

EXPLORING THE STRATEGY-TO-PERFORMANCE GAP: THE CASE OF FOUR SOUTH AFRICAN LIFE INSURERS

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Strategic management ensures organisational performance by creating and shaping effective strategy to outwit competition. Intended strategy and realised strategy do not necessarily coincide, resulting in a performance gap. Various reasons are advanced for this performance gap. Some researchers are of the opinion that this gap is attributable to formulation aspects, while others blame execution barriers. This paper reports on the perceptions of CEOs of four South African life insurers in connection with the strategy-to-performance gap experienced in their respective organisations. The findings illustrate that these organisations ranked the strategy formulation and execution activities in their organisations similarly. However, they ranked the reasons for the breakdown in strategy execution, as well as the factors that would have the greatest impact on the quality of strategy execution, differently. These rankings were not entirely coherent. This study is situated in the interpretivist research philosophy, combining a case study and descriptive survey as method of inquiry and using a questionnaire to collect data. The latter was one of the reported limitations of the study, since the use of a questionnaire prohibited cross-examination of responses. Nevertheless, the study contributes valuable information to organisations, especially life insurers, to minimise the strategy-to-performance gap.

Key phrases: Strategic management; strategy; strategy formulation; strategy execution; performance; South Africa; life insurers; strategy-to-performance-gap

INTRODUCTION

Strategic management's main concern is ensuring the organisation's performance by creating and shaping effective strategy, whether through intended and/or emergent initiatives, to outwit competition (Carpenter & Sanders 2009; David 2009; Ehlers & Lazenby 2004; Hult, Ketchen & Slater 2005; Mintzberg 1994; Pearce & Robinson 2009; Olsen, Slater & Hult 2005; Hough, Thompson, Strickland & Gamble 2008). As such, strategy aims at utilising the organisation's resources that are linked to conditions in its external environment, with a view to financial gain (Fayol 1949; Nag, Hambrick & Chen 2007). Organisational performance has been investigated by a number of researchers over a long period and from different viewpoints (eg Falshaw, Glaister & Tatuglo 2006; Fayol 1949; Hult, Ketchen & Slater 2005; Mankins & Steele 2005; Short, Ketchen, Palmer & Hult 2007; Olsen, Slater & Hult 2005; Wery & Waco 2004). Despite their limitations, these studies have contributed to knowledge about and understanding of the strategy-to-performance phenomenon. However, a conclusive answer to the strategy-to-performance phenomenon still seems elusive. Conclusions of previous strategy-to-performance studies are divergent, highlighting the complexity of the strategy-to-performance debate (Falshaw et al 2006; Fayol 1949; Hult et al 2005; Mankins & Steele 2005; Short et al 2007; Olsen et al 2005; Wery & Waco 2004). This indicates that more studies are required to contribute to knowledge creation in this area.

Replication and extension are important in scientific knowledge creation to ensure empirical generalisation (Babbie 2007; Berthon, Pitt, Ewing & Carr 2002; Hubbard & Vetter 1996; Hubbard, Vetter & Little 1998; Hunter 2001; Neuman 2006; Zikmund 2003). In an effort to contribute to a better understanding of the strategy–performance phenomenon, this study replicated and extended that of Mankins and Steele (2005).

The focus of the study on which this paper is based is, specifically, the area of the strategy-to-performance gap experienced by members of the South African Life Office Association (SALOA) during 2006. The question arose whether the strategy-to-performance gap would be different in organisations deemed to have a superior strategy, more intent on driving organisational performance, than those who consider strategy execution as more important in driving organisational performance. Hence, the purpose of this paper is to report on the strategy-to-performance gap as perceived by four selected participants from the main study. The aim of this paper is to describe the strategy-to-performance gap of these life insurers, which is achieved by reporting on the strategic management tools used by these respondents; the strategic activities in their organisations that are perceived to be reasons for the breakdown in strategy execution; and the factors perceived to have the greatest impact on the quality of strategy execution for the participants in question.

To achieve the aim of this paper, an overview of the South African life insurance industry is presented first. This is followed by the theory underpinning strategy. Thereafter, the design and methodology are presented, followed by findings and discussions. The paper closes with conclusions and suggestions for further research.

A BRIEF OVERVIEW OF THE SA LIFE INSURANCE INDUSTRY

The SA life insurance industry is relatively small, that is, its income in 2006 was equivalent to that of Anhauser-Bush, which ranked 478th on the 2006 Fortune 500 list (Demos 2007:F10) in the USA. Furthermore, the SA life insurance industry may be characterised as an oligopoly – a few organisations dominate the market. In 2006, a total of 35 life insurers were registered with the SALOA. Of these 35 organisations, three dominated the market.

Changing demographics necessitated responsiveness from life insurers to meet the changing demands resulting from changing lifestyles. Other variables contributing to changing conditions in the life industry included new legislation and heightened competitiveness to acquire new business as a result of the new emerging middle class, which had previously been ignored.

At the time of the study, the SA life insurance industry was under the spotlight, mainly because of its inability to meet changing needs in the SA context. In the meantime, the global financial crisis had set in and life insurance was one of the first products consumers gave up in an effort to survive. Consequently, lapsed policies and a drop in new business put pressure on the life insurers.

This brief overview of the SA life insurance industry clearly shows that it faces competitive challenges that put pressure on its performance. As such, strategy – the tool ensuring organisational performance – is relevant for the industry in question. With the above as background, we now turn our attention to the theory underpinning strategy, which ensures organisational performance.

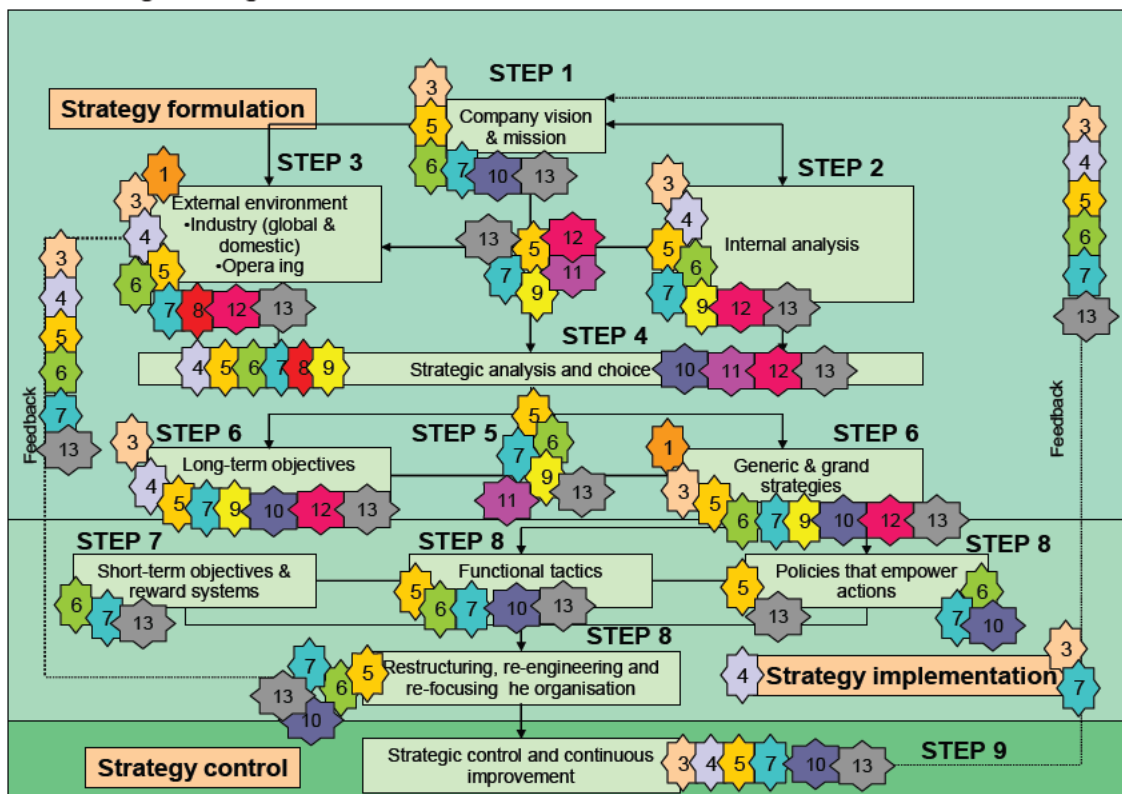
THEORY UNDERPINNING STRATEGY

Strategic management, whether explicitly or implicitly defined, is the field dealing with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilisation of resources to enhance the performance of organisations in their external environments, with financial outcomes dominating performance (Nag et al 2007). These major intended and emergent initiatives can be achieved by using a formal/deliberate or informal/emergent approach, or a combination approach (Mintzberg 1994). Deliberate/formal approaches have been suggested by various authors (eg Ansoff 1965; Boston Consulting Group, in Boyett & Boyett 1998; Burgelman & Doz 2001; Carpenter & Sanders 2009; Chan & Mauborge 2002; David 2009; Ehlers & Lazenby 2004; Grünig & Kühn 2004; Ireland, Hoskisson & Hitt 2009; Kaplan & Norton 1996; Mintzberg 1994; Pearce & Robinson 2009; Porter 1996; Prahalad & Hamel 1994; Hough et al 2008; Treacy & Wiersema, in Boyett & Boyett 1998). In essence, these approaches suggest that strategic management is a process consisting of three major, interrelated phases, namely strategy formulation, implementation/execution and control.

This implies that if one phase, or a step in a phase, is neglected, it will invariably have an adverse effect on the total process. Consequently, the strategic outcome may suffer. Even if the organisation uses strategic management tools in formulating, executing and controlling strategy, the dynamic nature of the competitive landscape may result in the intended and realised strategy being different (Mintzberg 1994).

The essence of strategic management, as illustrated in figure 1 below, demonstrates that the entire strategic management process is important.

Figure 1: Strategic management



Source: Tait (2006), unpublished MBA dissertation

Figure 1 needs some elaboration. Each of the three phases of strategic management consists of different steps. These steps are not necessarily visible from the illustration in figure 1. Strategy formulation consists of steps 1 to 7, while execution is represented by steps 7 and 8. Step 9 represents strategic control. The legends 1 to 13 represent the processes of different authors, and are as follows:

- Mintzberg's ten strategy schools are represented by legend number 1.
- Legend 2 represents Pearce and Robinson. It comprises all the steps and has not been duplicated in figure 1, as this is the base model used to indicate similarities between the various processes.
- The five tasks of strategic management proposed by Hough et al are reflected as legend 3.
- Process-based strategic planning, suggested by Grünig and Kühn, is illustrated as legend 4.
- Porter's generic strategies are shown as legend 5.
- Core competencies, strategic intent and strategic fit, proposed by Prahalad and Hamel, are reflected as legend 6.

- The strategic management process suggested by Ehlers and Lazenby appears as legend 7.
- The growth-share-matrix of the Boston Consulting Group is represented by legend 8.
- Burgelman and Doz's complex strategic integration is reflected as legend 9.
- Corporate excellence and closing the gap, as proposed by Treacy and Wiersema, are represented by legend 10.
- The identification of the strategy–performance gap, as proposed by Mankins and Steele, appears in legend 11.
- Charting the organisation's future, as explained by Chan and Mauborge, is captured in legend 12.
- The balanced scorecard, as proposed by Kaplan and Norton, appears in legend 13.

According to the literature consulted, the emphasis to ensure successful performance (indicated in the illustration) is on formulation, while execution and control (including feedback) also receive due attention. However, it stands to reason that proper execution and control cannot take place if formulation is neglected, as the scene is set for execution and control during the formulation stage. Nevertheless, the nature of the dynamic environment may affect execution. Given the execution barrier, it is understandable that most contemporary organisations seem obsessed with execution, as a driver for performance. The “downside” of the execution obsession is that organisations may focus on short-term financial gains rather than long-term value (eg Krehmeyer, Orsagh & Schacht 2005; Novicevic, Davis, Dorn, Buckley & Brown 2005).

DESIGN AND METHODOLOGY

The study reported on here forms part of the main study into the strategy-to-performance gap of life insurers in South Africa in 2006. The purpose of the main study was to explore the perceptions of CEOs regarding the strategy-to-performance gap on variables impacting the performance of the particular organisation, as experienced by life insurance and re-insurance companies that were members of the then SALOA, with a view to understanding the strategy–performance phenomenon in the SA long-term insurance industry. As such, the inquiry reported on is situated in an interpretivist research philosophy, with the emphasis on experience and interpretation.

As such, the interpretive philosophy seeks to produce descriptive analyses that emphasise understanding of the phenomenon studied, rather than searching for broadly applicable laws. The interpretive philosophy is congruent with the purpose of this research. Ontologically, knowledge (in the interpretivist philosophy) is subjective. The descriptions of the participants' perceptions of the social reality studied (strategy-to-performance gap) provided data, which formed the basis of themes and categories regarding variables impacting the strategy-to-performance gap in the case of SA long-term life insurers. These themes could be used to understand the strategy-to-performance gap in the life insurance industry in SA. As such, the themes can be generalised, rather than generalising laws from sample to population. This view is supported by Collis and Hussey (2009), Creswell (2009), Hallebone and Priest (2009) and Henning, Van Rensburg and Smit (2004).

The above explanation of the interpretivist philosophy alludes to the application of a qualitative research approach in collecting and analysing data for this research. In this instance, the use of a qualitative research approach was appropriate to the purpose of the inquiry conducted. Furthermore, the qualitative approach is in line with the predominant research approach within the interpretivist philosophy (Collis & Hussey 2009; Creswell 2009; Hallebone & Priest 2009; Henning et al 2004). The problem was studied by means of a case study, which was deemed appropriate to this inquiry as it explored a contemporary phenomenon in its real-life context (Myers 2009; Perry 2001). Empirical evidence was obtained via a descriptive survey of all the members of the then SALOA. A (descriptive) survey was deemed appropriate because of its flexibility, as well as the fact that all the members of the SALOA – which was small in number (35) – could be reached, which made it possible to gather valuable information about the problem studied. At the same time, this design was more economical, in terms of cost, accessibility and time, than interviews. In addition, more SALOA members were prepared to participate in a survey rather than being interviewed. Furthermore, the study was undertaken as part of an MBA dissertation. However, the information yielded by a survey would not be as rich as information from an interview; this constitutes the major limitation of the study.

The main study replicated and extended that of the Mankins and Steele (2005) study. The research questions were as follows: (i) whether the members of the SALOA used strategic management tools to formulate, execute and control strategy; (ii) what drives performance; and (iii) whether they experienced a strategy-to-performance gap (in the 2006) reporting year. If so, what were the reasons for the gap, and what factors did respondents regard as having the greatest impact on the quality of strategy execution. The main part of the field research (questions 3 to 11) was based on the research by Mankins and Steele (used with permission). Given the potential

significance of strategic management tools used in strategy formulation, execution and control, two additional questions were added. These questions explored the use of strategic management tools in strategy formulation, execution and control, and the satisfaction experienced regarding their use.

The questionnaire used consisted of both closed and open-ended questions. This approach to the questionnaire design ensured that no unnecessary information was collected. Furthermore, closed questions ensured classification in standardised categories that facilitated comparison. Since closed questions do not allow all possible alternatives to be anticipated, they were supplemented with the option "Other" to ensure completeness.

No ideal sample size for studies using a qualitative approach has been established, although guidelines are available for case studies. Eisenhardt (1989) proposes between four and 10 for cases, while Morse (in Denzin & Lincoln 1994) suggests six cases and Creswell (2002 in Onwuegbuzie & Leech 2007) proposes three to five cases. As such, the four respondents selected for this paper are in keeping with these guidelines for high-level qualitative case study research. Collectively, the four selected organisations accounted for the majority of the SALOA members' gross premium income in 2006 (and in 2008), representing a significant portion of the SALOA.

One of the questions was whether superior strategy or better execution drove superior performance. Hence, the responses of participants who regarded superior strategy as the driver of performance were compared with the responses of those who deemed superior execution as driving performance. Only one respondent (observation 8 in the main study) indicated that superior financial performance is driven by a superior strategy, while 22 responding organisations indicated that executing strategy better than competitors and peers drove superior financial performance. Hence, the one respondent who indicated superior strategy as the most important driver of performance was included as observation 1. The question was which of the remaining 22 respondents should be included in the comparison. In order to ensure a degree of "equality", it was decided to examine the responses of the remaining 22 organisations with a view to finding the ones with responses that were closest to the observation already included in terms of (i) description of financial performance of the past five years, (ii) description of the organisation's effectiveness in executing strategy, (iii) the ability to formulate and execute strategy relative to companies of the same size and (iv) response to improvement in financial performance in the next two years (ie 2008), should the organisation be characterised by being very effective at strategy execution. Only one (observation 19

in the main study) of the 22 respondents' responses was an exact match with observation 1 in terms of these variables. This observation was consequently included as observation 2. Two more responses were exact matches in terms of financial performance and effectiveness in strategy execution. However, one of these respondents indicated that it was above average at both strategy development and execution (observation 3 in the main study), while the other indicated that it was average at strategy development, but above average at strategy execution (observation 21 in the main study). Therefore, these observations were included as observations 3 and 4 respectively.

The unit of analysis was thus the organisations studied, while the unit of observation was the person completing the questionnaire (the CEO) (Babbie 2007; Perry 2001). The CEO of an organisation is ultimately responsible for the successful performance of the organisation, therefore it was deemed appropriate to question the CEOs regarding the strategy-to-performance gap of the respective organisations, thereby ensuring validity of the study. Reliability was ensured by using a structured questionnaire, which had been used previously.

It should be noted that this study also complied with ethical requirements, as informed consent was obtained from participants and they were assured that the information submitted would be used confidentially. The organisations are therefore not named, but rather numbered from one to four.

FINDINGS AND DISCUSSION

Table 1 below gives a brief profile of the respondents.

Table 1: Brief profile of the four respondents

Characteristic	Observation 1	Observation 2	Observation 3	Observation 4
Nature and scope of business	Diversified, life insurance, health, banking, international presence	Diversified, life, health, banking, international presence	Financial services group, international presence	A provider of insurance and asset management services to the South African market
Size	Small	Large	Large	Medium
Market share	± 5%	± 30%	± 20%	±15%
Life-cycle stage	Young	Mature	Mature	Adolescence

The information in table 1 shows that the respondents differed to a degree in terms of their business scope, with observations 1 and 2 being more diversified than observations 3 and 4. The contribution (portion) of the life insurance to the overall business of the observations also differed – observation 4 had the largest exposure

to life insurance. These organisations were in different life-cycle stages and had different shares of the life insurance market. Differences in the characteristics of the organisations might signal differences in strategy.

Table 2 reflects strategy and performance dimensions of the organisations in question.

Table 2: Strategy and performance dimensions of the organisations in question

Dimensions	Observation 1	Observation 2	Observation 3	Observation 4
Drivers for superior financial performance	Superior strategy	Superior execution	Superior execution	Superior execution
Financial performance – past 5 years	Excellent – in top quartile compared with competitors and peers	Excellent – in top quartile compared with competitors and peers	Excellent – in top quartile compared with competitors and peers	Excellent – in top quartile compared with competitors and peers
Effectiveness of strategy execution	Effective – we achieve the performance we aim for 60–80% of the time	Effective – we achieve the performance we aim for 60–80% of the time	Effective – we achieve the performance we aim for 60–80% of the time	Effective – we achieve the performance we aim for 60–80% of the time
The organisation's ability to develop and execute strategies with companies of similar size	Above average at strategy development but average at strategy execution	Above average at strategy development but average at strategy execution	Above average at strategy development and above average at strategy execution	Average at strategy development but above average at strategy execution
What improvement in after-tax profits was expected after 2 years	Noticeable – 10–25% increase	Noticeable – 10–25% increase	Noticeable – 10–25% increase	Moderate – 25–50% increase
Performance in 2008	Improved	Improved	Improved	Improved

Table 2 suggests that the four participants were similar in terms of perceptions about their financial performance and effectiveness of strategy execution. Three of the four observations (2, 3 and 4) deemed strategy execution more important in driving superior performance, while only one (observation 1) deemed a superior strategy as more important in driving the financial performance of the organisation. These observations were different in terms of their perception of their ability to formulate and execute strategy. Two of the observations (1 and 2) deemed their strategy development ability as above average and their strategy execution ability as average. One observation (3) deemed its ability to develop and execute strategy as above average. One observation (4) deemed its strategy development ability as below average but its execution ability as above average. These observations were also different in terms of their perception of financial performance improvement, should the necessary steps be taken to be described as excellent in strategy execution (ie achieving desired performance more than 80% of the time). Observations 1, 2 and 3 indicated that a noticeable improvement in after-tax profits can be expected in two

years, while observation 4 indicated a moderate improvement (25–50%). The performance of these organisations was checked in 2008 and generally their performance had improved since 2006, despite the economic recession. However, it was not possible to calculate the contribution of life insurance to the improved performance, *inter alia*, as a result of changed reporting formats. Nevertheless, it stands to reason that it is possible that a portion of the performance improvement is attributable to life insurance, although it is unclear whether this performance improvement was in line with expectations.

All organisations indicated that they used strategic management tools in formulating, executing and controlling strategy. The responses are summarised in table 3 below.

Table 3: Strategic management tools used

Strategic management tool	Observation 1	Observation2	Observation 3	Observation 4
Strategic planning models		✓	✓	✓
Core competencies			✓	✓
Mission and vision statements		✓	✓	✓
Customer relationship management			✓	
Growth strategies	✓	✓	✓	
Business process re-engineering			✓	
Scenario and contingency planning			✓	
Balanced scorecard	✓	✓	✓	✓

Source: Tait (2006), unpublished MBA dissertation

The strategic management tools listed in table 3 correspond with those illustrated in figure 1. For example, strategic planning models are reflected as legends 2, 3, 4 and 7 in figure 1, while core competencies are reflected as legend 6. Mission and vision statements form part of strategic planning models, as reflected by legends 2, 3, 5, 6, 7, 10 and 13 in figure 1. Growth strategies form part of generic and grand strategies, represented by step 4 and reflected by legends 1, 3, 4, 5, 6, 7, 8, 9, 10, 12 and 13 in figure 1. Business process re-engineering is reflected by legends 6, 7, 10 and 13 in figure 1 and the balanced scorecard by legend 13. This response showed that theoretical strategic management tools are practically applied by the observations in question.

The information in table 3 demonstrates that the four respondents used strategic management tools to differing degrees. Observation 1 used two strategic management tools, while observation 3 used eight. Observations 2 and 4 each used

four strategic management tools. The balanced scorecard was the only tool that all four observations used. Growth strategies were used by observations 1, 2 and 3, while observations 2, 3 and 4 used mission and vision statements as well as strategic planning models. These strategic management tools are comprehensive and some elements overlap.

These observations indicated that they were generally satisfied with the results yielded by these strategic management tools. This observation seems to correspond with their financial results and effectiveness in strategy execution. Yet, despite the respondents' perception of excellent performance, all experienced a strategy-to-performance gap of 30%, which was higher than the average for SA long-term insurers at 28.3%, but lower than the Mankins and Steele survey at 36.9%. In order to understand the strategy-to-performance gap, these organisations' responses to strategy practices were examined next.

Figure 2 below illustrates the respondents' degree of agreement with statements relating to strategy practices in their organisations.

Figure 2: Degree of agreement with statements relating to strategy practices

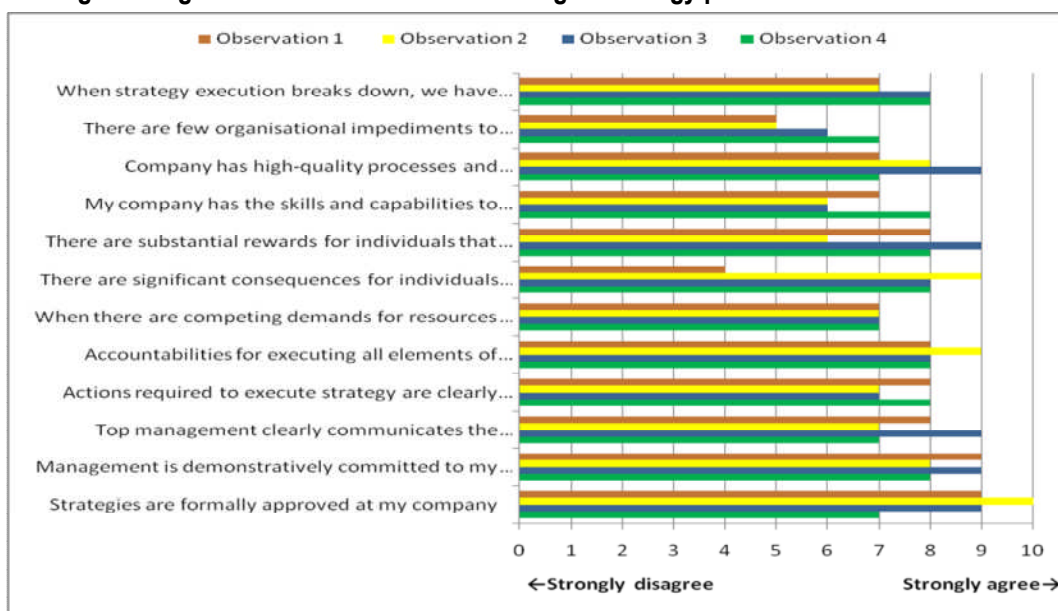


Figure 2 demonstrates that the observations generally responded similarly to statements relating to strategy practices in their respective organisations. Generally, these responses indicate sound strategy formulation, execution and control practices, with room for improvement, albeit marginal. However, the following areas are noted as concerns that might lead to a performance gap:

Observation 1 indicated that it disagreed with the statements that there are significant consequences for individuals who fail to execute key elements of the strategy and that there are few organisational impediments to effective strategy execution.

Observation 2 indicated that it disagreed with the statements that there are few organisational impediments to effective strategy execution; the organisation has the skills and capabilities it needs to successfully execute strategy; and there are substantial rewards for individuals that successfully execute key elements of the organisation's strategy.

Observation 3 indicated it disagreed with the statements that there are few organisational impediments to effective strategy execution and the organisation has the skills and capabilities it requires to successfully execute strategy.

Observation 4 indicated that it disagreed with the statements there are few organisational impediments to effective strategy execution; when there are competing demands for resources at the organisation, it is clear which strategic initiatives take precedence over others; top management clearly communicates the strategy it intends to pursue to all levels in the organisation; and strategy is formally approved at my organisation.

Organisational impediments to effective strategy execution were common to all participants, though not to the same extent, followed by skills and capabilities needed to successfully execute strategy, which was common to two observations.

Another observation from figure 2 is that these strategy practices, which could lead to a performance gap, can all be categorised according to the different phases of strategic management tools, as illustrated in figure 1. This categorisation is reflected in table 4 below.

Table 4: Categorisation of strategy practices according to strategic management tools reflected in figure 1

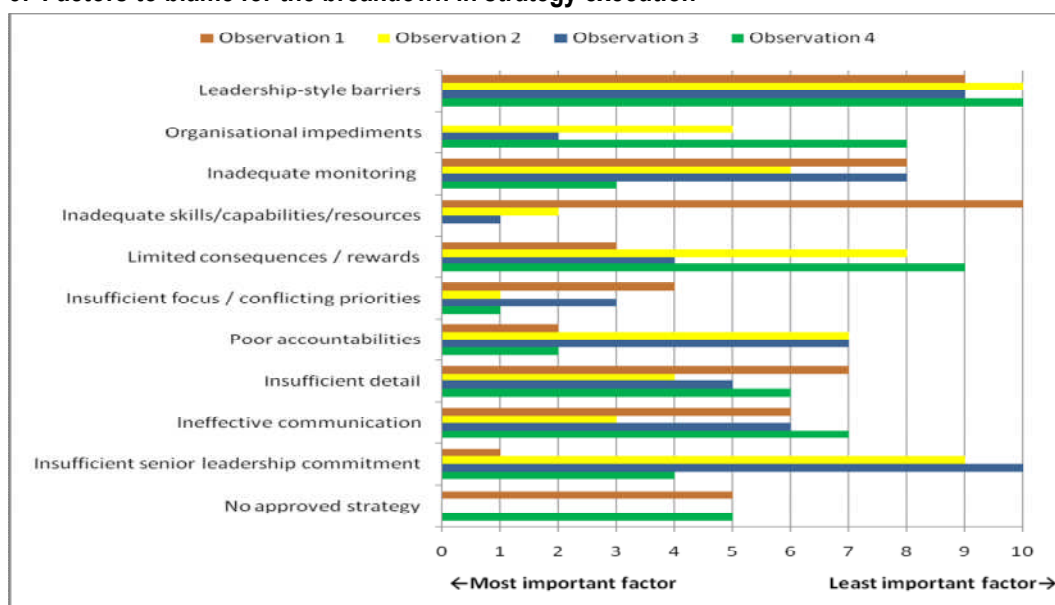
Strategic management phase	Strategy practice
Planning	Actions required to execute strategy; accountabilities; skills and resources needed
Control	Clear processes and procedures to take corrective action quickly when strategy breaks down
Feedback	Strategy formally approved; top management is demonstratively committed to strategy; top management clearly communicates strategy to all levels of the organisation; organisational impediments
Planning and control	When there are competing demands for resources, it is clear which strategic initiatives take precedence; significant consequences for individuals who fail to execute key elements of the strategy; substantial rewards for individuals who execute key elements of strategy

The information in table 4 suggests that these practices, which might impact negatively on performance, were mainly associated with planning, control and

feedback. However, this is an oversimplification of the complex phenomenon of strategic management. For example, during the planning phase, provision may be made for adequate skills necessary to execute the strategy. Nevertheless, given the dynamic nature of the environment in which the organisations compete and the current skills shortage, the skills may not actually be available at the time they are required for reasons beyond the control of management.

Given that the information in figure 2 suggests a potential strategy-to-performance gap, for all the observations in question, the next step was to examine the perceptions of these respondents as to the factors responsible for the breakdown in strategy execution. Figure 3 illustrates the observations' responses to the factors to blame for the breakdown in strategy execution.

Figure 3: Factors to blame for the breakdown in strategy execution



The information in figure 3 illustrates that the four observations generally ranked the perceived factors responsible for the strategy execution breakdown differently. However, all indicated leadership-style barriers as the least important factors contributing to the strategy execution breakdown. In the case of observation 1, the four most important factors for the breakdown in strategy execution were (i) insufficient senior leadership commitment, (ii) poor accountabilities, (iii) limited consequences and rewards for strategy execution and (iv) insufficient focus. Observation 2 deemed the following four factors as the most important in the breakdown of strategy execution: (i) insufficient focus/conflicting priorities, (ii) inadequate skills/resources/capabilities to execute strategy effectively, (iii) ineffective communication and (iv) organisational impediments. Observation 3 ranked (i)

inadequate skills/capabilities/resources needed to execute strategy, (ii) organisational impediments, (iii) insufficient focus/conflicting priorities and (iv) insufficient detail – actions required to execute strategy not clearly delineated as the four main factors in the breakdown of strategy execution. Observation 4 rated (i) insufficient focus/conflicting priorities, (ii) poor accountabilities, (iii) inadequate monitoring and (iv) insufficient leadership commitment as the four main factors contributing to the breakdown in strategy execution. Insufficient focus was common to all organisations, although ranked differently.

Generally, the factors perceived by the respondents for the breakdown in strategy execution do not correspond entirely with the expected breakdowns, given their responses to the strategy practices in their organisations, as reflected in figure 2. Again, the factors perceived to be responsible for the breakdown in strategy execution can generally be categorised as forming part of the planning, control and feedback phases of the strategic management tools, as illustrated in figure 1. The information in figure 3 shows that there is substantial opportunity for all observations to improve their strategy execution ability. These opportunities were traced backed to planning and control, given the participants’ responses to the factors to blame for the breakdown in strategy execution.

The next step was to find out which factors the participants deemed to have the greatest impact on effective strategy execution. These responses are reflected in figure 4 below.

Figure 4: Factors having the greatest impact on strategy execution

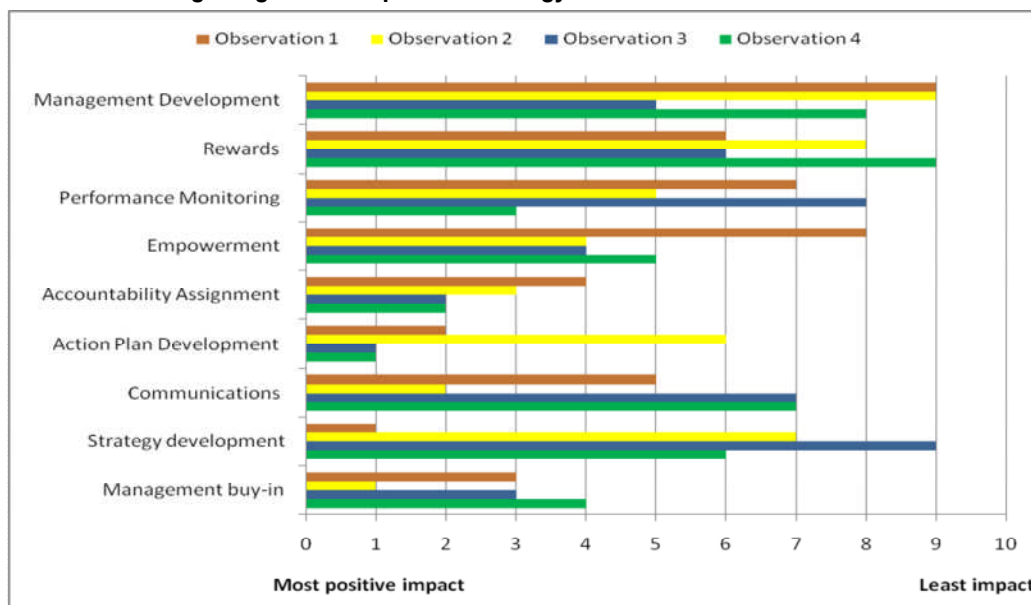


Figure 4 shows that, generally, the rating differed for the four observations in question. In the case of observation 1, the four factors that would have the greatest impact on effective strategy execution were (i) strategy development, (ii) action plan development, (iii) management buy-in and (iv) accountability assignment. Observation 2 indicated that the factors that would have the greatest impact on effective strategy execution were (i) management buy-in, (ii) improved communication, (iii) accountability assignment and (iv) empowerment. Observation 3 was of the opinion that (i) action plan development, (ii) accountability assignment, (iii) management-buy-in and (iv) empowerment would have the greatest impact on strategy execution. Observation 4 indicated that (i) action plan development, (ii) accountability assignment, (iii) performance monitoring and (iv) management buy-in would have the greatest impact on the quality of strategy execution. This information demonstrates that a few factors are prevalent in more than one case, eg accountabilities assignment (all four), management buy-in (all four) and action plan development (three of the four).

Again, it is observed that the perceived improvement in strategy execution does not correspond entirely with the responses to the breakdown in strategy execution. The factors perceived to have the greatest impact on strategy execution can generally be categorised according to the planning, control and feedback phases of the strategic management tools, as illustrated in figure 1, indicating the importance of planning in ensuring successful execution of strategy.

CONCLUSION

The purpose of this paper was to report on four cases from the main study exploring the strategy-to-performance gap experienced by life insurance and re-insurance companies, which were members of the then SALOA, by establishing the perceptions of the respective CEOs on variables affecting the performance of the organisation, with a view to understanding the strategy–performance gap in the SA long-term insurance industry in 2006. Strategy is the tool that ensures the firm’s performance by harmonising its internal resources with conditions in the external environment with a view to financial gain. Should there be a breakdown in the strategy, financial performance suffers.

Organisational performance has been investigated over a long period by a number of researchers from different viewpoints. These studies, despite their limitations, have contributed to knowledge and understanding of the strategy–performance gap phenomenon. Nevertheless, a conclusive answer to the strategy–performance

relationship seems elusive. Conclusions of previous strategy–performance studies are divergent, highlighting the complexity of the strategy–performance debate.

This study attempted to contribute to an understanding of the strategy-to-performance gap by replicating and extending the study of Mankins and Steel (2005). The four observations used to explore the strategy-to-performance gap were similar in terms of their profile and performance dimensions. Despite the similarities, their perceptions about strategy practices, the factors responsible for the strategy execution breakdown and factors having the greatest impact on the quality of strategy execution differed. A noteworthy observation is that the perceived strategy practices that might result in a breakdown in strategy, factors perceived to improve strategy execution and those factors responsible for the breakdown, generally, lacked coherence in terms of the relative ranking allocated to the different categories. Nevertheless, the perceived practices, factors responsible for strategy execution breakdown and factors that would improve strategy execution could be categorised according to the different phases of the strategic management tools used by the participants. It was especially the phases of planning, control and feedback that seemed to be the cause of the strategy–performance gap. This observation underscores the importance of planning in ensuring effective strategy execution, stressing the integrated nature of strategic management. More attention could be focused on the integrated nature of strategic management, as it seems – from the lack of coherence in responses – that a lack of “integration” may be at the heart of the strategy–performance gap. This observation in itself may also be indicative of the complexity of the subject at hand, which is compounded by perceptions – which need not correspond with reality.

The participants’ performance in the 2008 financial year (the latest available financial results for all four participants) was checked against their forecast, should they take the actions required to be described as excellent in execution. In all cases, financial performance (life insurance) has improved, although it was not possible to indicate to what degree it had improved, nor what contribution life insurance made to the improved performance.

This study relates to previous strategy–performance studies and confirms their findings in the following ways:

- The strategy-to-performance gap is real (Mankins & Steele 2005).
- The entire strategic management process matters if the strategy-to-performance gap needs to be closed (Porter 1996; Pearce & Robinson 2009; Finnegan, Crespi & Hernandez 1998; Weary and Waco 2004).

The contribution of this study is that it adds the following to existing knowledge about this problem:

- These gaps corresponded with those identified by Mankins and Steele (2005), although the order differed.
- The most significant contributor to the strategy–performance gap is lack of focus/conflicting priorities and lack of resources – the essence of strategy.
- This study does not give specific answers to the question of what gave rise to the gaps, although it seems as if strategy formulation might have been neglected to some extent, which may at least reduce some of the gaps.
- Attention should be focused on the integrated nature of strategic management, rather than trying to pin the problem down to any of the strategic management phases, namely formulation, execution or control.

Finally, further study is recommended to create knowledge in the area of the strategy–performance gap. It is also suggested that the role of the persons practising strategy (ie how these processes are employed and practices are embedded in organisations) could be another avenue to investigate the strategy–performance phenomenon, rather than focusing on it purely from the perspective of processes used.

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