International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Impact Factor (2012): 3.358

Strategy Formulation and Implementation in Zimbabwe's Food Manufacturing Industry

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Abstract: ***This paper is designed to look at how the food manufacturing industries in Zimbabwe formulate and implement business strategies for competitive advantage locally and in the region. The sample size of this research paper consisted of 150 Chief Executive Officers located in Harare, Bulawayo, Mutare, Gweru and Masvingo in Zimbabwean. The research instrument used was the self – administered questionnaire. Data collected was analyzed using both inferential and descriptive statistical tools. Results obtained from the study revealed that strategy formulation and implementation if fully practiced in food manufacturing organisations enhances efficiency, profitability and competitive advantage in a dynamic environments. The paper recommended a conceptual model for Strategy formulation and implementation for competitive advantage in the food manufacturing industry in Zimbabwe.***

Keywords: Strategy Formulation, Strategy Implementation, Food manufacturing industry, Competitive advantage, Business-level environment, Competitive Performance

1. Introduction

Grant (2005:14) states that enterprises need business strategies for much the same reasons the armies need military strategies, to give direction and purpose to deploy resources in the most effective manner and to co-ordinate the decisions made by different individuals. The concepts and theories of business strategy have their antecedents in military strategy. Military strategy and business strategy share a number of common concepts and principles, the most basic being the distinction between strategy and tactics. Strategy formulation is the grand plan or the overall plan for deploying resources to establish a favourable position; strategy implementation is an execution process or a tactic to a scheme for a specific action. Whereas tactics are concerned with the maneuvers necessary to win battles, strategy is concerned with winning the war.

2. Literature Background

Katsioloudes (2002:16) suggests that the organizations need to establish a base from which realistic and achievable plans can be formulated and implemented. Strategy Formulation and Implementation in Zimbabwe Food Manufacturing industry according to (Armstrong, 2006) can be defined as a process for developing a sense of direction.

A key preoccupation of strategic management for competitive advantage as a field of study is the identification of sources of heterogeneous performance among food manufacturing firms in Zimbabwe in terms of their competitiveness. The main theories of the study of strategy formulation and implementation in the Zimbabwe's food manufacturing sector includes contingency theory, Porter's positioning theory, resource-based view and its derivatives and environmental theories and offer varying views explaining the potential reasons for deriving superior rent.

Empirical studies in the field of strategic management have mainly focused on two main streams of research: (i) The relationship between how strategy is formulated in a firm and firm performance and (ii) the relationship between the content of strategy and firm performance. A third area of interest is strategy implementation, but unlike the other two areas, strategy implementation in the food manufacturing organizations has not received much empirical interest.

The results of the previous studies examining the relationship between strategy formulation and corporate performance and marketing strategy content and performance have been inconclusive. Some studies have reported positive relationships, while others found no relationship. The previous studies also suffered from a number of methodological inadequacies such as inconsistent operationalization of the constructs, unclear definition of industry sectors and small sample size. Only a few studies have focused on Zimbabwean based organizations. In addition there is a dearth of empirical research using Zimbabwean based food manufacturing organizations.

Based on the literature review a conceptual model of strategy formulation and implementation in food manufacturing organizations in Zimbabwe was proposed and the hypotheses to be tested were derived. These hypotheses were classified into two groups namely (i) hypotheses for validating the findings of previous studies and (ii) hypotheses which have not been tested in previous studies. Hypotheses in the first group have examined the impact of strategy formulation, business-level strategy and strategy implementation on organizational competitive performance in the manufacturing sector. Hypotheses in the second group have examined the interrelationships between strategy formulation, business-level strategy and strategy implementation.

3. Levels of Strategy

Hannagan (2002:15) distinguishes three levels of strategy: corporate, business and functional and Thompson & Strickland (2003:50) mention the three critical levels of

strategy which are corporate, business and functional levels as well.

Corporate Strategy: Concerns how a diversified company intends to establish business position in different industries and the actions and approaches employed to improve the performance of the group of businesses the company has diversified into. The corporate-level strategy is concerned with domain selection, that is to say, the vertical, horizontal, and market scope and linkage and level of integration among different businesses (Bourgeois, 1980; Rumelt, 1974). Corporate-level strategy is too aggregated for understanding the strategic response to environmental influences such as competitive moves, technological changes, entry and exit of competitors, while a key role of strategy is to integrate activities of various functions and as such functional level strategies are not particularly important (Venkatraman, 1989).

Business-Level Strategy: Relates to the actions and approaches crafted by management to produce successful performance in one specific line of business, the central business strategy issue is how to build a stronger long term competitive position. Business-level strategy employed by food manufacturing organisations in Zimbabwe is defined as the competitive methods which are derived on the basis of rational-comprehensive strategy formulation enabling them to accomplish one of the following tasks:

- Minimise the operational costs
- Differentiate their products from other competitors;
- Minimise the operational costs and differentiate their products from other competitors.

Detailed specifications for implementing this strategy are provided and clearly communicated to the personnel involved. Various tasks involved for implementing the strategy are appropriately prioritised. A number of studies have tried to explain performance heterogeneity by examining the Business level strategies of organisations (e.g. Karnani, 1984; Marlin, Lamont & Hoffman, 1994; Kim, Nam & Stimpert, 2004; Moore, 2005).

Most of these studies have looked into the impact of only business-level strategy on organisational performance and have not taken into consideration strategy formulation and strategy implementation in a specific industry like a food manufacturing set up. The business-level strategy is concerned with domain navigation, that is to say how the firm competes effectively in a particular market segment (Hambrick, 1980; Beard and Dess, 1981).

Functional Strategy concerns the managerial game plan for running a major functional activity or process with a business – R & D, production, marketing, customer service, distribution, finance, human resources etc.; a business needs as many functional strategies as it has major activities. Functional-level stratégies focus on the maximisation of resource productivity within each specific function and they are generally derived from the business strategy (Schendel and Hofer, 1979). Functional strategy is concerned with the functional areas of the firm such as operations, marketing, financial, human resources and research and development. It is the approach taken by functional area to achieve the corporate and business objectives of the unit strategically by maximizing resource productivity (Wheelen & Hunger, 1998). It is critical that these functional strategies are designed and managed in coordinate way so that they interrelate with each other and at the same time collectively allow the competitive strategies to be implemented properly (Thompson, 1995).

4. Aims of the Study

The two systematic literature reviews examining studies on strategy formulation and implementation while applying the system to business-level strategy and a review of strategy implementation literature suggest that the following issues need to be addressed:

- Can performance heterogeneity in food manufacturing organisations in Zimbabwe be explained in terms of their emphasis on rational strategy formulation?
- Do Porter's strategy typologies explain the differences in the performance of organisations?
- What factors affect the success of strategy implementation? To what extent have organisations in the food manufacturing in Zimbabwe been successful in implementing their formulated strategies? Does the emphasis on strategy implementation lead to superior performance?
- Does the environment moderate the relationship between strategy formulation, implementation and organisational performance?
- Does the environment have a moderating effect on the relationship between business-level strategy and performance?
- Is there a relationship between the type of organisational structure and business strategy? If strategic types are associated with structure types, then does this association explain performance heterogeneity?

This study makes a significant contribution to the literature by addressing the above issues.

5. Research Methodology

The basic approach followed in this study is that of theory testing through empirical research. The characteristics of this study closely match the attributes of the epistemological position represented by post-positivism. A quantitative research strategy has been adopted in this study. Various aspects of the research design such as the constructs used in the study, development of the survey instrument, selection of sample, execution of the survey, data analyses techniques and procedure and assessment of the sample homogeneity and non-response bias. The basic approach followed in this study is that of theory testing through empirical research. A set of testable hypotheses have been formulated on the basis of theoretical underpinnings and the findings of previous studies. These hypotheses have been tested using survey data and conclusions have been derived. The attributes of this study closely match the methodological position outlined by post-positivism. A quantitative research strategy was followed in this study. The scales for measuring the

constructs used in this study were adapted from previous studies and they have been validated. A sample of manufacturing organisations belonging to the food manufacturing sector in Zimbabwe was generated and the survey was executed according to the specifications. The analytical techniques used to test all the hypotheses were identified and the data analyses procedure followed was explained. The homogeneity of the sample was assessed and it was found that there was no significant difference in the measures between the groups. The Statistical tests indicated that common method variance problem is unlikely to distort the interpretations of the results.

5.1 Constructs used and Development of Survey Instrument

The constructs used to measure the variables included in this study are presented in Table 1.1

Variable	*Constructs used*
Strategy Formulation	Rationality of formulation of a strategy
Business-level Strategy	Cost-related, Differentiation
Strategy Implementation	Degree of emphasis given to formulation while implementing strategies
External Environment	Dynamism, Hostility
Organisational Structure	Organic structure, Mechanistic structure
Organisational Performance	Objective fulfilment, Relative Competitive Performance

All these constructs and the scales used to measure them have been adapted from studies published in leading academic journals. A draft of the questionnaire instrument was formed by using these scales. The content and face validity of the measures used were ascertained by seeking expert opinion. The draft of the survey instrument was sent to a panel of strategy scholars and to the Manufacturing Policy Advisor of the Confederation of Zimbabwe Industry (CZI) and based on their feedback it was modified. The modified survey instrument was piloted using a small sample of CEOs belonging to the sampling frame. A feedback form was also attached with the instrument and based on the feedback obtained from the CEOs the instrument was modified further.

5.2 Sample Selection and Survey Execution

The companies having more than 50 employees belonging to the food manufacturing industries in Zimbabwe were included in the sample. A sample consisting of 300 companies was selected and telephone calls were made to all these 300 companies to verify the names of the Chief Executives and the addresses of the organisations. After excluding the inactive companies and the ones which were not interested in taking part in the survey, a sample consisting of 190 organisations was formed. Finally a sample consisting of 190 organisations in food manufacturing was obtained. Questionnaires were mailed to the Chief Executives of these 190 organisations with a covering letter and business reply envelopes The questionnaire was mailed to all 190 companies and the strategies suggested by Salant & Dillman (1994) were employed to increase the response rate. One hundred and twenty four usable responses were received and 11 questionnaires were undeliverable. The response rate calculated using the formula suggested by De Vaus (2002) was 22.22%.

5.3 Sampling Technique

Single stage cluster random sampling; a probability sampling technique, was undertaken for selection of the sample from the population, in order to obtain a representative sample. The population (190 C.E.O and Business Executive) was divided into sub population of 32 individual industries and the clusters were numbered from 1-32. The next step was to determine the sample size by using the rule of thumb found in the literature. Sample size (N) formula suggested by Tabachnick and Fidell (2001) was used. Tabachnick and Fidell (2001) explained that the adequate sample size should be: N> (Number of items in the Questionnaire x8) +50. Using the Excel application RANDBETWEEN (.) function, random numbers were generated to select the clusters. Sequence of random numbers obtained in ascending order were: 2, 3,4,5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23,, 24, 25, 26, 27,28,29,30,31,32). Once the random sample of clusters was selected, all the members of the clusters (sampling elements) were surveyed. All C.E.Os and Business Executives in all the manufacturing sectors were selected randomly for data collection and surveyed and as such the sample size requirement was met for the study.

5.4 Reliability and Validity of the Measures

Using Cronbach's alpha the reliability of the measures was assessed. The composite reliability, convergent validity and discriminant validity of the measures have been assessed using PLS. The measures have construct validity if they have both convergent validity and discriminant validity.

5.5 Analytical Techniques used for Analysis

Based on the nature of the dependent and independent variables involved in the hypotheses, appropriate analytical techniques were selected to carry out the analysis. The analytical techniques chosen were correlation analysis, regression analysis, moderated regression analysis, analysis of variance and logistic regression analysis.

5.6 Assessing the Homogeneity of the Sample and Non-response Bias

In order to assess the homogeneity of the sample, the organisations were classified into four different groups based on the industry sectors to which they belong, and means of the measures used in the study were compared between these four groups using ANOVA. The results indicated no significant difference between the means of the measures corresponding to the four groups.

The procedure adopted by Ghobadian and O'Regan (2006) was used to assess non-response bias. Means of the measures used in the study were compared between early respondents and late respondents using t-tests and no

significant difference was found between the two groups. Some of the non-respondents were contacted and were requested to answer a few questions relating to strategy formulation, business-level strategy and strategy implementation. The difference between the means of these variables of the main sample and that of 190 respondents who answered a small number of questions was statistically compared by doing a t-test. There was no significant difference in the means between these two groups.

Table 1.2: Analytical Techniques used

Analytical Technique	*No. of times used*
Correlation Analysis	24
Regression Analysis	14
Logistic Regression	1
Moderated Regression Analysis	1
t-test	23
Chi-Square test	15
Percentage Comparisons	8
Cross Tabulations	4
ANOVA	13
MANOVA	4
ANCOVA	1
Discriminant Analysis	6
Canonical Correlation Analysis	4
Kendall Tau Rank Correlation	2
Wilcoxon Test	1
Structural Equation Modelling	2

As indicated in Table 1.2 the most widely used analytical methods in examining the relationship between strategy formulation and implementation are correlation analysis, regression analysis, t-test, Chi-Square test and ANOVA. Regression analysis and correlation analysis were used to determine the relationship between strategy formulations on implementation. The t-test, ANOVA and Chi-Square test are mainly used to compare the implementation of strategy formulators and non-formulators. Most of the studies have examined bivariate relationships and this could be one of the main drawbacks of the studies. The relationships may change if more variables are studied together. Structural equation Modelling technique which could be used to examine multivariate causal relationships was used only twice. In this study, multivariate relationships are examined using partial least squares (PLS) which is a structural equation modelling technique.

5.7 Research Strategy

The two types of research strategies commonly employed while conducting research are quantitative and qualitative strategies. This study involves the deduction of hypotheses from the existing theory and testing those hypotheses using primary data. It also operationalises the concepts used in this study such as strategy formulation, business-level strategy and strategy implementation using measurable constructs. A simple random sample of 190 manufacturing organisations was selected for this study and the findings are generalised. Because of the above reasons a quantitative research strategy is appropriate for this study. The hypothesised relationships between the variables are tested using appropriate statistical techniques in order to assess and model the relationships.

Table 1.3: Sample Size for the 95% Confidence Level

Population Size	*Sample Size*
10	49
25	70
50	81
75	85
100	88
250	93
500	94
1000	95
2500	96
5000	96
10,000	96
100,000	96

Source: Salant & Dillman (1994)

The sample of the food manufacturing companies for the survey was selected from the Confederation of Zimbabwe Industries (CZI commercial database). Altogether there were 190 food manufacturing companies having more than 50 employees were selected in the sampling frame. The minimum sample size required for this study was calculated following the guidelines provided by Salant & Dillman (1994). The minimum sample sizes necessary for différent population sizes at 95% confidence level and +/- 10% sampling error are shown in Table 1.1. The sample sizes shown in the table are based on the conservative assumption that the population is relatively varied (50/50 split).

6. Survey Results

The next section of this report will cover the results from the survey. It is imperative to state that all results given below are based on views given by respondents are a taken as a proxy of what is happening in industry. This section sought to ascertain basic information on company operations, this information included products being manufactured, number of years in existence and ownership structures. Responses received were classified and grouped into 16 sub-sectors of food manufacturing sector in Zimbabwe. In terms of number of years that these firms have been in existence was diverse, with new enterprises that have been operating for as little as a year to firms that have been in existence since 1912.

Table 1.4: The Most Problematic Factors for Doing Business in Food Manufacturing Industries in Zimbabwe

Factor	*% of Responses*
Access to finance	27.3
Policy instability	18.7
Inadequate supply of Infrastructure	16.3
Inefficient Government bureaucracy	9.9
Corruption	7.6
Restrictive labour regulations	7.3

Source: WEF Global Competitiveness Report2012

6.1 Company Structure

In terms of ownership structure, the aim was to determine participation of domestic private entities, government, foreign entities and other players in the food manufacturing industry in Zimbabwean economy. The distribution below provides insights into the levels of equity in the economy.

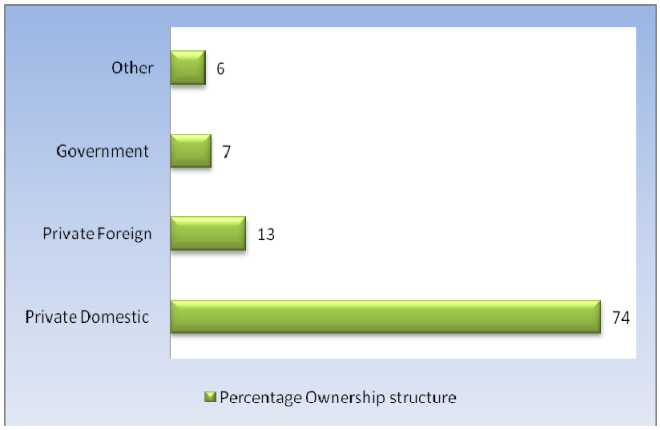

Figure 1: Percentage Ownership Structure in Food Manufacturing Industry

Within the organisational structures of companies in the food manufacturing surveyed, only 5% of the companies indicated being led by females whilst the remainder are headed by males.

Table 2.5: The Most Problematic Factors for Doing Business

Factor	*% of Responses*
Access to finance	27.3
Policy instability	18.7
Inadequate supply of Infrastructure	16.3
Inefficient Government bureaucracy	9.9
Corruption	7.6
Restrictive labour regulations	7.3

Source: WEF Global Competitiveness Report 2013

6.2 Source of Competition in the Food Manufacturing industry in Zimbabwe

The analysis indicates that 60% of the food manufacturing firms in Zimbabwe face competition from both home and away, whilst 26% only face domestic competition, the remainder only faces foreign competition i.e. no domestic competition.

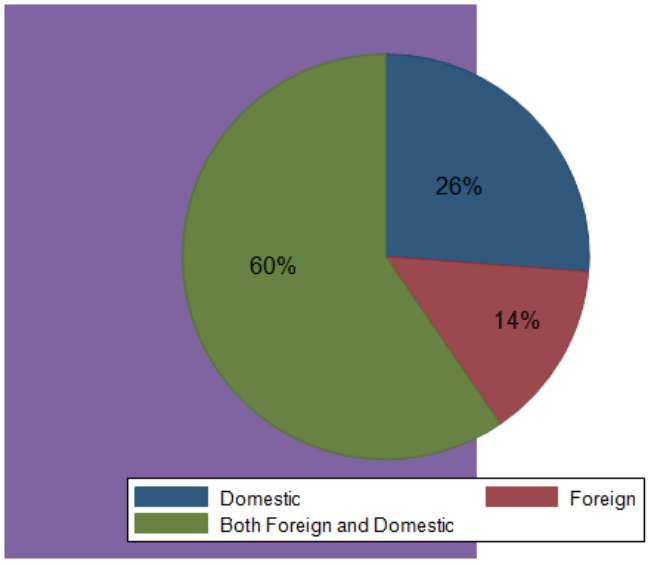

Figure 2: Source of Competition in the Food Manufacturing industry in Zimbabwe

In terms of the countries that pose most of the competition, South Africa tops the list with 85% response rate. The table of competition by country is provided below:

Table 1.6: Competitor by Country

Country	*Indication of Competition by %*
South Africa	85
China	66
India	30
Brazil	19
Other	19

6.3 Reliability Analyses of the Scales

The Cronbach's alpha values obtained for each of the scales and the values reported in the studies from which these scales were adapted are shown in Table 4.1

Table 1.6: Reliability of the Scales

Section in the Questionnaire	Constructs Measured	Value of Cronbach's Alpha in this Study	Value of Cronbach's Alpha in the Original Study
Business-level Strategy	Cost-related Differentiation Focus	0.823 0.732 0.532	0.75 0.72 0.73
External Business Environment	Dynamism Hostility Heterogeneity	0.680 0.433 0.283	Not available
Strategy Formulation	Extent of Rationality in Strategy Formulation	0.836	0.85
Strategy implementation	Planned Option Prioritised Option	0.867 0.817	Not available
Structure	Organic and Mechanistic Structure	0.587	0.82
Organisational Implementation Performance	Objective Fulfilment Relative Competitive Implementation Performance	0.750 0.916	0.748 0.953

All the measures except focus, hostility, heterogeneity and structure have acceptable Cronbach's alpha values. The data reduction process carried out for those measures which do not have acceptable levels of Cronbach's alpha are explained in the subsequent sections. It can also be noted that the Cronbach's alpha values of cost related, differentiation, strategy formulation and the two measures of organisational performance are very close to the values reported in studies from which these scales were selected.

7. Results and Discussion of Findings

The findings of this study are immensely useful to the CEOs and senior managers. This study emphasises the need for carrying out formal strategy formulation in food manufacturing organisations in Zimbabwe. This needs to be carried out by systematically searching the external environment for opportunities and threats, generating strategic options and by using the tools and techniques.

This study indicates that strategy formulation and implementation helps organisations in both dynamic and hostile environments. The results of this study clearly establish the importance of strategy implementation. Managers need to pay careful attention to properly plan and prioritise the implementation of strategies for enhancing the organisational competitive performance.

The findings indicate the need for having a clear strategic orientation and managers must ensure that the organisation does not go to a stuck-in-the-middle condition. Integrated strategies are useful for enhancing organisational performance and hence CEOs and senior managers could assess the feasibility of implementing integrated strategies in their organisations. The implementation of integrated strategies necessitates careful planning and consideration of costs and benefits. Reconfiguration of the value chain may be necessary in such a situation. This study indicates that an organic structure is favourable for implementing both integrated strategies and a differentiation strategy.

The findings concerning the relationship between environment and strategy are immensely useful to managers. When an organisation operates in either a highly dynamic or hostile environment a differentiation strategy is more appropriate. Due to unfavourable environmental conditions and hostile activities of competitors it may be difficult to maintain a low-cost position in the food manufacturing industry in Zimbabwe. The firm needs to offer differentiated products and features to its customers for sustaining and improving its competitive position. However in a low-hostility environment an organisation can maintain its low-cost position and improve its performance. Overall, this study suggests that organisations need to give high emphasis to strategy formulation and strategy implementation. It also needs to have a clearly defined strategy for improving performance.

8. Conclusion

This study has made a significant contribution to the existing knowledge by identifying seven strategy-making modes and by determining gaps in the literature through systematic literature reviews. The results establish the relationships between strategy formulation, clarity in business-level strategy and strategy implementation and highlight their importance in enhancing organisational performance. The findings of this study indicate that environment moderates the relationships between strategy formulation and performance and business-level strategy and performance to some extent. Perceived measures have been used to measure environment in this study. The moderating effect need to be assessed using objective measures of environment in future research to confirm the findings.

The study suggested that organisational structure has a significant role to play in the relationship between business-level strategy and competitive performance. It was found that an organic structure is strongly associated with differentiation and integrated strategies for improving organisational performance. The role of structure needs to be examined in greater detail by using a different sample and a different measure. There is a need for developing good measurement scales for strategy formulation, business-level strategy and strategy Implementation.

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