
2. How do you see the role of management/leadership in implementing strategies?
3. How does the organisational structure support the implementation of the strategies?
4. How do various systems within the organisation support the implementation of strategies?
5. How does the culture or climate in your organisation influence the achievement of strategies or objectives?

6. What approach do you follow to implement strategies?

You are welcome to contact me on avdwesthuizen@anglogoldashanti.com or 083 381 6222 should you have any other questions.

Your participation will be highly appreciated.

Kind regards

Aldi van der Westhuizen

ADDENDUM 2: INFORMED CONSENT FORM

Consent form for voluntary participation in research titled: Exploring strategy implementation in the South African gold mines

Research is conducted by Aldi van der Westhuizen as principle researcher for her master's degree in Business Management at the North-West University. Questions and concerns can be addressed directly to her.

The research focus is on the implementation of generic strategies in South African gold mines pertaining to general industry issues such as strategies to address profitability and sustainability, dealing with the regulatory framework in terms of the state intervention in the minerals sectors (SIMS), the Social and Labour Plan (SLP) and the Minerals and Petroleum Development Act of 2002, amended 2013 (MPRDA) and socio-economic concerns through the mining charter and wage demands.

Purpose of the research

The research focuses on exploring how management perceives the implementation of strategies in general, without specific attention to the strategies developed for the organisation. The research will explore strategy implementation at South African gold mines and test the framework developed for implementing strategy.

Type of research intervention

The research consists of individual semi-structured interviews that will take approximately one hour and your participation in this will be greatly appreciated.

Participant selection

You have been invited to take part in this research as your exposure to the mining organisations in a management role will add to my understanding of the implementation of strategy in South African gold mines

Voluntary participation

Your participation in this research is completely voluntary. Your choice regarding participation will in no way impact on your work, future evaluations or the organisation that you work for. Your participation is valued, but voluntary and should you wish to terminate your participation during the interview, you are free to do so.

Procedures

You will be interviewed by Aldi van der Westhuizen in your preferred environment. After obtaining your consent, the interview will start and semi-structured questions will be asked. Should you prefer not to answer a question, the interviewer will move to the next question. For the purposes of analysis, the interviews will be recorded and the interviewer will take notes to aid in the analysis of data. Your anonymity is guaranteed. The tapes will be kept safe. The information recorded is confidential and no-one else (except Prof Louw van der Walt) will have access to the information documented during your interview. The tapes will be destroyed after the analysis of the data is complete.

Risks

No personal information is necessary. General biographical data is gathered. Should you share some personal or confidential information by chance, it will remain confidential. You may refrain from answering any question that are too personal or make you feel uncomfortable.

Reimbursements

No incentives are given for participation in the research.

Confidentiality

Your anonymity is guaranteed and all information is treated as confidential. The identities of participants are protected by not using names, but numbers. The link between numbers and participants remains with the researcher and will not be shared.

Sharing the results

All identities will be protected and results will refer to South African gold mines and organisations will not be identified. Should you wish to receive a copy of the final report, kindly e-mail me at the following e-mail address: avdwesthuizen@anglogoldashanti.com.

Right to refuse or withdraw

Your participation is voluntary and you may refrain from answering questions or stop the interview at any time. Your participation in the research will not affect your work or the organisation and will remain confidential and will not be shared outside the research team. After the interview, you will have an opportunity to review the discussion, and request the modification or removal of portions should you believe it to be necessary.

Who to contact

Should you have any questions, please feel free to contact me (Aldi van der Westhuizen) at the following e-mail address: avdwesthuizen@anglogoldashanti.com.

ADDENDUM 3: CERTIFICATE OF CONSENT

I hereby give my voluntary consent to be interviewed for the study: Exploring strategy implementation in the South African gold mines.

I understand the informed consent form and had the opportunity to ask questions. Any questions I have asked have been answered to my satisfaction.

Signature of participant

Date: _____

Day/month/year

For the researcher:

I have ensured that the participant accurately understands the information required for informed consent. I confirm that the participant was given the opportunity to ask questions about the research and all the questions asked were answered correctly and to the best of my ability.

I confirm that the individual has not been coerced into giving consent, and that the consent has been given freely and voluntarily.

Signature of researcher

Date: _____

Day/month/year

ADDENDUM 4: BACKGROUND INFORMATION QUESTIONS

1. Your gender?

Male	Female
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2. Race

Caucasian	Black	Asian	Coloured
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3. Your age on last birthday?

21-30	31-40	41-50	51-60	60+
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4. What is the highest level of education achieved?

A Grade 12 (Matric)

B Bachelor's degree or diploma/government certificate

C Post-graduate degree (please specify).....

D Other (please specify).....

5. Do you have additional management qualifications?

A IMDP

B MDP

C Other (please specify).....

6. What is the approximate size of the business unit (including all employees and contractors)?

< 1000	1001- 2000	2001- 3000	3001- 4000	4001- 5000	5001+	Do not know
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7. What is your current position in the organisation? _____

8. What are your total years of industry service? _____

9. Email address for feedback _____

ADDENDUM 5: SEMI-STRUCTURED QUALITATIVE INTERVIEW QUESTIONS

- 1.1 What links are there between the organisational strategies and shareholder expectations of long-term sustainable growth?
- 1.2 How do you see the role of management/leadership in implementing strategies?
- 1.3 How does the organisational structure support the implementation of the strategies?
- 1.4 How do various systems within the organisation support the implementation of strategies?
- 1.5 How does the culture or climate in your organisation influence the achievement of strategies or objectives?
- 1.6 What approach do you follow to implement strategies?

Semi-structured qualitative interview questions with prompts (used by interviewer to assist conversation by prompting based on flow of conversation)

1.1 What links are there between the organisational strategies and shareholder expectations of long-term sustainable growth?

1.2 How do you see the role of management/leadership in implementing strategies?

- Prompts:
- Who has accountability for the implementation of strategy?
- What is the role of senior managers?
- What is the role of middle managers in implementing strategy?
- How do managers drive the values and beliefs?
- Are values and beliefs supporting the desired behaviour?
- To what level is the strategy understood?
- Who has authority to implement strategy?

1.3 How does the organisational structure support the implementation of the strategies?

- Prompts:
- Were structures revised to support the strategy?
- Do people have role clarity? Do people know what they are accountable for?
- How do working relationships work?
- Do the right people with the right skills implement strategies?

1.4 How do various systems within the organisation support the implementation of strategies?

- Prompts:
- Is there budget flexibility to implement strategies?
- How do policies and procedures support strategic change?
- How do rewards and incentive programmes support strategic change?
- Do you experience red tape or bureaucracy? Examples?

- What communication is distributed regarding strategic objectives?
- How well does performance management work at the various levels?
- Does senior management communicate the message on what needs to be achieved in terms of the strategy?

1.5 How does the culture or climate in your organisation influence the achievement of strategies or objectives?

- Prompts:
- Influence of culture in the achievement of objectives
- Flexibility and adaptability of the culture
- Leading by example
- Level of internal politics in the organisation?
- People orientation

1.6 What approach do you follow to implement strategies?

- Prompts:
- Strategy broken down into short-term objectives/goals
- Specific outcomes that must be achieved

ADDENDUM 6: FRAMEWORK FOR THEME CODING

Corporate governance

- Organisation strategy alignment to shareholder expectations
- Long-term sustainable growth
- Mechanisms to ensure sound business decisions
- Revenue growth
- Operating margin
- Asset efficiency
- Company strengths
 - Improvement in managerial and governance effectiveness
 - Improved partnerships and collaborations
- Anticipation of external changes, government expectations, social demands

Strategic leadership

- Accountability for the implementation of strategy
- Role of senior managers
- Role of middle managers in implementing strategy
- Managers driving the values and beliefs
- Values and beliefs supporting the desired
- Understanding of the strategy (per level)
- Authority to implement strategy?

Organisational structures

- Structure revised to support the strategy
- Role clarity, know what they are accountable for and how working relationships work
- Right people with the right skills to implement strategies?

Strategic controls systems

- Budget flexibility to implement strategies
- Policies and procedures revised to support strategic change
- Rewards and incentive programmes supporting strategic change
- Excessive hierarchy (red tape or bureaucracy)
- Communication regarding strategic objectives
- Performance management at the various levels
- Senior management's message on what needs to be achieved in terms of the strategy

Culture

- Influence of culture in the achievement of objectives
- Flexibility and adaptability of the culture
- Leading by example
- Level of internal politics in the organisation?
- People orientation

Strategy implementation plan

- Strategy broken down into short-term objectives/goals
- Specific outcomes that must be achieved

ADDENDUM 7: EXTRACTION OF TRANSCRIPTION

All interviews were transcribed verbatim from the recordings made during the interviews. The transcription below is an example of an actual interview.

Interview 4

Interviewer: Thank you for your time in letting me interview you.

Interviewee: I am interested in academic stuff and have asked Oupa to investigate some options to give class. In the way, let's get on with the interviews.

Interviewer: What I would like to ask you is how do you see the alignment between the implementation of strategy and the shareholder expectations of long-term sustainable growth, especially in our declining industry?

Interviewee: I think that this new... I think that firstly, let's talk strategy and shareholder expectation; there must be a link. There is no specific link between shareholder expectations and the company; there will be a discourse and shareholders will just walk. So in my mind, there must be a very clear link. Number two, I think it needs to be dynamic. I talk of what I call strategic coherence. There must be strategic coherence and the strategy must be coherent and dynamic and link into site and in particular into mining as it is a cyclic business. Mining is a cyclical business, make sure that these alignments keep it coherent and make sure that we make money and add value to our shareholders. You know, it is the how that we have to adjust to as the external environment changes. So, in current terms, we are in cash conservation, then grow, grow, grow, conserve, conserve, conserve. That is the key thing that we should be driving, and that is value to the shareholders, and value means more money.

Interviewer: How do you see the role of management and/or leadership in the implementation of strategy?

Interviewee: I think leadership must own the strategy, and by own I mean create, develop and socialise and adjust the strategy of the company and create buy-in at all levels and drive

and own it. I don't think leadership must do it by itself. It is true and with a consultation process, especially with external stakeholders, you want to be making sure that if you have a strategy that is, for example that of resource nationalisation, that your strategy is at least seen to take account of that and be adaptable. So that is what is meant by it needing to be aligned and consultative.

Interviewer: What then do you see as the role of middle management in the implementation of strategy?

Interviewee: I think that leadership leads it and middle management should execute, but it is not blind execution. Middle management needs to take the strategy, make it their own and because you know middle management has restricted domains. How do we interpret and execute in our specific domains? Leadership owns, directs and puts it there. Middle management also needs to give input, it should not be that middle management takes strategy like the tablets from the Mount Sinai. The way I have always wanted to approach strategy is to understand the broad framework, but within it do it that way which allows for better execution as middle management. I understand my patch and leadership does not. You get my point?

Interviewer: Thank you. To what level do think that strategy is actually understood?

Interviewee: I think when Mark was here, especially initially, there was a clear understanding. From about a year ago, especially in light of the turbulence in the external environment, I think we have not had a very clear strategy and in that light I think that understanding has dropped. In the early days, when things were easier, people knew. But now, in the last little while, things changed. I think that when you now ask senior people what is the strategy for South Africa you will get various answers.

Interviewer: And then do you think that managers have sufficient authority to implement strategy?

Interviewee: Yes, I say yes without batting an eye, as I come from the concept of power not taken is power not given. This means that you should own and take power, it is easier to apologise that as permission.

Interviewer: How does the organisational structure support the implementation of strategy?

Interviewee: You know you get first the vision, then mission and strategy, then the work that needs to be done, then structure. That is the sort of series I went through, you know, start with vision, then mission, where do you want to go, the strategy is how to get there, then when you know what to do, need to do, then what is the work that we need to do to get there. Unfortunately organisations do not work that way, we have rigid structures and try to feed the work to the structures and make it work. Based on the number of restructurings that we have had, I think that there is a realisation that the structure needs to follow the work. The part we don't do well is when we restructure; we don't explain the linkage. We have it in our heads, but we never explain to the people that this is the work that we want to be doing to achieve the goal of what we want to achieve. Experience has thought me that this is the way to follow; you have to be clear on what is your way – vision, mission, strategy, what is the work, then, based on the work, the structure. Based on the work you decide what you need, because structure is just a way of organising work and as an engineer I think very systemic about issues; if this is the work that needs to be done, how do I organise the work? There is a safety portion, a production portion, a *this and that*, then come up with the structure. In my view, structure is a derivative of work to be done.

Interviewer: Do you think that people are clear about what is expected of them? What they are accountable for?

Interviewee: Currently or should?

Interviewer: Currently.

Interviewee: Well, about two years ago, it was better. Now, with all that is happening (in the industry), I think that you will find a bit of dilution. In my department, with me leaving, it also has not helped. Did you see the brief from Mike? It is a huge structural change, but I don't think it is understood as that.

Interviewer: OK. Do you think that you have enough people with the right skills to implement strategy?

Interviewee: As XXX? I think so, I think we have very good people, but we have to direct. When I realised that there is a huge mining gap, and things that need to be done to improve mining; that is when we brought back Randal to address the work that is not being done. I recognised this when Mike said come back to South Africa to look after Technical, and I asked but what about mining? He said we are all mining. Even though we are all mining, there is specific work that needs to be done to own the discipline and develop discipline health, develop people. All the people that have worked for me, I can tell you hand on heart that they are very good people. If they were not, I would have fired them a long time ago.

Interviewer: In terms of the various systems that support the implementation of strategy, how well are the systems and tool kits and how well do they support strategy?

Interviewee: For you to execute strategy you need people, systems, and processes. I think in terms of our systems and process; we have a bit of a mix with the old and the new working together and in terms of broader organisational systems, we probably have about 50 to 60% effectiveness. Older systems are counteracting new systems. We have not done what leadership is supposed to do and killed one system and replaced it with a new one. We just put the new system over the old system and this is evolving as we speak. The 3rd piece is revolving around people, the people keep it together, the people influence the processes and systems and influence strategy. People make strategy come off the shelf like a book and make it alive, and some people would call it the organisation. An organisation is people, processes and systems. We have fairly solid systems, and it is in a transformation phase; some systems must morph, some systems you must kill. The bigger the organisation gets, the slower the machinery, as more people are necessary to oil it. Bureaucracy is there in terms of systems and processes, but also in terms of culture. That is where leadership needs to do things and recognise what needs to be done; XXX is like government.

Interviewer: How do you see the role of culture in the implementation of strategy?

Interviewee: Critical, critical, critical. I am one of those managers that believes greatly in culture. Leadership's work is to deliver on strategy. In my mind, leadership work is to dictate culture. Leadership work has three things to do, namely hire the right people, develop the right strategy, and drive the strategy of the organisation. If you have the right people, right

strategy, and the right culture, the people will make sure that the strategy will be effectively executed. You are then in an organisation that can be effective; I am very pro-culture. I went back to the systems and symbols that set the organisational tone; if the culture is resistance, it is difficult. An example is coaching and working out the culture, “the system”. There is a huge cocktail of culture in the organisation; old culture, new miners. I always say, I do not change culture, but it is an oxymoron, as my work is to change culture. The only way to change culture is to change culture. You know how you change culture? You have to *do*. Add new systems, new ways. By just breaking through hierarchy it makes it easier, as I believe that hierarchy is crippling the organisation. So, if I can break the hierarchy, I have an easier organisation and should be able to achieve better results. So what is the cultural tone that I should be setting? That is where Mahatma Ghandi got it by leading by example. I can talk the whole day on culture.

Interviewer: What is mining culture?

Interviewee: Tough, real or perceived. Culture of tough, telling and defence. Strong culture of individualism. If I am okay and my team is doing okay. Internal focus. We worry about what is happening internally and not externally. Big not invented here, we are the best.

Interviewer: How people orientated do you perceive the culture to be?

Interviewee: I think that we are paternalistic. We call it people centred, but it is more paternalistic; we will look after you, tell you what you require, and we will design these things and when we design our strategies you are not involved. The intent is there, but you are dealing with a 50-year-plus history.

Interviewer: How flexible and adjustable is the culture?

Interviewee: Culture may be flexible, but people are not given a chance. People centric means you listen to people, involve them, and engage with them. Theoretically, it is easy; people are willing, but the execution is very difficult. There should not be a hierarchy, you insist on it but it is painful and very difficult to do as it opens you up to criticism. Leadership does not like criticisms, it needs to be of a learning organisation as it forces you to be dynamic and change; people have brains and must feel valued as the company takes them

seriously. They must feel that leadership recognised them; lower down in the hierarchy, it is about money, care is shown by reward. The numbers in SA make it difficult and the middle role of MO needs to be very important.

Interviewer: How do you go about implementing strategy?

Interviewee: As XXX?

Interviewer: Yes.

Interviewee: Well, let me word it carefully. We are good at the frontend with ideas and coming up with a strategy, but not so good further on. But with the follow through we are not good. We quickly adapt to external changes and then do not follow through. I suppose that is what is called dynamic strategy. As an organisation, I'll give us 50%. In sustainability and technology we are good; especially in terms of core business not following through.

ADDENDUM 8: WORK PROTOCOL FOR CO-CODER

The data analysis includes the following:

- Field notes for each interview
- Transcriptions of each interview (original and translated transcriptions)
- Initial themes identified from transcriptions

Analysis protocol

The coding process involves the following as part of the data analysis:

- Get an overview of the interview within context by reading through the transcription several times.
- Highlight and condense the actual text into meaningful units (sentences or paragraphs) from the responses of the participants regarding their experiences.
- Categorise all the meaningful units into broad themes.
- From the broad themes, explore and summarise similar smaller themes in order to obtain various sub-themes.

The following steps are also used during the data analysis and coding process:

- Defining the recorded units
- Defining the coding categories
- Testing the coding on a sample of text
- Assessing the accuracy of the sample coding
- Revising the coding rules
- Coding of all the text

ADDENDUM 9: EXAMPLE OF OBSERVATION NOTES

OBSERVATION NOTES

Interview notes

Participant: Interview 1

Date: 24 June 2013

Conducted at: 41 Buskus Street, Potchefstroom, South Africa

Observations made during the interview:

Methodology: The interview was conducted in the relevant manager's office, which is an open plan office and though comfortable and professional, not always quiet. The participant signed the consent form as the interview was open, friendly and relaxed. The participant was engaged and spoke in depth, though various prompting questions were asked as the interview progressed. The interview lasted approximately 53 minutes and the respondent shared feelings and frustrations freely. The incumbent is a senior production manager with vast experience as both a general manager and production manager, as well as with experience in projects,

Personal: The researcher picked up signs of frustration when the incumbent talked about certain topics, for example body language and fumbling of words, when talking about unions and the DMR. The interview flowed easily, but many prompting questions were required during the middle part of the interview. The incumbent reverted to Afrikaans on several occasions.

Theoretical: Themes that stood out included a perception that unions and the DMR have undermining behaviour that negatively impacts on management, management style, authority and reaction under pressure by not living values. The incumbent recognised that the unions and DMR have to be taken on the same journey of change to transform the industry. Middle management is the implementers and must deliver on the production role. The dual role of mid management makes implementation very difficult. Culture is driven by managers on the business unit. Task-driven culture, get it done and fix later. Managers are not equipped with sufficient soft skills to lead. Strong focus on management reputation and links to safety. People bogged down to deliver for corporate office, not manage the mine.

ADDENDUM 10: PARTICIPANT DETAILS

Organisation	Participant	Gender		Race				Total
Organisation	Participant	Male	Female	Caucasian	Black	Asian	Coloured	Total
Organisation A	Interviewee 1	1		1				1
Organisation A	Interviewee 2	1			1			1
Organisation A	Interviewee 3	1		1				1
Organisation A	Interviewee 4	1			1			1
Organisation A	Interviewee 5	1				1		1
Organisation B	Interviewee 6	1			1			1
Organisation B	Interviewee 7	1		1				1
Organisation B	Interviewee 8	1		1				1
Organisation D	Interviewee 9		1	1				1
Organisation D	Interviewee 10	1		1				1
Organisation D	Interviewee 11	1			1			1
Organisation D	Interviewee 12	1			1			1
Organisation C	Interviewee 15		1	1				1
Organisation B	Interviewee 16	1		1				1
Consultant	Interviewee 13	1		1				1
Consultant	Interviewee 14	1		1				1
Consultant	Interviewee 17	1		1				1
Organisation C	Interviewee 18	1		1				1
Focus group	Interviewee 19	1		1				1
Focus group	Interviewee 20		1	1				1
Focus group	Interviewee 21		1		1			1
Focus group	Interviewee 22	1		1				1
Focus group	Interviewee 23		1	1				1
Focus group	Interviewee 23	1		1				1
	Total	19	5	17	6	1	0	24
	Distribution %	21%	71%	25%	4%	0%	100%	

ADDEMDUM 11: FINDINGS PER SOUTH AFRICAN GOLD MINE

ADDEMDUM 11.1: Variations in the interpretation of corporate governance

<i>Themes</i>	Associated meaning / Explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>Generation of shareholder value</i>	Strong awareness of expectations of shareholders of returns on funds invested and goal to create value	4	3	2	2	1	3	15
<i>Mechanisms to ensure sound governance</i>	Business planning and life-of-mine process are ingrained in the industry as is widely viewed as sound governance practices.	3	3	1	2			9
<i>Driven by Corporate office</i>	The corporate offices and board of directors are seen as drivers of shareholder and board expectations.	4	1		2	1	1	9
<i>External environment</i>	The external environment is extended to the wider stakeholder base, including government, communities and unions.	3	2		2	2		9
<i>Sub-themes</i>								
<i>Mining cycle</i>	The repetitive mining cycle of cash conservation and growth reoccurs historically	4						4
<i>Dynamic strategy adjustments</i>	Strategy adjustments based on changes in the external environment to quickly adjust strategy	3		2				5
<i>Growth and sustainability</i>	Growing the business and sustaining a profitable future	1	1		1		1	4

ADDEMDUM 11.2: Themes in strategic leadership

<i>Themes</i>	Associated meaning/explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>Role of senior management</i>	Senior management is the top and senior management team, board and regional executive teams that set the tone and direction of the organisation and lead strategy implementation.	3	3	2	4	1	2	15
<i>Role of middle management</i>	Middle management is the link between senior management and the delivery of strategy.	4	3	2	4	1		14
<i>Leading by example</i>	The example set by leadership in terms of acceptable behaviour and values that influence culture	Yes = 3, No = 3, try to = 8						
	Values forgone	3	2	1	2	1	2	11
<i>Level of understanding</i>	The context set by senior management to ensure that strategy is understood and can be translated into performance steps to implement the strategy	2	2	4	1	1		10
<i>Sub-themes</i>								
<i>Communication</i>	The need for managers to inform people about the strategy that must be implemented	1	4	1	3			9
<i>Authority</i>	The authority given to make decisions and implement strategy	4	3	1	1			9

ADDEMDUM 11.3: Themes in organisational structure as a component of strategy implementation

<i>Themes</i>	Associated meaning/explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>Structure supporting strategy</i>	Structures are revised to support the implementation of strategies.	3	3	2	1	1	2	12
<i>Role clarity</i>	People in management roles are not clear on what is expected of them.	2	2		4	1	3	12
<i>Authority</i>	People are empowered to make decisions or not.	3	1		2		1	7
<i>Hierarchy</i>	Hierarchy refers to the layers or levels of management within an organisation.	3	2	2	4	1	1	13
<i>Right people to implement strategies</i>	Refers to people with the right skills and abilities in the right positions to implement strategy.	3	2	1	3	1	3	13
<i>Skills</i>	The skills set required to implement the mining strategies successfully.	3	2	1	1	1	3	11

ADDEMDUM 11.4: Themes in strategic and management control systems

<i>Themes</i>	Associated meaning/explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>Management control</i>	A combination of control systems and mechanisms that includes goals and tactics, scorecards, re-engineering and continuous improvement that monitor business results and alert managers to take corrective action.	2	2	1	2			7
<i>Output controls</i>	Control mechanisms such as budgets, resource allocation and IT systems that monitor progress and alert management	2	1		2			5
<i>Behavioural controls</i>	A combination of rewards and incentives and policies and procedures that are used to monitor employee behaviour and positively influence it.	4	3	1	3	1	3	15

ADDEMDUM 11.5: Themes in culture as part of strategy implementation

<i>Themes</i>	Associated meaning/explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>People orientation</i>	A people-centred approach where people are valued and engaged.	2	4	1	3	1	3	14
<i>Values</i>	The values and associated behaviour are determined by senior management and influence culture	4	3	1	4	1	3	16
<i>Internal politics</i>	A combination of discipline silos, personal interest and hidden agendas that influence how the organisation does business and treats people.	3	3		3			9
<i>Flexibility and adaptability</i>	The willingness and ability of the organisation to adapt to changes.	3	3	1	2		3	12

ADDEMDUM 11.5: Themes in strategy implementation plans

<i>Themes</i>	Associated meaning/explanation	Organisation A	Organisation B	Organisation C	Organisation D	Focus group	Consultants	Total
<i>Strategy implementation plan</i>	Structured plan to implement strategy with monitoring mechanisms and interim objectives or targets.	3	3	1	2		1	10