Governance, Management Of Strategy: The Causes Of Business And Corporate Failure

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Abstract: My research will examine the causes of business and corporate failure that has been a topical issue in the UK and the world over. I am hoping to expand on the previous studies by [12,13,14] on the subject by examining Strategic Management Capabilities of the affected organisations by giving consideration to the Critical Success Factors, resources and competences that provide products/services that customers value. The research will consider Corporate Governance principles looking at the effectiveness of the Board. I will argue that successful organisations are those that understand the business environment and that have adequate strategic leadership and an effective board.

Key Words: Governance, Strategic management, Corporate Failure

1. Introduction

Business and Corporate Failure has been and is still a topical issue around the world as it impacts negatively to society at large. It has resulted in the general public losing confidence in Business Executives and the Accounting profession as a whole. The failures have in some cases driven the economies of some countries to its knees and bringing a lot of suffering to the population.

1.1 Research Objectives

Recent studies by [8] on Strategic Management have revealed that most organisations fail because of poor strategic leadership. Other studies have focused on poor financial management resulting in a model called Accounting for the Future-AFTF [12]. The focus have been fraud, greed, accounting systems failure and management failures. My research aims to focus on Business Acumen, Ethics and understanding of Strategy. I am hoping to find out if Management are acquainted with management principle that positioning an organisation relative to its competitors such that it outperforms them, Close to the Customer [16] [12,13,14] have researched on this topic and have highlighted a good number of reasons behind corporate failure ranging from greed, accounting systems failure, management failure to fraud. Recent studies on Strategic Management have acknowledged that most companies fail because of poor strategic leadership [11]. Previous study have focused on poor financial management resulting in a model called Accounting for the Future-AFTF [12], but have not gone deep to earth the failings from a strategic management point of view. It will also allow me to investigate the strategic management principles as being positioning of an organisation relative to its competitors such that it outperforms them. [11] I hope to build on Peters and Waterman 1982 findings “Close to the Customer, Managers who know what customers want and provide it better that competitors. The research will seek to overcome these shortcomings by giving answers to the following questions: My research will focus on getting answers to the following questions:

- Is there a clear and established mission and sense of corporate direction in organisations?
- Are the corporate objectives (where the organisation is going) being communicated and clearly understood by all parties?
- Is there a strategic fit between the corporate strategy and the environment?
- Is the organisation able to respond to the threats and problems when they arise?
- Are future changes in the environment being addressed?
- Do all contributing activities generating synergy?
- How is the organisation positioned in the market, how is it differentiated from its key competitors?
- What future plans for creating competitive advantage does it have?
- Are resources deployed effectively in relation to opportunity cost?
- Does the organisation have people with necessary vision, innovating skills to implement, develop competitive, functional strategies on an on-going basis?
- Are there clearly established functional policies integrated to address KSF?
- Is the company’s financial management adequate to address the needs?

1.2 Research Scope

I am hoping to communicate with a wider business community by means of interviews, mail questionnaires, case studies and make observations in the process. Communicate with leading Business schools involved in research projects and test relevance earlier models on strategic management. Conduct interviews with owners or CEO and managers of companies in decline. Use the web and visit research databases. Attend business seminars and listen to different speakers on the subject and also attend lectures on research methods and techniques.

1.3 Research Background/Context

Previous research findings on the subject are: Greed and Corporate Failure is a book [6] were his studies on the subject revealed the causes of corporate failure as being, poor strategic decisions, over expansion, ill-judged acquisitions, dominant CEOs, greed and desire for power, failure of internal controls and ineffective boards. Dr S. Finkelstein 2003 in his book called Why Smart Executives Fail, his research found the causes to be: CEOs chose not to cope with innovation and change, they misread competition, fulfilled the wrong vision, clung to...
inaccurate view of reality, ignored vital information and identified to closely with the company. (J Argenti, 1976) study found the causes of corporate failure as being bad managers who lack responsiveness to change, bad communication and fraud. Manchester Business School has been researching on Governance and Accountability, Lancaster university management school has been involved in research projects on strategic management, strategic change, organisational capabilities and competitive advantage. [12]) developed a model called Accounting For The Future (AFTF)when his research found that corporate failures are human and accounting systems failures. Despite in depth findings on business and corporate failure put together in, Ratio Stability and Corporate Failure by ( Dambolena, 1980,Greed and Corporate Failure by [14] and Recent Corporate Failure by [12]) to name, the research has ignored the core of the problems facing failing companies: strategic leadership,environmental fit, competitive advantage, Key Success Factors and management of change [8]. In his study he found that strategic success requires congruence between the environment, values and resources. This research will seek to overcome governance weaknesses, ethical problems bad strategic thinking that earlier studies did not do in depth by examining the key aspects of strategic thinking. The study will provide theoretical and empirical insight into strategic analysis, strategic choices and strategic implementation Previous research has scratched the surface on strategic management issues as being the main causes of business failure.

### 1.4 Contributions to Knowledge

The studies conducted by Dr S Finkelstein of the 51 failed companies and nearly 200 interviews, he discovered that all the CEOs and other senior executives where exceptionally intelligent,articulate and perceptive individuals, highly respected in business circles but they failed spectacularly. They got the strategy wrong and he goes on to say this resulted in fundamental strategic breakdown. There attention was diverted from solving customer problems to focusing on the company itself. The previous research has revealed that the causes of business failure is not lack of technical knowledge but its mainly human errors and human mindsets. Dr Finkelstein goes on to say the decision makers saw the failure coming despite their great track record and the fact that facts were there on the table, they chose not to act on them, if they did, they acted ineffectively. This shows that no one was accepting responsibility for the crisis and no one was penalised for the crisis that triggered the recession. The nature of findings I am hoping to come up with relate to why the increase in business collapse while we have well educated and experienced CEOs. The findings will generate a lot of debate in terms of strategic directions, choices taken or employed by organisations. The findings will I hope bring valuable knowledge to the business community that they were not aware of. Dr Sydney Finkelstein, Stewart Hamilton and Humphrey Nash’s findings on this subject has inspired me to go dipper and further on this study. I am aware of the issue of getting interviews, the above researchers did it I am ready for the challenge, the most important thing is my core competences i.e. communication skills, drive and resilience, passion, problem solving and task management, they will see me through.

### 2. Literature Review

#### 2.1 Theme 1

Manchester Business School has been researching on Governance and Accountability, Lancaster university management school has been involved in research projects on strategic management, strategic change, organisational capabilities and competitive advantage. Humphrey Nash 2004 developed a model called Accounting For The Future (AFTF) when his research found that corporate failures are human and accounting systems failures. Despite in depth findings on business and corporate failure put together in, Ratio Stability and Corporate Failure by ( Dambolena, 1980, Greed and Corporate Failure by [14]) and Recent Corporate Failure by [12] to name, the research has ignored the core of the problems facing failing companies: strategic leadership, environmental fit, competitive advantage, KSF and management of change.

#### 2.2 Theme 2

In his study he found that strategic success requires congruence between the environment, values and resources. This research will seek to overcome governance weaknesses, ethical problems bad strategic thinking that earlier studies did not do in depth by examining the key aspects of strategic thinking.

#### 2.3 Theme 3

The study will provide theoretical and empirical insight into strategic analysis, strategic choices and strategic implementation Previous research has scratched the surface on strategic management issues as being the main causes of business failure. Business Ethics will be considered in my research.

### 3. Methodology

#### 3.1 Research Paradigm

My research will be qualitative research that will include interviews and observation. I will use case study as my method of research. Most qualitative research emerge from Interpretivist paradigm [2]. The Interpretivist paradigm’s research plan, is flexible and follows information provided by research subject. Its research methods are Ethnography, participant observation, interviews, focus groups, conversational analysis and case study. The quality of criteria is trustworthiness and authenticity (Lincoln and Cuba, 2000).

#### 3.2 Research Method

I am hoping to communicate with Former and current managers of companies like NRZ, CSC, AIR ZIMBABWE, National Blankets and the Banking sectors in Zimbabwe. I will also communicate with former and current Managers of these companies by means of interviews, mail questionnaires, and make observations in the process. Communicate with leading Business schools involved in research projects and test relevance earlier models on strategic management. Conduct interviews with owners or CEO and managers of companies in decline. Use the web and visit research databases. Attend business
seminars and listen to different speakers on the subject and also attend lectures on research methods and techniques. The research method which will be most appropriate will be CASE STUDY. The purpose of case study research is to use empirical evidence from real people in real organisations to make an original contribution to knowledge. There are a number of advantages in using case studies. First, the examination of the data is most often conducted within the context of its use [10], that is, within the situation in which the activity takes place. Second, variations in terms of intrinsic, instrumental and collective approaches to case studies allow for both quantitative and qualitative analyses of the data.

3.3 Research Design
I will also use questionnaires when gathering data from Employees, as H. Nash put it that employees are to blame if they did their job and added real value to the organisation the companies would succeed. I believe the interviews will yield better results for me in that, it is a face to face discussion and I get results/answers on the spot coming from company directors. Armed with my written questions and confirmed appointments.

3.4 Ethical Considerations
The challenges I will face are getting appointments with company executives but hope to overcome this by research ethics approval. Having interviewed as many as say 100 or so executives I hoping to put together the findings and develop maybe a model that could be used worldwide to minimise this problem. I hope to raise awareness, understanding and importance of strategic management in running a successful company.

3.5 Limitations
A common criticism of case study method is its dependency on a single case exploration making it difficult to reach a generalising conclusion [10]. Considered case study methodology `microscopic’ because of the limited sampling cases. To Hamel et al. [10], however, parameter establishment and objective setting of the research are far more important in case study method than a big sample size. With case study research it is difficult to gain access to the companies or group of companies that I will be studying. They may be sceptical of the value of research for themselves and worry that this will lead to bad publicity and bad PR. It may take me months get permission. This requires enthusiasm, commitment and people skills to achieve, but it will give me an opportunity to find out at first hand whether or not concepts or theories have any value in the business world.

4. Expected Outcomes
The studies conducted by Dr S Finkelstein of the 51 failed companies and nearly 200 interviews, he discovered that all the CEOs and other senior executives where exceptionally intelligent, articulate and perceptive individuals, highly respected in business circles but they failed spectacularly. They got the strategy wrong and they go on to say this resulted in fundamental strategic breakdown. Their attention was diverted from solving customer problems to focusing on the company itself. The previous research has revealed that the causes of business failure is not lack of technical knowledge but its mainly human errors and human mindsets. Dr Finkelstein goes on to say the decision makers saw the failure coming despite their track record and the fact that facts were there on the table, they chose not to act on them, if they did, they acted ineffectively. This shows that no one was accepting responsibility for the crisis and no one was penalised for the crisis that triggered the recession. The nature of findings I am hoping to come up with reasons to why the increase in business collapse while we have well educated and experienced CEOs. The findings will generate a lot of debate in terms of strategic directions, choices taken or employed by organisations. The findings will I hope bring valuable knowledge to the business community that they were not aware of. Dr Sydney Finkelstein, Stewart Hamilton and Humphrey Nash’s findings on this subject has inspired me to go dipper and further on this study. I am aware of the issue of getting interviews, the above researchers did it I am ready for the challenge, the most important thing is my core competences i.e. communication skills, drive and resilience, passion, problem solving and task management, they will see me through.

5. Conclusions
The failings and corporate disasters of the recent years, Enron, WorldCom, Global Crossing, Adelphia, Lehman Brothers, Equitable Life, Northern Rock and the recent Savings and Loan crisis have resulted in investors, creditors, employees and the general public losing confidence in top management, industry regulators and business professions. It is a huge challenge to restore confidence when it's lost in these circumstances. In Zimbabwe, NRZ, CSC, Air Zimbabwe and National Blankets to name a few, in Africa My research findings will aim at restoring the lost confidence by building on previous research, hopefully coming up with new developments, model or frameworks to avoid future disasters.

6. Reference
[4] Finding the Cause of Corporate Failure by Colquhoun 2005


[12] H. Nash, Recent Corporate Failure, 2004


Journals: Strategic Management Journal and Finance Journal

Research Timetable

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<tr>
<th>Task</th>
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<th>Duration</th>
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<td>01/09/2017</td>
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Gantt Chart

Duration: 1st yr 2nd y 3rd yr 4th yr
1st Year……During my first year I anticipate that will be a busy one where I hope to gain more research skills by attending Mres modules, sessions, seminars and for including discussion groups. I hope to do a lot of gathering information and putting this together. This is the design phase.

2nd Year…I will be communicating with organisations in question asking for permission to gain access and get interviews.

3rd Year…..In this year I look forward to employing my methodology i.e. conducting interviews etc and doing presentation of my findings. This will be the include data gathering.

4th Year…..I will be finalising my research findings doing presentations to defend my report, model or framework that I would have developed. This will be my Thesis writing phase.