Top-Level Managers' 'Business Knowledge' in a Transition Economy: The Case of Ethiopia

Thesis

Top-Level Managers' 'Business Knowledge' in a Transition Economy: The Case of Ethiopia

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ABSTRACT

The research reported in this thesis explores the work of knowing which managers bring to their roles in a transition economy context. It focuses on the processes by which a sample of managers in Ethiopia know how to make sense of, and act upon, the differences that make a difference. The point of departure was the contemporary Western construct of 'business knowledge'. But the research problematises this and reveals the processual nature of knowing using a sensemaking perspective.

The empirical work involved interviews with 40 top-level managers in five case studies supplemented with 18 interviews with analysts, industry experts and officials at national level.

The study found that at the national level, Ethiopian top-level managers' business knowledge tended overall to be uncertain, differentiated, politicised and rapidly evolving. At the organizational level of analysis a number of important differences were revealed in the ways in which these senior managers made sense of the business environment and of their own organizational strategies and capabilities. Four main factors seemed to explain these differences. These were: (a) the degree of perceived reliance on the state for legitimacy and critical resources; (b) the extent to which managers were exposed to market pressures; (c) path dependence; and (d) managers' interpretive orientations.

This thesis contributes to the ongoing debates on how top-level managers' judgements on key organisational issues are based upon their sensemaking, their interpretative work and the forms of knowledge which they utilise to frame their decision making. The thesis adds to the conceptualisation and understanding of the nature of managers' knowledge in general and how, in particular, managers make sense of and act upon what they know in a transition economy context. On a wider plane also, this thesis represents a serious attempts to span the cultural divide between, on the one hand, Anglo-centric debates about knowledge and knowing, and, on the other, the Ethiopian business practice. Hence, it offers a novel alternative to the idea that management should be as 'scientific as possible' by illuminating the variety of ways in which different people make sense of experiences in different ways. In doing so, it raises questions about the utility of received thinking about management in various social and cultural contexts.

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CHAPTER ONE: INTRODUCTION

1.1. Overview

This chapter provides an overview of the thesis, including its purpose and objectives, the context in which the research was conducted, its main findings, and its contribution to different areas of scholarly enquiry. The thesis uses the related concepts of 'sensemaking' and the process of 'knowing' to interpret and analyse the ways in which top managers in a transition economy – Ethiopia – learn how to 'make a difference' and thereby manage more effectively. It constructs a bridge between Western interest in 'Business Knowledge' and case studies of what Ethiopia's top managers 'Need to Know' in order to do business.

The use of 'Business Knowledge', as a central organising theme for the research, stemmed from a UK government-funded research initiative. In 2003, the UK's Economic and Social Research Council (ESRC) launched a new programme called the Evolution of Business Knowledge (EBK). Against the background of interest in such things as the Knowledge Economy, Knowledge Workers and Knowledge Management, ESRC's EBK programme called for an investigation of management knowledge in action, organising knowledge for innovation, and making knowledge an asset.

Academics and practitioners, notably in the UK and USA, became interested in using the concept of Business Knowledge to explore how business organisations use knowledge to address the challenges and opportunities of competing in an increasingly interconnected world. But, in the process, the abstract noun 'knowledge' was often treated as if it were a concrete noun. Instead of focussing on what people *knew*, many people saw Business Knowledge as a freestanding entity: an object among other objects. It became acceptable to talk about knowledge as if it were a transferable commodity, which could be 'shared' or 'stored'. While concept of Business Knowledge may have potential, its supporters are not always clear what they mean by 'knowledge'. Specifically, they often use 'knowledge' – which is a challenging concept – when the term 'information' would be more precise.

The purpose of this thesis is to explore the concept of 'knowing how to manage' within a transitional economy – Ethiopia. As an Ethiopian citizen with many years of experience of working in Ethiopia for Ethiopian organisations, before coming to the UK to study management, it was apparent that Western management models hardly fitted with managerial practices in Ethiopia. Nevertheless, Ethiopian managers (in common with managers elsewhere) *needed to know how to manage more effectively.* With this concept of 'needing to know' in mind, it seemed worthwhile considering how fresh thinking about knowledge in a British context might be used as a 'tool' for making sense of how managers in a transitional economy would seek to organise their cognitive world. Clearly, 'the process of knowing' is connected to 'knowledge' and the ESRC's high-profile concept of 'Business Knowledge' appeared to be a reasonable point of departure.

The focus of this thesis, however, is not on the abstract noun 'knowledge' but on the *processes* by which a number of top-level managers in Ethiopia know how to make sense of, and act upon 'differences that make difference'. At the heart of the investigation is 'strategic-level knowledge' – that is, top-level managers' knowing of their environment, organisation, business strategy, organisational capabilities and other domains. This form of knowing underpins top-level managers' decision-making on these and related issues.

Understanding of 'how managers know' in the context of their business organisations, how they engage in strategising, and with what forms of knowledge in a very uncertain and unstable environment, is limited. Despite the availability of a number of studies in different country contexts on the impact of transitions on macro economic aggregates, relatively little work has examined the implications for business organisations and their managers (Ray, 2003). This research thus seeks to fill part of this gap by undertaking empirical work on knowing and the knowledge work of senior managers in one of the transitional economies, namely, Ethiopia. The meaning of strategy is itself problematical. It is discussed more fully in section 1.2.3, below. For the moment, suffice it to say I am interested in the ways managers make sense of what it takes their organisations to become successful. Relatedly, the term 'strategic' is used to connote how managers respond to the institutional pressures with varying level of responsiveness.

The theoretical lenses used to investigate the issues of business knowledge are sensemaking and the perspective that sees knowledge as a process of 'knowing'. Moreover, institutional theory, various strategic management perspectives and literatures on transition economies were used to explore the managers' sensemaking and 'knowing' in an unstable and fluid transition economy context. Knowing how to make sense of a problem and knowing how to 'make a difference', the practice of power, is fundamental to effective management.

'Sensemaking' is a critical organizational activity (Weick, 1995). For top-level managers, sensemaking activities, such as 'environmental scanning' and 'issue interpretation', are key tasks that significantly influence organisational decisions and strategic change (Gioia & Thomas, 1996; Smircich & Stubbart, 1985; Thomas, Clark, & Gioia, 1993). For other commentators, sensemaking powerfully affects the way they 'construct' their identities (Pratt, 2000), preserve their organization's image (Dutton & Dukerich, 1991), or respond to organizational crises (Gephart, 1993). Effective and rapid sensemaking activities is critical in dynamic and turbulent contexts, where the need to create and maintain coherent understandings that sustain relationships and enable collective action is especially important and challenging (Weick, 1993).

Following Orlikowski (2002), I argue that top-level managers are understood to act knowledgeably as a routine part of their everyday activity. They are seen to be purposive and reflexive, continually and routinely monitoring the everyday flow of action —their own and that of others — and the social and physical contexts in which their activities are constituted. Hence, I deliberately use the lens of 'knowing' to interpret how my sample of top-level managers in Ethiopia make sense of the things that they 'need to know'.

This thesis analyses how a range of senior managers in five business organisations 'know' how to make sense of their task and institutional environmental situations, and their own organisation (its capabilities, limitations, knowledge base, strategy, structures and form and, other domains). Their sensemaking of external and internal signals form the prime subjects of the research. In this study, managers' knowing is an active process of interpretation, calculation and reinterpretation that draws on a repository of assumptions, theories and ideologies drawn from accumulated past experiences. What is especially interesting is the process whereby 'know how' embedded in practice, derived from experience, is subject to change as new signals are received. Moreover, the thesis seeks to explain the variety of ways in which managers 'know' and make sense of their environment and how they seek to understand and resolve the multiple influences and pressures they face.

1.2 Key Themes and Issues

1.2.1. Managers' Sensemaking

The sensemaking lens is relevant for exploring the managers' knowing of their environment, organisational strategy and organizational capabilities. Sensemaking is distinguished by such things as "its genesis in disruptive ambiguity, its beginnings in acts of noticing and bracketing, its mixture of retrospect and prospect, its reliance on presumptions to guide action, its embedding in interdependence, and its culmination in articulation that shades into acting thinkingly" (Weick, et al, 2005: 413). Sensemaking is useful a 'tool' to explore managers' knowing and actions in an environment characterised by institutional voids and flux.

Understanding the processes by which top-level managers in Ethiopia know how to make sense of ambiguous and turbulent environments takes the use of sensemaking into new territory. As many authors suggest, sensemaking occurs in organizations when members confront events, issues, and actions that are somehow surprising or confusing (Gioia & Thomas, 1996; Weick, 1993, 1995). As Weick argued, "The basic idea of sensemaking is that reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs" (1993: 635). Thus, sensemaking is a process of social construction (Berger & Luckmann, 1967) in which individuals attempt to interpret and explain sets of cues from their environments. This happens through the production of "accounts" and discursive constructions of reality that interpret or explain (Antaki, 1994), or through the "activation" of existing accounts (Gioia & Thomas, 1996; Volkema et al. 1996). In either case, sensemaking allows managers to deal with uncertainty and ambiguity by creating rational accounts of the world that enable action. They arrange the world that they experience in a way that makes sense to them.

At an organisational level, sensemaking is a fundamentally social process: organization members interpret their environment in and through interactions with others, constructing accounts that allow them to comprehend the world and act collectively (Isabella, 1990; Sackmann, 1991; Starbuck & Milliken, 1988; Weick & Roberts, 1993). Recent sensemaking research, however, has either tended to focus on its cognitive aspects (e.g., Griffith, 1999; Thomas et al., 1993) or has examined social processes that play out in extreme conditions or crisis situations (e.g., Brown, 2000; Gephart, 1993; Weick, 1993; Weick & Roberts, 1993) or conducted in organisations operating in high reliability or dynamic systems (Endsley, 1995). Less attention has been paid to the sensemaking that occurs in a context where many of the features of the business environment which normally supply the assumed context for exploring managers' sensemaking are missing. Thus, this study seeks to fill this gap by exploring how senior managers engage in sensemaking from a variety of organizational positions, histories, personal backgrounds and contextual factors that create divergent frames of reference (Dutton & Dukerich, 1991; Gephart, 1993; Weick, 1995). In doing so it explores "the various contexts that shape [managers'] capabilities, aspirations and limitations" in turbulent environments (Ray, 2005:16).

A second important aspect of sensemaking in organizations is what it produces: accounts and the actions that are based on them. As discursive constructions of reality that provide members with ordered representations of previously unordered external cues, accounts describe or explain the world and thus make it meaningful (Antaki, 1994; Potter & Wetherell, 1987). They can take a wide variety of forms, such as descriptions of issues as political or strategic (Gioia and Chittipeddi, 1991), and explanations of the behaviour of forest fires (Weick, 1993). Accounts are critical resources that allow individuals to accomplish work and negotiate their day-to-day lives (Antaki, 1994; Boje, 1991; Gergen, 1999), constructing ordered relationships among sets of entities (events, people, actions, things) in ways that enable people to act or at least to decide to act (Sackmann, 1991; Starbuck & Milliken, 1988; Weick, 1993). The connection between accounts and action is particularly highlighted in small group studies: a critical part of Weick's explanation of the Mann Gulch disaster was the fire crew's failure to construct an account of the situation that would facilitate collective action. A similar dynamic occurs during organizational change (Gioia & Chittipeddi, 1991), in which accounts serve in facilitating collective transformation. Following these lines of arguments, this study investigates how the Ethiopian managers make sense of, provide account of their sensemaking and act upon, the sense they make of their organisations' internal and external environments.

The processes by which managers learn how to make sense of their experience shape managerial decision and actions: recent research in South Eastern European countries found that the most significant barrier from the business environment is managers' underdeveloped knowing about their businesses, and this is a major blockade to transition (Liargovas and Chionis, 2002). By implication, managers' knowing and acting, when developed appropriately, can 'make a difference' by making business organisations competitive and successful in a turbulent environment. This in turn, given the paucity of studies in managers' strategic level knowledge, offers a fruitful but challenging task of undertaking research on this crucial issue. Understanding how managers make sense of their external environment, know their businesses and define and implement criteria for business success is important for academia and practitioners alike. Thus, the research is of both theoretical and practical value. In the next three subsections, I turn to consider managers' sensemaking of and knowing of environment, organisational strategy and organisational capabilities.

1.2.2. Managers' Knowledge of 'Environment'

Top-level managers knowing and sensemaking provide them with a valuable 'map' for directing effective organizational action (Weick 1995). However, the environments in which most organizations operate tend to be fluid and complex (March and Simon 1958) and, in today's increasingly interconnected world, they change at an increasing rate (Kanter 1989). As a result, environmental stimuli are often ill structured, and managers are often confronted with unfamiliar events or choices. Effective response, or adaptation, requires that decision makers update their strategic level knowledge (their beliefs, assumptions, etc). These include identification and sense making of and enacting unfamiliar environmental events and action alternatives, as well as reinterpreting familiar issues and concepts to more closely align their knowledge systems with the demands of their environments. Significant changes in organizational action may not occur until these new understandings are developed (Bartunek, 1984).

The environment facing Ethiopian managers, at least as far as official analyses and statistics present it, shows that it has a number of challenging features: for example, significant and rapid change, a high degree of politicisation, and political instability. Managers' knowledge of this environment, which, as will be seen, is strongly differentiated, developed out of social and political circumstances which are very different from those of today, yet has to grapple with developments that are far more unpredictable and possibly unstable than those of the West. Thus, top-level managers must not only notice changes in their organizational environment but also decide whether those changes are important enough to merit some adaptation in the organization's strategy or design (Weick, 1987). The task of knowing and interpreting an environment in a transition economy such as Ethiopia's is notably ambiguous and complicated (Milliken, 1990).

Managers' knowledge systems are developed over time, as a result of a number of influences including experiences, normative and cognitive factors. They are, as a number of researchers have noted, important in determining managers' reactions and behaviour, not least because they provide, as Weick notes, a map of the environment, a map which does not simply describe but defines and constitutes, the world in which the organisation exists. But the importance of managers' knowing of the business environment is exacerbated by high degrees of uncertainty, fluidity and unpredictability.

Managers have to try to understand, define and 'know' environmental and other developments which are changing in ways about which they have no prior experience. More than this, they have to face a degree of political uncertainty which is greatly in excess of that experienced in the West.

Focussing on the process of managerial 'knowing' in a transition economy environment, such as Ethiopia, adds at least two dimensions to the West's mainstream literature on management. First, in a sharp contrast to conventional Western received thinking, changes in the developing countries such as Ethiopia are often due to significant societal and economic turmoil that are rather difficult to shape by even the most intelligent executives. Second, transition to a market driven economy and the profound changes associated with it are mainly policy-induced environmental shocks typically requiring a wide range of changes in incumbent firms' organisational configurations and business operations. Accordingly, many western theories to have a poor fit to the developing countries because of differing cultural values, differing economics (lack of competition, immobility in factor markets, lack of skilled labour and professionals), and differing institutional practices (e.g., political motives supersede economic motives (Jarvenpaa and Leidner, 1998).

It is believed that managers' knowing of the task and institutional environments allows them to respond effectively to the changing environment. However, managers in transition economies have difficulties in having sufficient knowledge of the changing market environments (Djankov and Pohl, 1998). Institutional theory assumes that organizational decisions and activities are influenced by the social context, including firm traditions, network ties, regulatory pressures, and societal expectations (Zucker 1987; Scott 1987, 1995). Thus, investigating what managers regarded as important aspects of the environment and the implications of changes in these environmental aspects on their organisational basis of competition and key organisational issues such as strategy, organisational capabilities and organizational design is of utmost importance. Therefore, the ways in which the top-level managers use their knowledge to see and understand task environment (markets, competitive and regulatory) and aspects of institutional environment form a crucial part of this enquiry.

This research is based on the assumption that, the ways in which managers in state-owned, privatized and post-socialism set-up firms understand and make sense of the current status and trends in product and factor markets, competitive and institutional environments situations, will appreciably affect their behaviour. This is all about 'sensemaking' and it requires acquiring and interpreting messages about new markets, new technologies and competitive threats. This information is necessarily evaluated in the light of managers' and organization's experience and knowledge. In formulating strategy, managers are necessarily guided to some extent by rules and routines, which structure inquiries and responses. The fundamental challenge to sense making is 'bounded rationality' (March and Simon, 1958, Simon, 1976). In essence, top-level managers interpret the world about them and their organizations and this is basically a form of theorizing about their organizations in terms of internal and external signals and hence forms a central point of this enquiry.

1.2.3. Managers' Knowing of Strategic Response Development

The term 'strategy' is used to mean various organisational processes, routines and practices that managers presume and think to underpin organisational success. Responding to the dynamic transition environment depends on how strategic issues are interpreted and 'framed' (Schneider, 1997). This includes both how managers' knowledge lends meaning to information, thereby rendering it useful for effectively responding to the new situation, for decision-making and managerial actions. In a transition economy environment, most of the decisions are made with highly uncertain, unstable, fragmented and risk-fraught information. Thus, the nature of knowledge held by managers is assumed to be uncertain and incomplete.

Firms operate within a social network of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behaviours (Oliver, 1991). Such institutional environments are comprised of regulatory, cognitive, and normative components (Kostova, 1999; Scott, 1995), which become deeply ingrained over time, and therefore resistant to change. The implication of this might be that managers may be susceptible to cognitive inertia – that is, managers may not be able to move away from their historic thinking and assumption of doing businesses. At a macro level, as a consequence of the politically administered resource allocation mechanisms that typified the central planning era, transition economies inherited institutional environments characterized by high levels of regulations and bureaucracy. In such environments, accumulation of political power is likely to be a key managerial goal, as this assures access to resources. In established market economies, the institutions of free market and price signalling are more likely to focus managerial attention on performance. Hence, in Ethiopia one might expect to find managers establishing connections with influential environmental actors to acquire critical resources and for legitimacy.

The dismantling of long-standing societal, political, and economic institutions creates considerable uncertainties about the future. The transition to a market orientation has brought about a degree of *deinstitutionalisation* in Ethiopia. This term refers to 'the erosion or discontinuity of an institutionalized organisational practice' (Peng, 2003:277). An established or accepted institutional practice loses its legitimacy such that what was once taken for granted becomes discontinued or rejected (Oliver, 1992:564). Here, this work investigates how top-level managers make sense of the antecedents of deinstitutionalization and the influences these have on the ways they respond to ambiguously changing environment. Furthermore, in virtually all transition economies, the changeover from plan to market has been accompanied by external economic shocks and subsequent sharp drops in GDP growth (World Development Report, 1996). In such an environment, one would expect managerial values, practices and systems to reflect short-term concern. This might not be the case in a developed market economy, where institutions and economic conditions are likely to be perceived as more stable, and prospects for the future more certain. Moreover, Gioia and Thomas's (1996) study findings suggest that under conditions of change, top management team members' perceptions of identity and image, especially desired future image, are key to the sensemaking process and serve as important links between the organization's internal context and the team members' issue interpretations. Thus, it is of more than passing interest to investigate managers' beliefs and assumptions about what it takes their organisations to be successful in a turbulent environment. This study, thus, seeks to investigate the active engagement of top-level managers in making strategic choices and enacting strategic outcomes. Knowledge about, and response to, the environment is but one dimension. In addition, how managers make sense of the internal capabilities is also important.

1.2.4. Managers' Knowing of Organisational Capabilities Requirements

In this study, it is argued that top-level managers' knowledge of the required resources and capabilities to deliver their strategy is important, not least because it provides differentiating bases for their organisational positioning, but also shapes how managers see their organisations and themselves (capable or incapable).The environmental changes result in new conditions to which managers have to react in new and different ways, thereby requiring identifying crucial organisational capabilities. As competitive markets develop, the acquisition and development of knowledge and firm specific capabilities and assets become crucial for firms to adapt to changing business

(Hoskisson et al. 2000). The sources of this new knowledge could be from scanning the external environment, customers, suppliers, regulatory bodies, research institutions, etc. Relevant forms of knowledge include 'learning by doing' by the firm itself, the knowledge encoded in technologies, embodied in people, embedded in standards and routines or obtained by various forms of networking with other organisations (Blackler, 1995). In addition, there are formal/theoretical and practical knowledge (Fenstermacher, 1994) as well as tacit and explicit knowledge (Polanyi, 1958, 1966). This thesis seeks to attend to these variations in form but within the Ethiopian context.

It is argued here that understanding how these top–level managers know the required different forms of knowledge and capabilities may depend on their business activities, paths and organisational routines (absorptive capacity), contexts and institutional influences. This is partly in line with the suggestions of Scarbrough et al (1999) and Nonaka (1994). "While most organisations embrace most forms of knowledge, particular forms will dominate according to an organisation's primary focus and the knowledge it relies on for effective functioning at appropriate times" (Scarbrough et al., 1998: 29-30). Similarly, drawing on Nonaka (1994), I argue that managers would selectively interpret and use knowledge as it serves their purposes, fits their unique situations and reflects their relations with the environment. Moreover, institutional influence is one of the determining factors from the external environment in acquiring resources and capabilities. According to Oliver (1997), firms are likely to acquire valued resources only when they do not depart significantly from or do not threaten the existing valued resources. The managers are also likely to deploy those resources only if the institutionalized processes, culture, and routines in the firms, industry, and societal level nurture competency in the resource.

In the knowledge based view, the primary contribution of the firm's managers is to integrate new knowledge with the existing stock and to exploit new combinations of knowledge systematically to achieve a competitive advantage that is sustainable (Dierickx and Cool, 1989). It is argued that resources change as a result of innovative managerial behaviour, as it is the use of the resources and not the resources themselves that are generating competitive advantage. Drawing on these, I seek to explore the evolving forms of managers' knowledge as well as what they consider as the required internal capabilities to deliver strategic responses during a time of transition.

1.3. Research Purpose and Objectives

Ethiopia is an ancient civilization and a land of contrast. It is widely known for its physical and ethnic diversity and for over-dependence on a volatile agricultural economy that is susceptible to recurrent severe droughts, an unstable political situation, and to disruption caused by a long term civil war of varying degrees of intensity. The country has been undergoing a transition from a planned socialist economic system to a more market orientated one since 1992. And the manager's immediate task in the new market-oriented environment includes not only production and administrative issues but also making sense of plausible strategic issues regarding market orientation, competition, strategy development and broader organisational awareness issues to make their firms competitive in a dynamic transition environment.

At one level, making sense of sensemaking and knowing of the Ethiopian top-level managers involves making sense of Ethiopia – and it is useful to consider some of Ethiopia's distinctive features. First, the last thirty five years has seen the transition from the feudalist monarchy (with land owned by the Emperor, the nobility and the Church), through a socialist command and control economy (where private property was banned) to a quasi-market economy. Given such dramatic shifts over the relatively short time period, the way in which senior decision makers currently make sense of their business mission and business context is of inherent interest. Second, the recent economic transformation and associated environmental changes in Ethiopia presents a distinct business environment for firms, which is not commensurate with expectations that underpin Western models of management and business. The environmental changes were complicated and their sources were multifaceted. While the types and sources of the environmental changes could be somewhat similar to anywhere else, their dynamism and level of uncertainty and the ways these were interpreted and responded to in the Ethiopian context were different given its specific historical and cultural context. Third, the socialist experience provided little prior knowledge that allowed firms and their managers to adequately identify the optimal opportunities to pursue and to know where to obtain needed resources to exploit these opportunities (Swaan, 1997).

Top-level Ethiopian managers have to think and act in the face of considerable *uncertainty*: they lack the information that would be necessary to make 'rational' decisions. Effective judgment – knowing how to do things in practice – involves skills that cannot be reduced to explicit rules for effective management. The capacity to manage effectively – *in Ethiopia* – involves personal experience *of Ethiopia*: it cannot be reduced to the rational application of universally applicable 'solutions'. Many of the rational features of the business environment that might make sense in the West are rendered inappropriate by the nature of uncertainty associated with 'getting things done' in Ethiopia. Thus, Ethiopia is a fascinating setting in which to explore *in extremis* the ways in which executive directors had to interact with uncertainty.

Against that backcloth, this thesis seeks to achieve five objectives.

- First, it aims to explore how the Ethiopian top-level managers make sense of and 'know' the environment in which they have to manage.

- Second, it seeks to build insights into how these managers develop strategies that might make their organisations more successful.
- Third, it seeks to identify what top managers 'needed to know'.
- Fourth, it attempts to provide novel and fresh insights into the utility of strategic management and knowledge-based often-taken-for-granted assumptions that underpin managers' thinking and decision-making in a transition economy context.
- Fifth, it seeks to evaluate the concept of 'business knowledge' with regard to what Ethiopian managers do in practice.

In pursuing these aims, the thesis investigates the processes by which the top-level managers in Ethiopia know how to make sense of and act upon the 'differences that make difference' in highly unstable and turbulent environments. Moreover, it seeks to account for the situatedness and context specificity of managers' knowledge and thereby to provide an opportunity to explore the cultural and historical specificity of many elements of received thinking.

1.4. Research Methodology, Main Findings and Contributions

1.4.1 Research Methodology

This thesis is based on qualitative case research on top-level managers in five business organisations. The strength of its research methodology is derived from a micro-macroscopic approach that accommodated the documentation of evidence, analysis and interpretations from managers in a number of *different* organisations operating in *different* contexts. It sought to make sense of the dimensions of diversity and how they related to effective management. Triangulation was used to develop intersubjectively viable interpretations of the differences that 'made a difference'. Hence, triangulation underpinned interpretations constructed from different people's perceptions of the processes by which the subjects investigated variously 'thought what they thought', 'did what they did' or 'knew what they knew'.

The case study organisations belong to different industries (banking and, manufacturing and export) and ownership types (state-owned and private). This thesis was based on semi-structured interviews with 40 top-level managers. A further 18 participants with sufficient knowledge of the transition process and context were purposively selected and interviewed to frame the research context as well as to facilitate triangulation of data from the case study managers. The use of multiple cases designs for this study is considered appropriate. This is because "evidence from multiple case studies is often considered more compelling, and the overall study is therefore regarded as more robust" (Yin, 1989).

Key and Sub-Key Guiding Research Question (S)

The key research question this thesis examined was **"How** ***do managers in a transition economy make sense of, and act upon, their environments and the development of plausible strategic responses?*** More specifically, the main question was broken down into three sub questions:

1. How do senior managers interpret the **business environment**? What features of the business environment do they notice and bracket as salient during sensemaking?

2. What knowledge do the managers have about **strategy and strategy making processes** and how do they make judgments about plausible responses? How entrepreneurial do they consider themselves in responding to environmental uncertainties and threats?

3. What is their understanding of the required **organizational resources and capabilities** and of how these might be acquired and developed? What factors do they think of as facilitating/ constraining the acquisition, development and use of the required resources and capabilities?

To summarise, this thesis explores three dimensions and themes: first, managers' sensemaking of the business environment; second, their knowing of strategy and the strategy making processes; and third, their knowing of the assumed organisational capabilities required to align with the known environment and with the organisational strategy. The use of the term 'knowing' here reflects the strong link between knowledge and practice.

To explore and investigate the above main research questions, I followed the suggestions of Miles and Huberman (1994) by (1) keeping prolonged contact, (2) gaining an holistic overview of the context of the study; (3) attempting to capture data on the perceptions of local actors 'from the inside'; (4) explicating the ways for managing day-to- day situations during reporting; (5) being aware of the many possible interpretations of the material; and (6) using semi structured and less standardized instruments for data collection.

1.4.2 Key Findings

The main findings can be presented at two levels: the general and the organisational levels. Generally speaking, the nature of the Ethiopian top-level managers' knowing that underpins their decision-making on and acting upon key organisational issues and the 'knowing' of environment was found to echo the uncertainties that defined their environment – *but* some managers were more effective than others in mastering the ability to draw on their experience to produce a useful repertoire of assumptions, beliefs and interpretive practices drawn from past experience.

At the organisational level, this study produced five main findings that suggested significant *variations* in the nature and forms of top-level managers' business knowledge. These were:

1) Managers' sensemaking of the environment varied considerably. Managers in the state-owned and large enterprises considered it as conducive and stable, but others in private and small enterprises interpreted it as unpredictable, uncertain and threatening. Such managerial knowledge in turn, tended to lead them to have different levels of confidence and trust in the Ethiopian government's commitment to a fully market-oriented economic system. More significantly, managers' sensemaking of the environment focused *not* on conventional environmental attributes (dynamism, hostility, complexity, and instability), but on the aspects of the specific institutional and task environments elements that they thought were *important for and impacting* on their business operations.

2) While some managers (in state-owned enterprises) were increasingly becoming familiar with a formal, politically influenced strategy process, others (in private enterprises) did not have a well-defined strategy development process. The latter types of managers experienced less formal, implicit and incremental strategy process.

3) Managers' mode of responsiveness to environmental situations varied from proactive to reactive/defensive responses. Managers in new enterprises, operating in policy protected and 'encouraged' businesses and endowed with critical resources were relatively responsive. In contrast, managers in private enterprises as well as those in old state-owned enterprises and those operating in newly 'liberalised' sectors were reactive and defensive in their strategic profile. Managers' sensemaking of the strategy clustered around

what they presumed as plausible strategic actions to make their businesses successful and competitive. Thus, even though for most managers the notions of strategy and strategizing practices were problematic, they were able to pursue clusters of strategies, core strategy varying across organisations, guided by their sensemaking activities.

4) Managers' accounts of what they 'needed to know' were variously internally-focused, externally-focused or both externally- and internally-focused knowledge and capabilities to deliver their strategy – depending on their requirements for effective response to market and competitive pressures. Developing resources and capabilities is matter of effective communication with the people who control the resources or the people who are capable of 'doing what has to be done'. Personal connections are more important than organisational characteristics, such as size, ownership type and maturity.

5) What managers needed to know varied considerably. In some cases (state-owned enterprises and banking organisations), they could establish relatively reliable expectations; but, in other cases (private and manufacturing and exporting enterprises), the 'rules of the game' (North, 1990) were far from clear.

In summary, four important factors that seemed to influence the nature and the forms of managers' knowledge and sensemaking at organisational level during a time of transition were found to be:

a) the extent to which managers were reliant for strategizing and critical resources on the state;

b) the degree to which they were exposed to market pressures and whether they were operating either in protected or opened-up businesses types /industry;

c) path dependence (as seen most especially with regard to cultural influences, legacy of socialism, managers' prior knowledge, etc);

d) managers' general interpretive orientations.

Even though, on the one hand, top-level managers' knowing was obviously influenced and shaped by the surrounding context, in some important ways it also displayed path dependency and was the product of managers' historic experiences.

1.4.3. Contributions

Although the research focuses on managers, organisations and the business environment in Ethiopia and how managers understand and make sense of the environment and their organisations, the real interest is not primarily in Ethiopia *per se*. Ethiopia is used as a context in which to explore ideas which have wider application. This study's detailed contributions are presented in chapter 9 section 9.3 (p: 302-309). In summary form, this study's theoretical, practical and policy-related contributions are presented below.

In terms of theory, four contributions can be highlighted. One of the study's contributions to theory lies in its identification of 'modes of managerial knowing' that range from the formal and theoretical to un-specifiable 'know how' and its varieties, and how managers' came to hold these forms of knowledge. By focussing on 'knowing', as opposed to 'knowledge', it becomes clear that different people, who learn how to do things in different contexts, know things in different ways. Accordingly, concerns about managers' knowledge – in terms of complicated, multifaceted, abstract concepts (Blackler, 1995, Moss, 2001, Tsoukas, 1996) – are eclipsed by a straightforward concern with the process of 'knowing how to do things in practice'. The capacity to know new things is shaped by what is already known. Knowing is a path dependent process. Knowledge cannot be separated from 'knowers': the people who know. And the way in which Ethiopian managers tried to acquire formal and theoretical knowledge in their bid to transform themselves into Western-type managers, who used 'modern management techniques', *was mediated by what they had learned in Ethiopia.*

Second, this study contributes to institutional theory. It is relevant to three fundamental tenets of institutional theory, which suggest that: (1) strategic choice is constrained and bounded (North, 1990, DiMaggio and Powell, 1991); (2) many emerging competitive advantages in emerging economies are based on network relationships and close business-government ties (Peng & Heath, 1996;Peng, 2000, 2003); and (3) there is convergence on common templates that presumably embrace assumptions and codified knowledge about the nature of, for example, competition or other important aspects of the environment (Meyer and Rowan, 1977, Lant and Baum, 1995). In support of point one, the study into the Ethiopian top-level managers' sensemaking of the important aspects of the environment found that the prevailing Ethiopian institutional arrangement created constraints (e.g. entry barriers to financial services, an 'unfair' level playing field, an underdeveloped property-based legal framework, etc) and generated opportunities for actions (e.g., export incentives, targeted development policies). Regarding point two however, while this study's results revealed the importance of business-state relationship but also found the Ethiopian managers to be weak in practising network-based strategy, probably implying that the institutional-based view of strategy could take a variety of forms and saliency depending on historical and cultural context. In contrast to institutional theory's assumption, this study did not find managers' knowledge convergence on common templates or models of action in the period of institutional flux and void. Expectations that are deeply embedded in the fabric of Ethiopian society embody the power to reproduce themselves more effectively than many 'outsiders' might imagine.

Third, this study also contributed to the sensemaking lens and strand of organisational theory that deals with the interpretation of the environment that suggests managers respond primarily to what they perceive (Miles, et al., 1974), strategic actions depend upon interpretation of the environment (Schneider and De Meyer, 1991) and managers' interpretations to be subjected to influences of multiple levels (Hambrick and Mason, 1984; Miller, 1993). While this study finding supports the contentions of the above literatures in terms of managers' differing in their frames of reference regarding the aspects of the environment, in acts of noticing and bracketing and had simplified representations of the world depending on their current roles and organisational factors, it also added some subtlety on the nature of managerial knowing of the environment. In line with sensemaking literature (Gioia and Thomas, 1996) managers' perceptions of the identity and image (including desired future image) of their organisations was key to the sensemaking process and served as important links between what they thought as their plausible strategy elements and consequential actions. Managers' acts of noticing and bracketing of what they considered as strategic issues focused not on a general environment but *specific aspects/elements* of that environment which they thought *as important for and impacting on*, positively or negatively, their businesses. The implication of this might be that managers define their categories differently from scholars (Ford and Hegarty, 1984). For instance, Jackson and Dutton (1987) selected two important terms: 'opportunity' and 'threats' that have theoretical and practical significance, and found that these terms are not polar opposites. Instead the terms share many attributes, such as 'high importance' (Stubbart, 1989:333) and this might be the case in the interpretive frame of the Ethiopian managers.

This thesis also provides new insights into the nature of and limitations of transferability of received western business concepts, theories and models in different settings and contexts. More specifically the thesis may raise questions about the limitations of received thinking in management in general and, strategic management and knowledge-based assumptions in particular. Thus, the study can be used as a way to reflect back upon conventional thinking about strategy and business. Work in this direction is just commencing and its continuity would further both scholars' and practitioners' understanding of the knowledge work of managers in varied contexts and environments.

Managerial implication: The findings of this thesis are of importance to practising managers because the study was based on what these managers perceived, interpreted and 'framed' as strategic /important issues for the success of their business organisations. Thus, the study has implications for practising managers. First, it provides better understanding of how these managers think, assume and believe - or their general interpretive orientation - could influence (enable and/or constrain) their interactions with ambiguously changing environments and their decision-making on key organisational issues. Second, managers could draw some lessons in terms of how managers in their roles could facilitate the creation of common knowledge sharing space taking into account the multifaceted nature of knowledge and, through trial and error, iterative actions, enactment and sensemaking. Third, managers can gain a better understanding of the influences of their reliance on state or market mechanisms and, of the prevailing institutional framework (government policies, incentive mechanism, etc.) on their strategic knowledge that underpin their decision-making on key organisational issues such as strategy, organisational design and organisational capabilities development.

This study can also contribute in the areas of policy making, especially in a transition economy environment. This research pointed to the influences that institutional environment, institutional voids and ambiguously changing environment have on the framing and decision-making behaviour of firms and managers. Developing policies that might improve practice – at the micro level – depend on appreciating what happened, *in practice*, at the micro level. For example, improvements in education could help the development of relevant skills and support the transition to market-rational economic principles.

1.5. Structure of the Thesis

This thesis is composed of nine chapters. A brief description of each chapter follows.

Chapter 2 reviews a broad range of theoretical and empirical literatures relevant to the research questions and issues investigated by this study. Because of the nature and complexity of issues and concepts such as environment, strategy, organisational capabilities, organisational knowledge investigated in this thesis, a wide range of theoretical and empirical literatures were reviewed. The surveyed literatures included sensemaking, knowledge, institutional, strategic management, and transition and developing economies environments. These reviews were used to provide flexibility to the research process based on the unfolding results in the fieldwork.

Chapter 3 presents the conceptual framework developed to guide the research process. It was the result of a synthesised review of the relevant literatures based on the research theme and research questions. The central theme of the conceptual framework was the top-level managers' knowing. It provided a systematic basis with which to present and discuss the study findings and to draw conclusions.

Chapter 4 presents the review of the research paradigms and research methodology. The aim was to make succinct distinction between positivist and interpretivist research paradigms and to make informed choice on the appropriate approaches to this study.

Qualitative case studies informed by the pluralist methodological approach were found to be suitable for exploring the rich, unobservable and subjective perceptions, interpretations and sensemaking of top-level managers.

Chapter 5 describes the research process. The chapter begins by presenting the research model that shows the composition of study participants and micro-macroscopic approach deployed. The chapter details the main research processes I went through, including access gaining strategy, cases selection, data collection methods and process, issues of rigour and relevance, and how the data was analysed.

Chapter 6 presents the research context setting based on the analyses of interviews with 18 national level government officials, analysts and experts who have sufficient knowledge about the Ethiopian transition process and drawing on the secondary authoritative sources. This chapter sets not only to provide highly pertinent information about the research context but also paves the ways for better understanding of the context in which the managers' knowing is enabled. Moreover, it provides the essential basis to make the over-all research findings more transferable and hence would help to make judgements about business organisations and their managers in similar contexts.

Chapter 7 presents the study's findings and analysis. The study findings and analyses were presented systematically based on the research questions and the conceptual framework. The findings were structured by the studied themes: managers' knowledge of the 'environment' and its salient aspects, their knowledge of organisational strategy and strategy making process, their understanding of the required organisational resources and capabilities, and the nature of evolving forms of managers' knowledge.

Chapter 8 presents discussion and interpretations. It discusses the main findings and examines their implications. Moreover, it illuminates how the Ethiopian managers' knowledge was differentiated, uncertain, contested and displays significant variations inter-organisationally. The final part of this chapter examines the implications as well as provides conclusions on the knowing and sensemaking of top-level managers in Ethiopia.

Chapter 9 presents this study's conclusions and implications, and identifies issues for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

The journey from 'Business Knowledge' to sensemaking and what top managers in Ethiopia 'Need to Know' in order to 'do business' effectively involves an interdisciplinary approach to some large and often challenging bodies of literature. This chapter is organised as follows. In the next section, I review the sensemaking literature. This is followed by a review of literature on the perspectives on knowledge, knowledge as 'knowing' and forms of knowledge in section three. Section four presents literature review on how managers' make sense of and know about environments, strategies and organisational capabilities. This is followed by the review of literatures on how managers are seen in different strategy approaches, in section five. Literatures on different types of environment including task, institutional, distinctiveness of the transition economy environment, and related de-institutionalization trajectory are reviewed in section six. This section aims to illuminate the context in which managers' knowledge is constructed and shaped and how it can be historically and contextually specific. The final section summarises how issues raised in the literature review relate to the design and implementation of my empirical research.

2.2. Managers' 'Sensemaking' in Business Organisations

A defining theme of the problem faced by top-level managers in Ethiopia—or any turbulent business environment where the institutional 'rules of the game' (North, 1990) are in flux—is *uncertainty*. How should they think and act without the information that would be needed to make a 'rational' decision? Amid a burgeoning literature on sensemaking, Karl Weick's discussion of 'equivocality' (where the picture is *confused*) and 'uncertainty' (parts of the picture are *missing*) provide particularly convenient labels for the problem of 'not knowing'.

Equivocality involves the existence of several different, simultaneous interpretations (Weick, 1995: 91). Uncertainty refers to a lack of information that makes constructing a plausible interpretation about a situation difficult. When equivocality involves multiple interpretations, individuals engage in sensemaking because of confusion—they simply do not know how to mediate among interpretations (Weick, 1995). For uncertainty, sensemaking arises because individuals lack access to a plausible interpretation—they cannot see (or are unsure of) how their actions will affect the future (Weick, 1995). In either case, sensemaking involves the personal capacity to judge what might be possible in the face of a confused or partial picture. But the process is never-ending: as soon as we make sense of a 'thing' we have to make sense of how that thing changes what we already knew. While we might try to 'suspend' experience, as we reflect on 'the world as we see it', our thoughts are continually reshaped as we 'see' new things. Sensemaking evolves as we come to the world in different ways: it seeks the abstraction of *plausible* accounts that might guide action (Weick et al. 2005).

Research that has addressed the social processes of organizational sensemaking has tended to follow one of two approaches. The first of these investigates how certain groups influence people's understandings of issues. Leaders have received particular attention (Dutton & Jackson, 1987; Smircich & Stubbart, 1985). Gioia and Chittipeddi, for example, argued that critical leader behaviour during strategic change is "sensegiving"—which they defined as "the process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality" (1991: 442). Building on this work, other studies have examined the varieties of leader sensegiving.

Gioia and Thomas (1996), for instance, suggested that leader sensegiving strategies may vary depending upon the strategic or political nature of an issue; Bartunek et al. (1999) identified a range of different leader sensegiving strategies and found, for example, that when leaders felt personally threatened, they were more likely to focus their sensegiving efforts upon opportunities that strategic change presented for stakeholders. All of this research highlights the importance of sensegiving as a fundamental leadership activity within organizational sensemaking.

Other studies have demonstrated how middle managers shape organizational accounts by sensegiving to their leaders. Dutton and colleagues, for example, have examined how middle managers gain top management attention and influence organizational action through "issue selling" (Dutton & Ashford, 1993; Dutton et al. 1997). Similarly, Westley (1990) showed how middle managers could shape strategy through their participation in "strategic conversations" with their bosses, influencing the way in which an issue was understood and "enacted." These studies demonstrate that while leaders are uniquely placed to influence how issues are interpreted and understood in organizations, their interpretations can be significantly shaped by the sensegiving efforts of others. Balogun and Johnson (2004) examined change from a middle manager perspective during an imposed shift from hierarchy to a modular organizational form in order to identify patterns of schema change, understand how middle manager sensemaking informs schema development, and consider the relationship between schema change and restructuring. Their study helps to better understand the schema comparison phase (Labianca et al., 2000) in organizational restructuring from the point of view of middle managers as "change recipients". These authors showed how a number of particular contextual factors could influence the schema development patterns. In contrast to the results of previous studies (such Labianca et al., 2000), they found that (1) when change is imposed, forcing a break from the past, a replacement sequence of schema change may be more likely for change recipients than a relocation sequence. Furthermore, (2) a replacement sequence affects subsequent schema evolution: schemata evolve incrementally from comparison with experience, with no duality and comparison of old and new (expected) schemata. Finally, (3) the conflict model may be more prevalent when there are no channels or mechanisms to facilitate the resolution of conflict caused by differences in schemata.

The above-mentioned studies provide insight into some of the strategies that leaders and stakeholders use to shape organizational understandings and accounts of issues; they have primarily focused on the role played by just one party or the other. However, relatively little is known about the dynamics of sensemaking when different parties engage simultaneously or reciprocally in such activities, or about the ways in which the accounts they generate are reconciled—or are not reconciled.

A second approach to organizational sensemaking has examined the social processes associated with sensemaking more holistically than the first approach—albeit in contexts that are marked by crisis or extreme circumstances. Weick's (1993) analysis of the Mann Gulch disaster, for instance, suggests a dialectical relationship between social structure and sensemaking: the accounts generated by sensemaking facilitate the formation and reformation of social structure (the social roles and relationships among some group of actors), while social roles and relationships provide a basis for sensemaking. Thus, Weick argued that without social roles and relationships in place, sensemaking could be difficult or impossible, leading to confusion and distress. In a study of sensemaking on aircraft carriers, Weick and Roberts (1993) developed the concepts of "collective mind" and "heedful interrelating" to describe how organization members can generate reliable collective action. Their study moved sensemaking away from a strictly cognitive metaphor by associating collective mind not with a superordinate set of cognitions, but with "a pattern of interrelated activities among many people" and by offering the argument that the intelligence of a collective mind depends upon the heedfulness with which people interrelate.

Organizational disasters and crises have also provided a fruitful context for research into sensemaking among multiple parties (Brown, 2000; Brown & Jones, 2000; Gephart, 1992, 1993). Emerging from studies of organizational inquiries is an image of sensemaking in which participants work to find acceptable grounds for the assignment of responsibility. In Gephart's 1993 study of a disaster inquiry, for instance, participants engaged in a multistage sensemaking process that drew on a range of local organizational and individual attributes. Formal organizational schemes were used to identify potentially responsible individuals, and then these individuals were evaluated with respect to organizational schemes and social norms. The evaluations were then used to construct a subset of individuals with "uniquely problematic or laudable selves" (Gephart, 1993: 1507). Finally, responsibility was assigned based on an emergent sense of interpretations shared by participants, with the exception of those ultimately assigned responsibility, who held divergent views. This research highlights the importance of attending to the process through which agreement is achieved in sensemaking, and particularly, to the ways in which sensemaking processes interact with features of the settings in which they occur (Brown, 2000; Gephart, 1993).

From these studies of sensemaking in the face of crisis, three critical issues emerge. First, this research has focused on a situation in which there is pressure (often immense pressure) to make sense of the world quickly. But a crisis, which renders everyday expectations inappropriate, is hardly an appropriate basis for making sense of everyday expectations.

Second, these studies of crises have tended to examine the actions of close-knit group, such as fire crews, flight deck teams, and industrial disasters, where 'insiders' know each other well and might imagine what is in each other's minds—thereby facilitating effective communication and coordinated action. But these qualities are likely to be less well developed in contexts where participants do not know each other well. Third, 'high-pressure' sensemaking in extreme environments, such as fire fighting and aircraft carrier flight-decks, involve life-and-death imperatives that guide thoughts and actions in ways that might not fit with the mundane world of everyday business.

The above selections from the sensemaking literature show the importance of looking at what actual people do in practice. While much of the Western management literature has tried to develop universal 'solutions' and often exhibited a contemptuous attitude to the particular case, sensemaking stresses the importance of looking at particular cases. But rules cannot be applied according to rules (because each rule would need another rule to explain its interpretation and you would never arrive at a definitive statement). And sensemaking avoids the difficulty of objectivist approaches to 'what ought to be' by providing a viable vehicle for looking at what people *do in practice.*

When people make sense of things, they have to ask sensible questions—and allow themselves to be guided by what they *know*, but cannot tell. Hunches and intuition are essential to making sense of confused and partial pictures. Discrepancies, changes, or fluctuations in the expected flow of events trigger key questions: 'What is the story?' And 'Now what?' Sensemaking involves reflexively automatic thinking and acting. People think and act *as if* something were the case—while subsequent experience shapes the sense that they make of their those thoughts and actions. Sensemaking 'is as much a matter of thinking that is acted out conversationally in the world as it is a matter of knowledge and technique applied to the world' (Weick et al. 2005: 412).

Sensemaking is useful tool for interpreting what managers do in practice. Successful management of business organisations entails managers to exercise 'sense making' by acquiring and interpreting messages about new markets, new technologies and competitive threats. This information is necessarily evaluated in the light of individuals and organization's experience and knowledge. In formulating an action plan, the organization is necessarily guided to some extent by rules and routines, which structure inquiries and responses. The fundamental challenge to sense making is bounded rationality. In essence, business organisations and their management must interpret the world about them. Interpretative activity is a form of theorizing about market and firm behaviour. It is a worthwhile vehicle for making sense of what Ethiopian managers do in their uncertain worlds.

2.3. Perspectives on Knowledge and Knowing

This section aims at distinguishing between treating knowledge as a 'thing'—based on objectivist perspectives in which knowledge is an object among other objects—and a focus on 'the process of knowing'. There has been an overwhelming tendency in the West to see knowledge as a representation of what exists independently of the knower and the objectivist view of knowledge has proved popular. But, if you want to sustain the idea that knowledge—which has traditionally been regarded as an *abstract noun*—could be treated as if it were a *concrete noun*, it is important to specify the nature of 'the *thing* called knowledge'. And difficult questions would have to be answered: how could you determine the 'goodness' of a piece of knowledge?

Notwithstanding the popularity of objectivist views of knowledge as an object, it is often difficult to see what is meant by 'knowledge'. However, if we switch our attention to the process of knowing, challenging conceptual issues associated with the objectification of knowledge can be avoided. Suddenly, it becomes possible to ask more straightforward questions about how people 'know how to do things in practice'. Such a perspective on *knowing* is complementary to *sensemaking*. It is about 'knowing how to do things'—such as making sense of the problem of how to manage effectively.

2.3.1. Business Knowledge

Many contributors to the management and business literature insist that Business Knowledge is important, but are often unclear about what they mean by 'knowledge'. Part of the problem seems to be that the term knowledge is used in a casual way that means different things to different people. Another difficulty seems to be that 'knowledge' is often confused with 'information'. Problems also arise if knowledge is defined in a way that is too general to be useful. One much-cited definition of knowledge, offered by Davenport and Prusak (1998: 5), suggested that many things count as knowledge.

> "Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents but also in organizational routines, processes, practices and norms".

While great thinkers, such as Immanuel Kant and Albert Einstein, have equated knowledge with experience, Davenport and Prusak want to add other things to experience, such as 'values' and 'expert insight'. But one might object that 'everything that is known' is known *in the course of personal experience.* Where does experience *stop* and 'values' or 'expert insight' *start*? What could we claim to *know* that is outside our experience?

Much of the Business Knowledge literature relies on the use of the abstract noun 'knowledge'. But the type of knowledge that is discussed in the management and business literature often owes little to the realist notion of scientific knowledge as a 'true' picture of what really exists. Instead, it is often used in an altogether more casual way—for example, as a description of what supposedly knowledgeable people happen to think. Accordingly, so-called 'explicit knowledge' is often no more than a personal opinion—and the issue of 'whose opinion we could trust and why' is often overlooked. Nevertheless, talking about Business Knowledge has become popular. Indeed, "knowledge" has become the watchword of contemporary organizations (Orlikowski, 2002), and research interest in knowledge, knowledge-based organizations, and knowledge management has accelerated (Kogut and Zander 1992, Starbuck 1992, Nonaka and Takeuchi 1995, Tsoukas 1996, Teece 1998). But the concept of Business Knowledge has become intertwined with a bewildering array of discussions about different 'forms of knowledge'.

2.3.2. Forms of Knowledge

Two distinct perspectives on organizational knowledge are currently discernable. One proposes that organizations have different types of knowledge, and that identifying and examining these will lead to more effective means for generating, sharing, and managing knowledge in organizations. Tsoukas (1996:13) characterizes such a perspective as 'taxonomic', with researchers developing classifications of knowledge and then using these to examine the various strategies, routines, and techniques through which different types of knowledge are created, codified, converted, transferred, and exchanged (Nelson and Winter

1982, Leonard-Barton 1992, Hedlund 1994, Nonaka 1994, Nonaka and Takeuchi 1995, Winter 1987, Teece 1998, Hansen 1999). Many of these knowledge classifications take as their starting point the distinction made by Polanyi (1967) between tacit and explicit knowing. This classic distinction is then typically used to elaborate additional knowledge dichotomies, for example, local vs. universal, codified versus uncodified, canonical versus noncanonical, procedural versus declarative, and know-how versus know-what.

Some researchers have been critical of a purely taxonomic perspective, arguing that it reifies knowledge by treating it as a stock or set of discrete elements. Furthermore, Tsoukas (1996: 14) observes that a taxonomic perspective does not recognize that "tacit and explicit knowledge are mutually constituted . . . [essentially] inseparable". In particular, he argues that tacit knowledge "is the necessary component of *all* knowledge; it is not made up of discrete beans which may be ground, lost or reconstituted." Along with others (Boland and Tenkasi 1995, Davenport and Prusak 1998, Cook and Brown 1999), he argues instead for an integrated approach that affords a view of organizational knowledge as processual, dispersed, and "inherently indeterminate" (1996: 22). Brown and Duguid (1998), while they share with Tsoukas (1996) a view of knowledge as emergent, depart from his integrationist focus by retaining a distinction between types of knowledge. In particular, they adapt Ryle's (1949) articulation of 'knowing that' and 'knowing how' to argue that 'know-how' is different from 'know-what' in its dispositional character. Thus, know-how is "the particular ability to put know-what into practice" (Brown and Duguid 1998:91). As such, it is a capability embedded in particular communities of practice (Brown and Duguid 1998:95). This allows know-how to be easily moved within and among communities with similar practices, but makes it "sticky" or difficult to move across communities of practice (Brown and Duguid 1998:100–102). Recognition of the "stickiness" of know-how has led to various proposals for facilitating knowledge sharing across communities of practice, such as: developing boundary practices (Wenger 1998), engaging knowledge brokers (Brown and Duguid 1998), using boundary objects (Henderson 1991), and participating in cross-community communication forums (Boland and Tenkasi 1995).

Some of the well-known classifications of knowledge include tacit-explicit (Polanyi, 1958, 1966); general knowledge, specific knowledge and expert knowledge (Schank and Abelson, 1977); declarative, procedural, and causal knowledge (Anderson, 1993); embrained, embodied, encultured, embedded and encoded (Blackler, 1995), technical and cognitive (Nonaka and Takeuchi, 1995), propositional, practical, experiential and presentational (Heron, 1996) and formal – practical knowledge (Fenstermacher, 1994). These distinctions are seldom unproblematic:

> "Knowledge is a slippery and elusive concept, and every discipline has its own secret realization of it. Problems of interpretation haunt every attempt to use the concept effectively, such that even basic typologies that talk about, say, formal versus tacit knowledge (Polanyi, 1967) actually can be quite meaningless in certain contexts".
> (Scarborough & Burrell, 1996: 178)

Moreover, it is important to note that any categorization of knowledge is a simplification process to understand this complex concept. Below, I review selectively some of the past works in this area in relation to my research.

The distinction made between 'tacit' and 'explicit' knowledge by Polanyi (1958, 1966) seems likely to be useful in my research to understand the dimensions of knowledge in organisations and the knowing of managers. This is because, for instance, the 'tacit' knowledge is an aspect of what in this study is considered as strategic level knowledge. It refers to the expertise, skills, and assumptions that individuals develop over the years and it is rooted in action, experience, and involvement in a specific context (Nonaka, 1994). The explicit knowledge is articulated, codified, and communicated in symbolic form and/or natural language. By accessing, sharing, and implementing both explicit and tacit knowledge, organizations can influence behavior and achieve improved performance both individually and organizationally.

Knowledge can also be viewed as existing in the individual or the collective (Nonaka 1994). Individual knowledge is created by and exists in the individual whereas social knowledge is created by and inherent in the collective actions of a group. Both Nonaka and others (e.g., Spender 1996,) rely heavily on the tacit-explicit, individual-collective knowledge distinction but do not provide a comprehensive explanation as to the interrelationships among the various knowledge types. Critiques emphasized it would be better to see them as mutually dependent and reinforcing each other (Alavi and Leidner, 2001; Tsoukas, 1996) rather than overvaluing the tacit component. This is because tacit knowledge forms the background necessary for assigning the structure needed to develop and interpret explicit knowledge (Polanyi, 1975). The inextricable linkage of tacit and explicit knowledge suggests that only individuals with a requisite level of shared knowledge can truly understand each other. This implies sensemaking in organisations requires a shared knowledge space (Alavi and Leidner, 2001).

As this study focuses on the work of managers and their knowledge base it also becomes important to review two important types of knowledge: 'formal' and 'practical'. Formal knowledge refers to what is known as the standard, or justified true belief, account of human knowledge (Fenstermacher, 1994). Such knowledge is gained from studies of business and management that use conventional scientific methods, qualitative or quantitative and driven by research-based theory; these methods and their accompanying designs are intended to yield commonly accepted validity, generalizability, and intersubjectivity.

In contrast, managers' practical knowledge is not what managers know in theory or empirical propositions but knowledge gained through experience in performing managerial duties, resolving conflicts, making judgement on competing considerations. It connects aspirations to plans and then to managerial practices. It is a personal practical knowledge. The description of practical knowledge of teachers by Clandinin (1992:15) is useful and adopted here to exploring the nature of managers' knowledge in this study. Clandinin (1992:125) described this form of knowledge as follows:

> "We see personal practical knowledge as in the person's past experience, in the person's mind and body and in the person's future plans and actions. It is knowledge that reflects the individual's prior knowledge and acknowledges the contextual nature of that teacher's knowledge. It is a kind of knowledge carved out of, and shaped by, situations; knowledge that is constructed and reconstructed as we live out our stories and retell and relive them through process of reflection".

Practical knowledge thus is knowledge that is developed from participating in and reflecting on actions and experience. It is bounded by the situation and context in which it arises. Therefore, knowledge such as embodied, situated and located could form varieties of practical knowledge. As Schon (1983) set forth more explicitly in the *Reflective Practitioners* and if we consider managers as professionals, then managers knowledge is a knowledge of practice constructed in and shaped by situations and contexts.

A pragmatic approach to classifying knowledge simply attempts to identify types of knowledge that are useful to organizations. Examples include knowledge about customers, products, processes, and competitors, which can include best practices, know-how and heuristic rules, patterns, software code, business processes and models; architectures, technology and business frameworks; project experiences; and tools used to implement a process such as checklists and surveys (KPMG, 1998).

2.3.3. Knowledge and the Process of Knowing

Many of the problems associated with defining knowledge can be avoided if we shift our attention from the abstract noun 'knowledge' to the 'process of knowing'. Instead of worrying about what knowledge 'is', in terms of a 'thing' that is assumed to *exist*, we can consider what people 'know how to do'—*in practice*. Knowledge, irrespective of how knowledge is defined, is 'in the heads of persons and the knowing subject has not alternative other than to construct what he or she knows using his/her experience" (Glasersfeld, 2002:1). Rather than trying to objectify what a person knows, we can ask different questions about what he or she 'knows how to do'. Could that person, for example, make sense of managerial challenges and manage effectively?

A focus on knowing is important for my study in a number of ways. First, managers' 'knowing' is seen as impacting on the ways they notice and bracket key organisational issues and make judgement about appropriate strategies (Salaman and Storey, 2006b). Second, since managers to be studied were making sense of their situations amidst several influences and tensions, the nature and form of knowledge they held may provide an opportunity to draw some implications on taxonomic approaches to classifying knowledge. The rationale for this is that there may be differences between the types and usefulness of knowledge held by managers and the ways this knowledge is used for organizational actions may not follow the prescriptions of the knowledge-based views. Third, it also helps to examine managerial discourse on their claim about knowing something and their ability or not in using that knowledge in their day-to-day managerial practices.

2.4. Managers' Knowing of Environment, Strategy and Organisational Capabilities

2.4.1. Managers' Knowledge of Environment

In a sensemaking model of Weick and Daft (1983: 74) organisations are seen as interpretation systems:

> "Organisations must make interpretations. Managers literally must wade into the swarm of events that constitute and surround the organisation and actively try to impose some order on them.... Interpretation is the process of translating these events, of developing models for understanding, of bringing out meaning, and of assembling conceptual schemes".

Two important elements on which the interpretation depends are the extent to which the external environment is analyzable and how the organisation actively intrudes into the environment (Daft and Weick, 1984). This also applies to the individual (managerial) level interpretations.

A study by Sutcliffe and Weber (2003) found that the ways senior executives interpret their business environment is more important for organisational performance than how accurately they know the environment. An interpretive orientation of top executive management thus could be the source of competitive advantage because it could create shared meaning that would be consequential for collective action.

Under the influence of interpretive sociology (Shutz, 1967), the sociology of knowledge (Berger and Luckmann, 1987), and cognitive social psychology (Weick, 1979), an enacted environment perspective vies for attention. Underpinning the work of Mason and Mitroff (1981) and Huff (1982), is an assumption that organisation and environment are created together (enacted) through the social interaction processes of key organizational participants. From an interpretive worldview, separate objective "environments" simply don't exist (Burrell and Morgan, 1979). Instead, organisation and environments are convenient labels for the patterns of activity. What people refer to as their environment is generated by human actions and accompanying intellectual efforts to make sense out of these actions. The character of this produced environment depends on the particular theories and frameworks, patterns of attention, and affective dispositions supplied by the actor-observers.

Enactment implies a combination of attention and action on the part of organisational members. Processes of action and attention differentiate the organisation from not-the organization (the environment). Theorists who discuss sense-making processes often poorly appreciate the action component. An enactment model implies that an environment of which strategists can make sense has been put there by strategists' patterns of action: not by a process of perceiving the environment, but by a process of making the environment. Consequently, the analogy of finding the constellations is partly an inadequate for capturing the full scope of enactment. The analogy does not allow an emphasis on how the material records of action (e.g. leather production, amount of loan provided) have actually been put there by activities of organisational participants who subsequently interpret them. In other words, managers and other organization's members create not only their organization, but also their environment. Then, how are managerial interpretation and enacting linked to their decisions and actions?

In a transition economy context, the work of May et al (2000) is also informative about the environmental scanning behaviour of managers. These authors found that the scanning behaviours of the Russian executives experiencing discontinuous political, economic and social changes depart from those of Western managers. Unfortunately, a theoretical basis for explaining the difference is somewhat limited owing to the lack of knowledge about strategic management practices in Russia and to concern about the applicability of Western theory. The Russian managers ranked the sectors that are newest to the Russian environment as highest in strategic uncertainty (customer/market, economic and competition), irrespective of the sector's classification in either the task or general environment category. Yet the finding that perceived strategic uncertainty across the sectors does not appear to prompt executives to scan more frequently in the form suggested by the Daft *et al.*, (1988) was not expected. Those authors showed that rates of change and complexity alone are insufficient for explaining scanning frequency if the importance of the environmental sectors to an organisation is not considered. May et al.'s (2000) study results, however, indicate that among the Russian executives, rate of change and complexities are not only insufficient but are also not necessary for predicting scanning behaviour. In fact, importance alone, moderated by perceptions of source accessibility, is the superior predictor of scanning frequency (May et al. 2000:419).

The above finding has important implications and has informed my research. Moreover, literatures on transition and developing countries suggest also that in the politically dominated environment, "the decisions of the top business executives usually require the approval of the crucially important political and economic power networks" (Elenkov, 1997:294). Hence, managerial sense making activities in those countries essentially amount to making assessment of future political expectations regarding managerial roles.

In a transitional economy we would expect that most of the decisions would be made with fragmented and incomplete information and on a piecemeal basis. Moreover, events such as globalization, domestic and international competition, changing government policies, the political management of the transition process, business process reengineering, and organisational restructuring could be seen as threats or opportunities. Therefore, managers' knowledge – how they see their business organisation, its environment, capabilities and limitations - could form a basic premise from which managers seek to develop appropriate strategic responses. Managers arrive at different interpretations because they bracket and highlight different features of the environment, may use different labels and language to describe and discuss what they notice, and construct meaning by relying on their beliefs and their past actions. One of the key questions my research participants were asked was "what do they consider as important aspects of the environment for their business organisations, and from these aspects what do they consider as threat, opportunities and salient features"? The key findings on this question are presented in chapter seven. Managers sensemaking of and enacting the environment but is only one dimension of enquiry. In addition, understanding how managers know plausible strategies and the required organisational capabilities is important. Hence, the following sub-sections present relevant literature reviews on managers' sensemaking of and their knowing of strategy and of the required organisational capabilities.

2.4.2. Managers' Knowledge of Strategy

The departing point for this thesis is the recognition of the need for identifying the role of management assumptions and ways of thinking that inform and underpin their choice-making behaviour in organisations. It is argued here that top-level managers' knowledge, understanding of and response to identified external or internal pressures are a consequence of what managers' know and how they think. Strategizing in the face of dynamic and uncertain environments poses great challenges for top-level managers in a transition economy environment where there are no universally agreed ways of doing things, organisational templates (processes), or well-trodden paths. Despite this however, top-level managers are entrusted with special responsibilities to make strategic decisions subject to internal and external restrictions (constraints). These decisions, in the face of inherent uncertainty and scant or absent information, are "based on senior managers' judgement how best to make sense of the world and how to achieve their organisational purposes" (Salaman & Storey, 2006a:2). These top-level managers' judgments are based on their 'patterns of belief about their situation and its potentialities' (Grinyer and Spender, 1979:115). The top-level managers' knowing may guide managers' search for alternative appropriate strategies that are suitable for their organisations in a given time. The dominant logic represents the shared cognitive map and strategic mindset of the top management team or the dominant coalition, and is closely associated with the processes and tools used by top management (Prahalad and Bettis, 1986). But it should be noted that the effectiveness of managerial knowledge, 'dominant logic', responses, etcetera are highly subject to the quality of the assumptions held by these managers. For instance, schemas are not infallible guides to the organisation and its environments (Prahalad & Bettis, 1986). In fact, some are relatively inaccurate representations of the world, particularly as conditions change. Furthermore, events are not labelled accurately, and sometimes are processed through inaccurate and/or incomplete knowledge structures.

Schneider (1997) suggests that organizations are primed to seek certain information or respond to a certain patterns of events based on knowledge structures (and sets of beliefs) that have evolved with experience over time given the nature of the industry or business. For example, beliefs regarding what it takes to be successful (for example, cost control, or developing new products and markets), and scripts (routines) for making that happen represent strategic profiles of "defenders" versus " prospectors" (Miles and Snow, 1978).

However, it is important to note that the information gathered and interpreted may be 'loosely coupled' from the decision made, that is, that we cannot assume that decisions made are actually derived from the information gathered and interpreted. Furthermore, the link between actions can be fairly tenuous -what gets decided and what happens may not be very closely connected. For this reason Mintzberg (1978) has described strategy in terms of intended versus what is realized and to consider strategy as *emergent* - a stream of decisions (or even merely issues) decoupled from action. "Strategy may often, in fact, be interpreted post hoc, based on what has happened, that is, retrospective sensemaking (Schneider, 1997:95).

Managers' interpretive frames influence their decision-making and actions. Different interpretations trigger different decision processes and different behaviours (Cowman, 1986). For example, under 'threat', organizations tighten control, restrict the flow of information, and reduce participation in decision-making, (Staw, et al. 1981) focus more efforts on internal adaptations rather than external change, and take actions of large magnitude, i.e., more costly and difficult to effect (Dutton and Jackson, 1987). Taking actions of large magnitude is consistent with the findings that individuals tend to engage in more risk-taking behaviour when faced with the situations described as 'potential loss' (Tversky and Kahneman, 1974). Defining core competences, establishing 'niche', developing organisational capabilities, and emphasizing efficiency are examples of internally oriented actions that characterise 'defenders'. Seeking new products and new markets, diversifying, and emphasizing innovation are examples of externally oriented actions, which characterise 'prospectors'. Internally oriented action represents efforts to assert control where possible, as internal events are considered more understandable and controllable.

Thus, this study seeks to draw on these ongoing debates about how top-level managers' judgment and dominant logic on key organisational issues are based upon their knowing and sensemaking and how these are reflected in their decisions and managerial actions. It also seeks to reflect upon and open up some questioning about the received thinking on utility and applicability of strategic management frameworks and concepts.

2.4.3. Dominant Logic and Practising Multiple Strategies

Research in strategy has rarely examined the existence of multiple strategies within an organization, and there appears to be underlying assumptions that a firm will pursue only one strategy at a time. In fact, the only way in which researchers appear to examine multiple strategies is in the context of firm diversification and maintaining coherence among the different lines of business (Prahalad and Bettis, 1986). Therefore, while firms may use different competitive strategies in different businesses, following more than one strategy is seen generally as a bad idea (Porter, 1985). As a result there has been a little research on whether or not organisations do follow multiple strategies or which strategies are likely to co-occur if they do.

However, competitive positioning is based upon the combination of activities that a firm engages in across various markets and lines of business (Porter, 1996). Therefore, it may be more appropriate to think of firms as following a cluster of different types of strategies (growth, marketing, etc.), guided by the single dominant logic about the competitive advantages, resources and capabilities of the firm relative to the competition, as opposed to a single strategy. Since a dominant logic is defined as the 'way in which managers conceptualize the business and make critical resource allocation decisions' (Prahalad and Bettis, 1986:490), dominant logics are clusters of strategies that the managers see as appropriate for the firm. The argument on the possibility of using multiple strategies at the same time in this research was put forth in retrospect (*ex ante*) after the fieldwork data was analysed. However, earlier Porac et al. (2002) found that the companies they studied pursued multiple strategies guided by the management's dominant logic. They identified these strategies as:

- Expansion of products via continuous improvements - Process improvement and human resource improvement
- Market and product expansion
- Dealing with capacity deficits - Human resource and capital intensive strategies with some market and product expansion
- Anticipatory growth - Market expansion, product expansion & capital intensive strategies
- Scattered growth logic- All six growth strategies

Porac et al., (2002) note that even though not all firms in a given cluster choose exactly the same combination of the intended strategies, the narratives of managers indicate that there were dominant logics that led to their choice, and called for further studies on likely impact of pursuing multiple strategies on long-term firm success.

In summary, the above reviews point to the fact that different managers could make sense of shared experiences in different ways about how to engage in strategizing, competitive positioning and the possibility of pursuing clusters of strategies. These differences that 'make difference' need investigation and exploration. Thus, this thesis seeks to investigate the following important question: what do the managers consider as plausible strategies or strategy elements to make their organisations successful in changing and dynamic environments and what sorts of strategizing knowledge do these managers have?

Managers' knowledge of the required resources and capabilities also formed a point of enquiry. Relevant literature on this is reviewed in the next subsection.

2.4.4. Managers' Knowing of the Required Resources and Capabilities

In a resource based view (e.g. Collis and Montgomery, 1995; Wernerfelt, 1984) there is an inherent assumption that managers can 'leverage' resource and core competences specific to their own organisations to competitively position their organisations. The issue is to find what these core competences are, how they can be sustained, developed and 'leveraged'. Winter argues that organizational knowledge and competence are forms of strategic asset that, if appropriately deployed, enhance the firm's long run adaptation in the face of competitive and other environmental contingencies (Winter, 1987). Here, it is assumed that managers have complete knowledge of their organisations' existing and required knowledge and capabilities.

Despite differences in terminology and emphasis, these interpretations of competencies and capabilities imply purposeful managerial configuration and orchestration of the firm's structures, collective routines and personal initiatives. They credit effective firms with relatively abstract and generalized knowledge of how to create, integrate and exploit distinctive business architectures for competitive advantage.

My research probes the managerialist bias inherent in much of the strategic management literature. For example, in both the resource-based view and the knowledge based view of the firm, a major transcending managerial task is that firms need to develop capability to reconfigure / combine existing and newly acquired knowledge and strategic assets. The primary contribution of the firm's managers is to integrate the new knowledge with the existing stock and to exploit new combinations of knowledge systematically to achieve a competitive advantage that is sustainable (Dierickx and Cool, 1989). It is argued that resources change as a result of innovative managerial behaviour, as it is the use of the resources and not the resources themselves that are generating competitive advantage. Thus, researching to understand the mechanisms by which managers able to identify, develop and sustain certain knowledge-based capabilities in order to make their organisations successful has prompted academic interests (Choo and Bontis, 2002; Eisenhardt and Santos, 2002).

Acknowledging the crucial link of knowledge and competence with strategy, Winter (1987:173) observes that 'the key questions for strategic managers are (i) what sorts of competencies are worth developing and sustaining in a particular firm and (ii) how is the firm to derive value from having them'? Based on the foregoing review, this study seeks to investigate whether the studied managers, as per the assumption of the above perspectives, were able or not to identify and develop the required organisational resources and capabilities to make their organisations competitive and better performing? The next section review focuses on how the roles of top-level managers (strategists) are seen from different strategy perspectives.

2.5. Strategy and Top-level Managers

In this section, I review selective but seminal works on strategy and strategists (top-level managers). The aim is to consider how top-level managers are seen by different approaches to strategy and, in retrospect, to examine how the Ethiopian managers describe and interpret their roles in strategic response development.

Hodgkinson and Sparrow (2002) succinctly identified a number of key assumptions which underpin the field of the strategic management. But their observations mainly apply to prescriptive strategy schools (designing, planning and positioning) and/ or classical strategy approaches (Mintzberg, 1999; Whittington, 2001). These key assumptions include:

> "(1) Strategic decision makers are inherently rational actors who seek to maximise outcomes, first seeking all available information, then weighing up the various alternatives in order to select the best course of action;
>
> (2) Business environments are objective entities waiting to be discovered through the application of formal analytic procedures;
>
> (3) Successful strategies are invariably the product of deliberate planning; and
>
> (4)The locus of strategy making invariably resides in the upper echelons of the organization, while implementation is every one's business" (Hodgkinson and Sparrow, 2002: 2).

In a competitive positioning perspective (Porter, 1980) it is assumed that managers actively seek for their organization to be advantageously different from others by identifying available opportunities in the competitive environment. Rational theories of decision-making are predicated on the assumption that managers perform complex strategic analyses, free from inherent bias, giving each piece of information equal attention (Johnson, et al, 1998). The idea that managers work on complete data, well-defined objectives and logical information processes does not, however accord with the everyday realities of organizational life. Managers neither have full information or knowledge, nor the competences and capacities to process the myriad of information that is readily available (March and Simon, 1958). Nor do they all have the same perfect knowledge of strategic issues.

From the cognitive approach to strategy (Hodgkinson and Sparrow, 2002:11) managers

- "Are limited in their capacity to process the rich variety of stimuli contained in the external world – stimuli which are exceedingly complex in nature.
- Consequently, they employ a variety of strategies in order to reduce the burden of information processing that would be otherwise ensuing.
- This culminates in the development of a simplified understanding of reality which is encoded within the mind of the individual.
- Once formulated, these 'mental representations' act as filters through which the incoming information is subsequently processed, which in turn can lead to biased and inappropriate decisions".

More recently, upper echelons theory has grown into a more comprehensive perspective, strategic leadership theory. Like Child's (1972) strategic choice model, the strategic leadership perspective attributes organizational outcomes to the choices made by top managers. It argues that organizations are reflections of top managers (Hambrick & Mason, 1984) and that the specific knowledge, experience, values, and preferences of top managers are reflected not only in their decisions, but in their assessments of decision situations. Although it acknowledges that strategies can emerge from below, the perspective holds that top managers are in a unique position to have the most impact on the organization's strategy (Finkelstein & Hambrick, 1996). However, unlike Child's (1972) model, strategic leadership theory delves into the psychological make-up of the top manager to explain his or her strategic choices. It assumes that top managers vary on a profile of psychological constructs (like knowledge, preferences and values) and that this variability operates on top managers' processing of information to influence the strategic choices they make.

Mintzberg and Lampel (1999:21) provided more detailed reflections of strategy process in organizations in terms of ten different schools. They suggest that these multiple approaches to strategy have implications for practising managers. Their advice was that managers should be able to conceptualise strategy broadly rather than be espoused with certain strategy perspectives:

> 'Strategy formation *is* (emphasis original) judgmental designing, intuitive visioning, and emergent learning; it is about transformation as well as perpetuation; it must involve individual cognition and social interaction, cooperative as well as conflictive; it has to include analysing before and programming after as well as negotiating during; and all this must be in response to what may be a demanding environment. Try to omit any of this, and watch what happens (1999:27).

In Mintzberg's classification of the strategy schools, the role played by human agents varies according to different schools (Mintzberg, 1999). In prescriptive schools, namely, design, planning and positioning, president or director of the board, planners and analysts, respectively, play a key role in formation and development of the strategy. In the descriptive strategy schools, however, the key actors range from an entrepreneurial leader to stakeholders in the environment. In a cognitive approach and learning, the brain and those who learn, respectively, can play central roles. While people with power actively dominate the strategy process in a political approach; the collectivity (shared meaning held a by members of the organisation) and stakeholders play an active role in cultural and environmental approaches to strategy, respectively.

Ericson et al (2001) on the other hand, reviewed literatures on the role of strategist (President, chief executive officer, director, top management team) in four strategy schools: contingency, configurational, processual and socio-cognitive. They found in their review of literatures and drawing on their 15-years' research, that the view of strategist as seen in these schools ranges from 'the sometimes absent or mainly passive to a more or less evident' strategist. For example, in a contingent view, except in the works of Thompson (1967) and Child (1972), in other well known authors' works the strategic managers are passive and their role is mainly to 'keep look out' (Burns and Stalker, 1961) and interpret the environment (Miles and Snow, 1978). While the works of Burns and Stalker (1961), Lawrence and Lorsch (1967) and Perrow (1967) points to the situational factors as determining certain types of organisational design; different environmental conditions shape unique strategies and relate organisational forms in others works (Miles and Snow, 1978; Miller, 1987, Porter 1980).

In a configurational school (see, Mintzberg, 1979; Mintzberg and Waters, 1985), however, the roles of the strategist range from active and significant in strategy formation (in a simple structure) to planning and formalisation (in bureaucratic machinery), to handling uncertainties and new situations (in adhocracy). In both the processualist and socio-cognitive approaches, however, strategists are considered to have active roles in the strategy process or in managing strategic changes in the organisation. Processualists believe that top-level managers must have an ability to set new visions and values, guiding the organisation into the future (Pettigrew and Whipp, 1991). On the other hand, the socio-cognitive approach emphasises that strategists can engage in networking, negotiation and enabling (Hosking and Morley, 1991). In summary, the review in this section provides useful insights into the roles of managers in the strategy making process and how different strategy approaches enable or constrain their roles.

This study argues that contextual factors can shape, enable or constrain managers' sensemaking and knowing of their organisation and its environment. In this study, it is assumed that managers' knowing does not occur in a vacuum but is constructed in and shaped by multiple influences coming from the organisations' task and institutional environments. Thus, to illuminate this context, selective review of literatures on the environments (task and institutional environments, deinstitutionalization, and transition economies environment) will follow in the next section.

2.6. Environment

This section reviews include three important aspects of environment and seeks to illuminate the distinctive features of the transition economy environment. This review seeks to demonstrate the importance of contrasting and competing views about organisation and its environment in helping further our understanding of managers' sensemaking and knowing.

2.6.1 Organisation's External Environment

In organizational theory, environment could be defined as the relevant physical and social factors outside the boundary of an organisation that are taken into consideration during organisational decision-making (Duncan, 1972). According to Elenkov (1997), the environment can be conceptualised as consisting of several factors that exist in two layers: the 'closest to organization' and the 'outer' layers. The closest to the organization layer is the *task environment*, which directly impacts business strategy and with which the organisation has direct contact. These elements are commonly defined to include competitors, suppliers, customers and regulatory bodies. The outer layer is the *general environment* that affects organisations indirectly. The general environment often includes economic, political, social and technological sectors.

There are numerous ways to describe the aspects (i.e., content) of a firm's environment. For example, environments have been characterized by organizational theorists in terms of their sectors (e.g., economic, regulatory, technical, social), stakeholders (customers, competitors, suppliers), and attributes (e.g., instability, munificence, complexity, hostility, controllability). Industrial economists, on the other hand, have characterized environment in terms of industry characteristics such as concentration of market power, entry barriers, changes in demand, or changes in product characteristics. In my study, the emergent classifications of environmental elements or sectors or attributes to be discussed in the analysis chapter are those identified in discourse with my research participants.

It is taken for granted that the environment is a major source of uncertainty for managers, responsible for identifying external opportunities and threats, implementing strategic changes, and achieving the organisation/environment alignment. Sutcliffe and Huber (1998) studied top management team (TMT) perceptions of the environmental characteristics of volatility, munificence, complexity, hostility, and controllability. They claim that the environmental attributes studied by them are central to theories that account for the effect of environments on firm actions and outcomes. Specifically these particular environmental attributes have been shown to hold important implications for organizational actions and have played a key role in strategic management research where performance is the dependent variable.

Prior research, informed by organisational science and strategic management lenses on environmental attributes, suggests that these attributes have a differential impact on key organisational issues, such as strategy, structure, organisational change and performance. Instability, for example, has been found to be a critical determinant of strategy, structure, and outcomes (Keats and Hitt, 1988) and of interactions between top management team structure and firm performance (Keck, 1997). Keats and Hitt (1988) found that environmental instability exerted a significant negative effect on diversification, divisionalization, and operating performance. Environmental munificence and complexity have been found to affect strategic choices designed to capitalize on environmental opportunities (Keats and Hitt, 1988).

Perceptions of environmental controllability and hostility may affect the propensity toward change (Dutton and Jackson, 1987; Jackson and Dutton, 1988; Johnson, 1992), the magnitude of change (Jackson and Dutton, 1988), and the specific types of changes undertaken by executives (Thomas, et al., 1989). In addition, Sutcliffe and Huber (1998) found that managers' perceptions of the five attributes of organizational environments (volatility, munificence, complexity, hostility, and controllability) are affected strongly by their affiliation with a particular firm's TMT, and, for some environmental attributes, also by their industry. First, these authors claim that their study findings support previous studies' results that suggest that managers' perceptions are affected by their firm affiliation, that individuals within a particular organization come to view the world similarly as a consequence of selection and socialization processes, observation, and other social and sensemaking processes (e.g., Hambrick and Mason, 1984; Hodgkinson and Johnson, 1994). Second, industry also plays a role, suggesting that perceptions are not completely idiosyncratic to a particular organization, but also are affected by cognitive and social processes that combine to induce a common perception within a sub-population of organizations.

From the cognitive lens to strategy approach, managers in different organizations will (or should) conceive their task environment differently, either because they believe they have achieved such distinctiveness or they believe they have developed, or must develop, the resource-based potential to do so. Presumably, managers who focus on specific aspects of their task environment in seeking differentiation, for example markets as distinct from developing internal capabilities, may also see their competitive worlds differently. Further, since top-level managers are seen to have a special responsibility for the strategic positioning, direction and performance of their organization, managers' knowledge could be differentiated by management level. The implication in all of this is that, if we conceive of organizational environments from the task perspective, managers' views differ with regard to the important aspects of the environment in different organizations and between managerial groups in the same organization that face different aspects of the task environment. This is arguably one interpretation of the findings reported by Hodgkinson and Johnson (1994), Daniels et al. (1994) and Johnson et al. (1998).

2.6.2. Institutional Environment

The review in this section complements the selectively reviewed organisational literature in a preceding sub-section. The importance of this review for this study stems from the fact that the institutional framework can act as a constraint to regulate business activities by providing the rules of the game (Davis and North, 1971; North, 1990) as well as address some widely shared beliefs that shape the way people think and behave in particular shared cultural and political systems (Powell & DiMaggio, 1991; Scott, 1987, 1992; Zucker, 1987). Institutions shape history by structuring political, social, and economic incentives in business activities. These limits to the set of choices of individuals and organizations provide a stable structure - although not necessarily efficient - to economic exchanges, thereby reducing uncertainty (North, 1990). For instance, the empirical results of the Hitt et al (2004:182) study suggest that "strategic decisions of firms in transition economies are significantly influenced by the institutional environments in these economies". Thus, the review in this section will help to further our understanding of how what managers know about the institutional environment can impact on their thinking and decision-making on appropriate ways of doing business in a changing environment.

Institutional frameworks interact with both individuals and organizations (North, 1990; Powell & DiMaggio, 1991; Scott, 1992). They influence individuals' decision-making by signalling which choice is acceptable and determining which norms and behaviours are socialized into individuals in a given society. Institutional frameworks also affect the actions of organizations by constraining which actions by those organizations are acceptable and supportable within the framework (Aldrich & Fiol, 1994; Hillman & Keim, 1995). In other words, institutions provide the rules of the game in which organizations act and compete. Such interaction between institutions and organizations shapes economic activities. Specifically, "both what organizations come into existence and how they evolve are fundamentally influenced by the institutional framework. In turn, they influence how the institutional framework evolves" (North, 1990: 5). For example, Porter (1990) examined how the institutional framework in a country affects its international competitiveness. Relatedly, Davis and North (1971) focused on the role of the institutional framework in the United States, which has stimulated its economic development. Similarly, Hill (1995) demonstrated how the institutional framework in Japan helps create its competitive organizations. Therefore, any investigation of how management think and decide on key organisational issues must take into account the nature of the institutional framework.

Much of the literature on the knowledge of management in the West does not discuss the influences of institutional frameworks on the choice-making behaviour of managers. The free-market-based institutional frameworks have been taken for granted by most writers in strategic management. This is unfortunate because strategic choices are selected within, and constrained by, the institutional frameworks. It is the institutional frameworks in the West that lead to certain strategic choices for growth (Davis & North, 1971; Hillman & Keim, 1995; North, 1990). Organisations have only a limited array of strategic actions from which to make choices and these are determined by economic opportunity, resources, and institutional forces within an industry and a country or region (Ahlstrom and Bruton 2001, Hoffman 1999). That is, organisations are embedded in social frameworks of norms, values, and rules of exchange that define appropriate economic behaviour and influence strategic choices (Fligstein 1996).

Institutional arrangements can create entry barriers or generate opportunities for action. Therefore, institutional arrangements, as reflected in government legislation, the nature of property rights, and the presence or absence of professional and commercial norms of behaviour, determine the boundaries and paths for acceptable action. As a result, differences in strategic actions across contexts may be a function of variations in the existence, saliency, and intensity of particular institutional arrangements. For example, Kogut et al. (2002) found that interindustry firm-diversification patterns varied across countries because of differences in institutional arrangements. Park and Ungson (1997) argued that the values and norms embedded in the institutions could also affect the development and management of strategic alliances. Thus, institutional arrangements influence the evolution of national economies, organizational forms, and managerial actions, and the required types of business knowledge and capabilities.

From the institutional theory perspective, there is recognition that strategic choice is constrained or bounded. Institutional theorists have argued that coercive, mimetic and normative pressures affect the isomorphism of strategies, structures and processes of organizations (DiMaggio and Powell, 1983). Indeed, it is one of the fundamental tenets of institutional theory that there is convergence upon common templates of competition and that this helps account for isomorphism (Meyer and Rowan 1977; Lant and Baum, 1995). Spender (1989) called this an 'industry recipe'. In managers' knowledge terms, these templates presumably embrace assumptions and codified knowledge about the nature of players, including competitors, in what institutional theorists' term the 'organizational field'. Here, then, is the assumption that managers will tend to cohere around similar templates, such that institutional forces will influence the formation of mental models (Meyer, 1994). This is what Porac et al (1989) reported was the case in the Scottish knitwear industry.

In the context of this research, the implication of these arguments is that for traces of institutionalization to be found at the cognitive level, there should be similarities in the processes by which managers make sense of the most important aspects of the environment. This issue will form part of my enquiry.

The relevance of institutional influence in the research context of Ethiopia is undoubted. The pace, type and level of development of market supportive institutions affect the emergence, proliferation and competitiveness of business organisations. It is argued that if the Ethiopian business organizations have to compete in globalised markets or, for that matter, be competitive locally, there are evident needs for institutional arrangements changes and developments. Ongoing liberalization policies and negotiation to enter into the World Trade Organisation (WTO) agreement are demanding substantial changes. Governments create institutional arrangements that promote and facilitate effective macroeconomic policies, liberalize trade and finance, protect private property rights, and privatize the ownership of state enterprises (Behrman and Rondinelli, 2000). While these changes have been generally accepted, the altering of institutional arrangements is not without cost. Newman (2000) observed that too much change in institutional arrangements creates chaos and may reduce rather than increase the opportunity for organizational changes necessary to compete effectively in global markets. Prior institutional arrangements in socialist countries did not facilitate economic exchanges in global markets, thereby necessitating them to change (Spicer et al. 2000). Nonetheless, effective institutional change can be challenging to undertake (DiMaggio and Powell 1991, North 1990).

The foregoing literature review informed this study. The review provides a basis for understanding how the Ethiopian managers 'know' and interpret the institutional framework in terms of setting limits to or enabling their judgement about appropriate ways of responding to or enacting their environment. The next subsection selectively reviews the literatures on transition economies environment.

2.6.3 Distinctive Features of the Transition Economy Environment

There is a general consensus among researchers in this area that, with the legacy of a socialistic and planning oriented institutional framework, the recent economic transformations in transition countries present a unique business environment for firms (Luo and Peng, 1999; Peng and Hearth, 1996). It is well noted that in transition countries, changes are often unpredictable and more challenging, often due to discontinuous political, societal and economic upheavals (Hitt et al., 1999, May et al., 2000). In addition, research on business management in some developing countries and post communist Eastern European countries has identified several factors that differentiate the environment in these nations from the Western industrialized countries. Such factors include the absence of knowledge required systematically to monitor the environment and collect needed data, highly unstable political and economic environments, the presence of compelling political and ideological influence on business operations, and the absence of legal and social infrastructures necessary for carrying out environmental scanning activities (Fubara, 1986; Mrema, 1987; Dadak, 1995).

Recent researches emphasize the prevalence of environmental difficulties and firms' weak managerial and technological ability as two main explanations for the low export involvement of firms from developing countries (Ibeh, 2004). Environmental difficulties include the lack of relevant infrastructure and institutions, political turmoil and uncertainty, and an unstable macro-economic policy situation (Grenier *et al.*, 1999). Teal's remark that "African governments have created a high transaction costs environment in which export growth generally has been retarded" is reflective of the evidence on this genre of factors (Teal, 1999: 981). Moreover, the empirical works show that many firms during a time of transition lost their traditional markets because of new competition, vanished international trade relations, reduced purchasing power (Linz and Krueger, 1998; Meyer, 1998; Uhlenbruck, 1997), and due to shrinkage of product market and the end of soft budget regime (Kornai, 1992). The gradual development of market-supporting legal and institutional frameworks, and the factor market also affected business transformation processes (Swaan, 1997; Spicer et al., 2000). This implies that fundamental organizational change and deep restructuring of organizational resources has to occur before former SOEs in transition can compete effectively in their home markets and abroad (Antal-Mokos, 1998; Newman, 2000; Uhlenbruck et al. 2003).

There are two types of institutional constraints that affect firms during a time of transition: formal and informal institutional constraints (North, 1990; Peng and Heath, 1996). It is a well documented fact that the most fundamental feature of planned economies was the comprehensive use of central economic planning and bureaucratic control. Overall, the formal constraints in pre-transition planned economies manifested themselves in the planning regime that the state adopted in order bureaucratically to control economic organizations. Although other formal constraints such as the political ideology and the party apparatus also controlled individuals and firms (Shenkar & Von Glinow, 1994), the most important firm-level formal constraint had been the planning regime that asserts its overwhelming effect on firm behaviour (Naughton, 1990). The typical firm, before the transitions, was usually a state-owned enterprise that took its direction from the planning regime. Thus, the firms were not independent decision-making units, which a Western firm would normally be (Child, 1990; Ericson, 1991, Koubek and Brewster, 1995). For instance, Koubek and Brewster (1995:224) rightly described the key feature of the Soviet model of management to be 'strict centralization' and that 'individual units [and] individual organisations had very little opportunity for independent decision-making'. Moreover, with soft budget constraints, the pre-transition firm was not quite as concerned about profitability because the government would automatically write off its debts and provide operating funds.

At the organizational level, pre-transition state-owned enterprises' (SOE) primary sources of information were state agencies, thus, typical environmental scanning processes are largely absent. These firms were not independent decision-making units and lacked concern about profitability of their organisations. As a result, under the central planning regime there was neither motivation nor room for firm growth in the form of sales, profit, or new products (Pearce, 1991). However, because of the transition to a market orientation, these firms were forced to do their business as buyers and sellers in a market environment (Meyer, 1998). In other words, environmental changes result in new conditions to which the firm has to react in new and different ways; but first they have to recognize the changes and understand the impact these changes are likely to have on their businesses (Keats and Hitt, 1988).

The most notable change in formal constraints has been the gradual dismantling of the central planning regime, replaced by more market-based transactions to facilitate economic exchange (Brus & Laski, 1989). In other words, the formal constraints from the planning regime have been weakened during the transitions. However, at the same time, the necessary formal constraints of a market-based economy, namely, a well-defined property rights-based legal framework, have also been lacking in these countries (Litwack, 1991). Lack of such a legal framework as formal constraints would lead to high transaction costs (North, 1990). Moreover, this transition time also saw economic and social instability and caused significant ambiguity and uncertainty about business operation in a changing environment. The ambiguity and uncertainty make the environment difficult to analyse for managers.

The changing policy environment allowed the privatization of state-owned firms and the establishment of private enterprises. Thus, increased exchanges among autonomous economic units call for an adequate legal framework that enforces property rights (North, 1990). Relatedly, the lack of an adequate legal framework and the lack of a stable political structure have resulted in the underdevelopment of strategic factor markets (Barney, 1986), such as financial markets that would ensure the proper transfer of ownership. Peng and Heath's (1996) identification of the three mutually reinforcing characteristics of changing formal constraints in planned economies in a transition is worth noting: (a) lack of a property-rights-based legal framework, (b) lack of a stable political structure, and (c) lack of strategic factor markets. They suggested that these formal constraints are characterized by extreme volatility and unpredictability and have a strong bearing on the strategic choice of the firm for growth.

In the absence or slow evolution of new formal constraints, informal constraints play a larger role in regulating economic activities during a time of transition (North, 1990) and have considerable influence over both the behaviour of individuals and firms, as well as the generation of new formal constraints. Recent research suggests that these informal constraints could involve network contacts and personalized exchanges that depend on the cultural embeddedness of such a practice (Granovetter, 1985). For instance, Peng and Heath (1996) argue that in China, such practices might be more widespread because of that country's Confucian tradition of collectivism (Kao, 1993). However, the notion of collectivism is not limited to China; it is widespread also in East Asia and ex-centrally planned economies. Throughout CEE, the emergence of such practice has been reported in the Czech Republic (Spicer, et al 2000), Hungary (Stark, 1996), Russia (Ledeneva, 1998; Batjargal, 2003, Michailova and Worm, 2003) and Ukraine (Bridgewater, 1999).

In reducing uncertainties in economic exchanges during an extremely volatile period, network-based personalized exchanges form an important part of the informal constraints, or a set of dominant logic (Prahalad & Bettis, 1986), that shapes the institutional frameworks. They become more important during the transition because they offer some constancy and predictability in times of fundamental change in the formal institutional frameworks. Moreover, new or reorganized network relationships may be avenues for firm growth (Peng and Heath, 1996), and can facilitate learning how to operate in a market-based economy. This includes alliances with suppliers (e.g., to overcome problems of factor markets) and with customers (to learn about opportunities, marketing needs, and innovation) (Lyles and Salk, 1996). Recent research suggests that many competitive advantages in emerging economies are based on network relationships and close business-government ties, with firms becoming effective monopolies in their home markets.

To sum up, in this section I described the institutional frameworks in planned economies in transition, highlighting both formal and informal constraints. In addition, the review made clear that, whereas formal constraints have changed from the planning regime and bureaucratic controls to more market-based measures, the transition process has been volatile and uncertain, without an adequate legal framework, a stable political structure, and functioning strategic factor markets. On the other hand, informal constraints characterized by network-based personalized exchanges have continued to have a bearing on firm and managerial behaviour. The foregoing review of empirical works has important implications for this research. First, it shows that conventionally assumed elements and contexts of the business environment that are often-taken-for- granted in the west are missing or yet to be developed. Second, the review helps our understanding of how firms and their managers enact in countries making a transition to a market economy. Thus, it would help to discern what makes the Ethiopian transition environment unique and distinctive. Third, it provides a point of enquiry regarding how the Ethiopian top-level managers 'know' and engage actively or otherwise with the uncertain and ambiguously changing environment, develop strategic response and seek to develop the required resources and capabilities to deliver their strategy.

2.6.4. Deinstitutionalization

The concept of de-institutionalization is useful in this research because managers and their organisations have been operating in such an environment. The key issue to be investigated would be as follows: how do managers make sense of and interpret the deinstitutionalization processes that involve supposedly changing values, norms and beliefs about doing business? In principle, it is linked with the institutional framework and transition economy environment discussed earlier, but differs in its emphasis on changes in institutional arrangements and values. Thus, it serves a valuable purpose to help investigate how the studied managers see the de-institutionalization trajectory in Ethiopian context.

The seminal work on de–institutionalization is that of Oliver (1992). She suggests that changes in political distribution, functional or social pressures or a mix of these can cause de-institutionalization. Deinstitutionalization of an organizational activity or practice may be a political response to changing power distribution (i.e., political dissensus, leader succession, changing dependency patterns or growth in the criticality or representation of members that oppose the status quo) or a protective response to what is perceived by the organization as an imminent threat or failure (i.e. performance problems and crises, the need for organizational entrepreneurs or increasing external pressures to remain competitive or innovative). Deinstitutionalization under these conditions follows from "the political efforts of organizations to protect their own interests or viability and to accommodate or resolve political conflicts surrounding the value or legitimacy of an institutionalized organizational activity" (Oliver, 1992:570)

The causes of deinstitutionalization may be *functional* under several conditions. The functional utility of an institutionalized practice will be re-evaluated when the instrumental rewards for conformity are retracted, when increasing goal clarity, demands for efficiency and resources or domain competition renders institutional practices increasingly incompatible with performance objectives, and when dissonant events and data undermine the taken-for-granted organizational assumptions. Under these conditions, the functional necessity of an institutionalized activity will be critically examined and its presumed utility is likely to be challenged or rejected largely on economic grounds rather than for the purpose of accommodating changes in power distribution or political interests (Oliver, 1992:574).

The *social pressures* for change often deinstitutionalize established activities in the absence of an organization's conscious recognition or control of these changes or in spite of contrary organizational intentions to sustain the status quo. First, social break-up and historical discontinuities cause deinstitutionalization. These deinstitutionalizing predictors include high turnover, succession, weakening socialization mechanisms and culturally disparate inter-organizational relations (mergers, joint ventures, for example). Second, external social pressures, including changes in government laws and social values or expectations, can cause organizations to relinquish institutional practices. Finally, structural disaggregation induces deinstitutionalization by reducing the proximity of opportunities for interaction among organizations or their members. Predictors of disaggregation include structural differentiation, diversification and geographic dispersion (Oliver, 1992: 578)

Oliver's (1992) work on de-institutionalization informs my research. This is because it would provide reference with which to understand how the Ethiopian managers make sense of and identify the sources of the de-institutionalisation trajectory in the Ethiopian context. For the Ethiopian managers, I hypothesize; many pressures exist that threaten the legitimacy of the taken–for-granted assumptions of doing business in a changed market-oriented environment. For example, declining markets, lack of critical resources, the need to implement 'modern' business management practices, changing laws, policies and market situations put pressures on top-level managers' often hidden assumptions and beliefs about the best way of doing business and their interaction with the environment. These deinstitutionalisation practices could have their own influences on the general management' emerging dominant logics. For example, how managers see the ways and the need to change, political distributions supporting established practices and adopting new ones, and developing consensus to legitimize evolving new practices, routines and processes are important issues that could be looked into. Top-level managers' knowledge about emerging strategies and routines may reflect their responses to competitive environment pressures, social environment pressures, dissonant occurrences and changes in relations of organization to the external constituents. These arguments will be clear in the conceptual framework, analysis and discussion chapters later on. But for now it would suffice to say that deinstitutionalization of established beliefs, practices and the ways of doing things affect perceptions, interpretations and responses of top-level managers in a changed environment.

In the following sub-section, I review literature on resources and capability selectively in order to link these to the studied managers' understanding of them and their perceived significance for their business operations.

2.6.5. Resource and Knowledge Base of Firms in a Transition Economy

Examining how managers were able to interpret and identify the required resources and capabilities to deliver their strategic responses formed part of my enquiry. Thus, the review in this section draws heavily on the resource- knowledge-based views of the firm to discern the usefulness of their assumptions about managerial roles and practices in developing organisational resources and capabilities in a transition economy context.

The concept of capabilities is not new. An emphasis on building distinctive capabilities or competencies can be found in Selznick (1957) and Penrose (1959) and is featured in the strengths and weaknesses component of the early business policy frameworks (Learned et al. 1969). Capabilities are defined as a specific combination of different organizational resources which enables a company to gain a sustainable competitive advantage. From a strategic point of view the existence of a capability is basically due to the imperfect functioning of factor markets. From an organizational point of view the development of an idiosyncratic set of resources takes centre stage (Barney, 1986). In both viewpoints the idea of a capability refers mainly to a procedural perspective focusing on an emergent and contingent development process resulting in and representing an enduring superiority concerning the endowment of resources and their combination. Core competences/ capabilities are therefore described as institutionalized and embedded in a complex organizational web of interdependent elements "viewed as bundles of tangible and intangible assets, including a firm's management skills, its organizational processes and routines, and the information and knowledge it controls" (Barney et al. 2001: 625). The implication of this is that capabilities and organizational processes are closely entwined, and may differ across organisations. But the key question, then, is to explore whether firms in a transition economy have the required developed resources and capabilities.

There is a marked difference in the resource and knowledge base of firms in transition economies as compared to the ones in developed countries. The resource base of the firms in transition is characterised by the excess employment, excess inventories, dated physical equipment, extensive social services, and non-competitive product portfolio (Kornai, 1980). Even though managers developed considerable political networking skills, which continue to be valuable (Peng, 2001), they lack experience in managing in a market environment (Fey and Björkman, 2001; Vlachoutsicos and Lawrence, 1990; Lyles and Baird, 1994; Pearce, 1991; Puffer et al., 1994). With shrinking product markets and the end of soft budget constraints (Kornai, 1992), firms in transition economies often have very small financial reserves (Filatotchev et al, 1996; Wright et al. 1998).

The foregoing review suggests that the need for more resources is particularly acute for firms in transition economies. For instance, the newly privatized firms from Central and East Europe find it difficult to compete in product technologies with firms from developed market countries. At the beginning of the transition period, resources that are valuable in market contexts are likely to be scarce, yet available resources are not necessarily inimitable. As competitive markets develop, the acquisition of resources becomes more important (Hoskisson et al. 2000). Recent research reveals that firms in transition economies need to gain access to three types of resources: (1) inputs such as labour, capital, and raw materials, (2) process-related knowledge, including technology and operational know-how, and (3) markets, including distribution channels and contracts with foreign and domestic customers or with the state (Markides & Williamson, 1996). In an emerging economy, access to resources is very sensitive to the kinds of policies that the state implements to promote economic development (Haggard, 1990). Underdevelopment in factor and capital markets constrains access to and acquisition of critical resources such as capital and skilled human resources. Recent research noted that partner selection decisions are based on needs to acquire resources and potential organizational learning embedded in specific market contexts (Hitt et al., 2000).

One of the critical management tasks is to decide which capabilities to emphasize, which is dictated by how they choose to compete. This is because developing distinctive capabilities takes a long time, is path dependent and much of the collective knowledge that makes up the coordination skills is tacit and dispersed among many individuals. Moreover, managers might find it difficult to identify capabilities as they are deeply embedded within the fabric of the organization. Capabilities are further obscured because much of their knowledge component is tacit and dispersed. Another attribute of distinctive capabilities is that they are robust and can be used in different ways to speed the firm's adaptation to environmental change (Boynton and Victor, 1991; Prahalad and Hamel, 1990).

One of the key focuses of my thesis was based on the foregoing discussions about organisational resources and capabilities for firms in a transition economy environment. It explored what my sample of managers sought to develop as the required organisational capabilities to deliver their strategies and improve their organisational performance. In addition, it explored what these managers thought as the limitations and factors facilitating and/ or constraining the development of the required organisational capabilities.

2.7. Chapter Summary

This section presents key summaries of the reviewed relevant literature.

The review in this chapter covered important issues and themes to be investigated in this study. These included sensemaking, perspectives on knowledge, knowledge as 'knowing', managers' knowing of environment, strategy and organisational capabilities, strategy approaches and the role of managers as well as aspects of environment including the distinctive features of the transition economy environment. The review made clear that the focus of this thesis was to explore how a sample of managers in Ethiopia know how to make sense of, and act upon, the 'differences that make a difference'.

From the review of the sensemaking literature, four important issues of relevance emerged. First, a sensemaking lens is useful to investigate how managers in Ethiopia know how to respond to equivocality and uncertainty in their work environment. Sensemaking is triggered by discrepancy, change, or fluctuations in an ongoing flow of events and entails how actors answer two questions: 'What is the story?' and, 'Now what?' Second, top-level managers can influence others' understandings of and meaning construction about the strategic (important) organisational issues and events through different sensegiving strategies. Third, to some degree, middle level managers can also shape organisational accounts, strategies and events through sensegiving efforts. Fourth, examining the social processes associated with sensemaking is of interest to understanding the context in which making sense takes place and patterns of interrelated activities among many people involved in sensemaking.

From the review of knowledge literature four important issues of relevance emerged. First, the review on perspective on knowledge discerned two distinct approaches to organizational knowledge. The taxonomic perspective proposes that organizations have different types of knowledge, and that identifying and examining these will lead to more effective means for generating, sharing, and managing knowledge in organizations. The integrationist approach, on the other hand, views the organizational knowledge as processual, dispersed, and "inherently indeterminate" and argues that tacit and explicit knowledge are mutually constituted and inseparable. Moreover, the review suggests that not all types of knowledge could be useful for organizational actions. Second, knowledge taxonomies, while being important to simplify an understanding of complex concept such as knowledge and to perceive different ways of 'managing' knowledge, it may fail to address its duality and its multifaceted nature. It is also important to recognise that while most organisations embrace most forms of knowledge, particular forms will dominate according to the organizations' primary focus and knowledge it relies on for effective functioning at appropriate times. Furthermore, the review highlighted the importance of a shared knowledge space and absorptive capacity for effective knowledge share and transfer. In particular what is important is to re-frame knowledge as an active and applied process considering knowledge as 'knowing'. The latter view sees knowledge as enacted – every day and over time – in people's practices and experiences.

The review on the environment and managers' knowing of it produced three important findings relevant to this study. The review acknowledged that the environment–organisational issue could be understood differently depending on the different world views held by the investigators and hence the description of the content or aspects of the environment could take a variety of forms.

- First, from the normative organisational theory perspective, environment is seen as a major source of uncertainty for executive managers responsible for monitoring the environment, identifying and deciding on key organisational issues, implementing strategic changes, and achieving an alignment between the organisation and environment.

- Second, from the enacted environment perspective, there are no 'threats' and 'opportunities' out there as such, but environment – organisations co-evolve and are created by managers/human agents patterns of actions.

- Third, in interpreting environmental issues, the review found that the extent to which the external environment is analyzable and how the organisation actively intrudes into the environment were the two important elements on which the interpretation depends. Different interpretations trigger different decision processes and different behaviours.

The review also underlined that managers are primed to seek certain information or respond to certain patterns of events based on knowledge structures (dominant logic) that have evolved with experience over time given the nature of the industry or business. But the relationship between information gathered and decisions made may be 'loosely coupled', meaning, the link between actions can be fairly tenuous. Moreover, in a transition economy, the environment is politically dominated and hence managerial scanning activities essentially amount to making an assessment of future political expectations regarding managerial roles.

The review of transition economies literatures suggests that transition economies exhibit both the formal and informal institutional constraints. The formal constraints of planned economies include the comprehensive use of central economic planning and bureaucratic control, the political ideology and the party apparatus that controlled individuals and firms. Because of these, firms were not independent decision-making units and were not also concerned about conventional performance measures. In addition, whereas formal constraints have changed from the planning regime and bureaucratic controls to more market-based measures, the transition process has been volatile and uncertain, without an adequate legal framework, a stable political structure, and functioning strategic factor markets. On the other hand, informal constraints characterized by network-based personalized exchanges have continued to have a bearing on firm and managerial behaviour. Because of this the institutional–based view of strategy becomes a recent addition to strategy approach in a transition economy context. The foregoing review suggests that many of the features of the business environment which normally supply the assumed context for explorations of managers' knowledge and which, even in the West, are often unrealistic expectations are doubly problematical in this context.

From the institutional theory perspective, institutions provide the rules of the game in which organizations act, compete and put limits on the set of choices individuals and organisations make. It is also true that interaction between institutions and organizations shapes economic activities and that both co-evolve. Institutional arrangements can create entry barriers or generate opportunities for action. Therefore, institutional arrangements, as reflected in government legislation, the nature of property rights, and the presence or absence of professional and commercial norms of behaviour, determine the boundaries and paths for acceptable action. As a result, differences in strategic actions across contexts may be a function of variations in the existence, saliency, and intensity of particular institutional arrangements. But much of the literature on the management knowledge in the West does not discuss the influences of institutional framework on the choice-making behaviour of managers.

The review on the role of managers in different strategy perspectives revealed that managers can play active or passive roles and hence they can be seen evident or missing in the strategy development process depending on the strategy perspective pursued. Moreover, from a dominant logic perspective, it may be more appropriate to think of firms as following a cluster of different types of strategies.

Third, developing distinctive capabilities takes a long time, is path dependent and much of the collective knowledge that makes up the coordination skills is tacit and dispersed among many individuals. And hence, managers might find it difficult to identify capabilities. Thus, research to understand what senior managers think is the required, and the mechanisms by which these managers seek to develop and sustain certain knowledge-based capabilities, in order to improve organisational competitiveness and performance is of vital importance.

Finally, the foregoing literature was important to explore the main research question stated earlier in chapter 1. ***How do managers in a transition economy make sense of, and act upon, their environments and the development of plausible strategic responses?*** Hence, the main focus of this thesis will be to explore the processes by which a sample of managers in Ethiopia make sense of, and act upon, the 'differences that make difference' and to examine the context in which managers' knowing is constructed and shaped.

In the next chapter, I present the conceptual framework that informs this research.

CHAPTER THREE: THE CONCEPTUAL FRAMEWORK

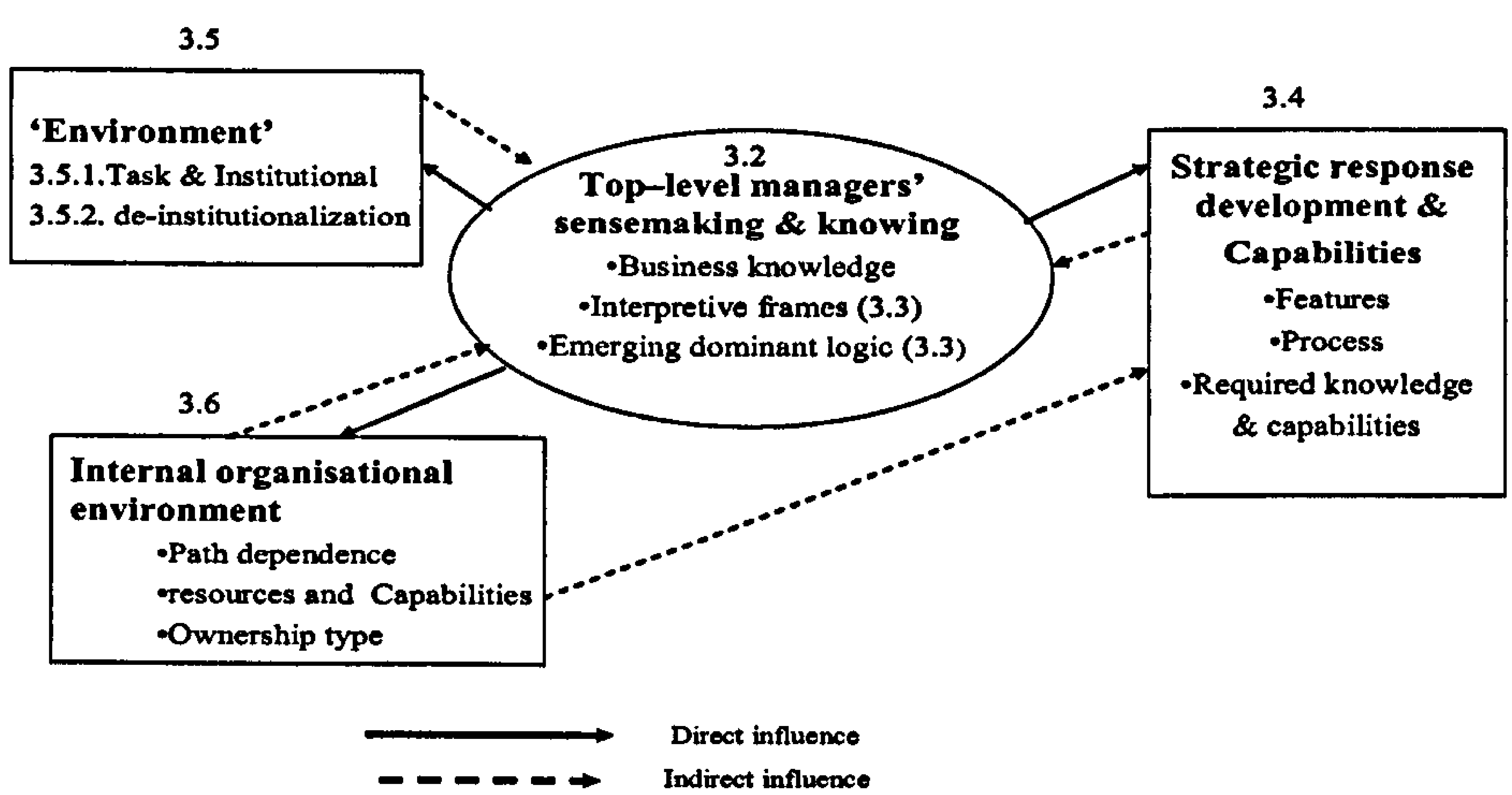
3.1. Introduction

In this chapter I present the conceptual framework of my thesis. The central themes of the conceptual framework are sensemaking and the process of knowing of top-level managers. These concepts are used to explore the processes by which top-level managers in a transition economy- Ethiopia - know how to make sense of, and act upon, their environments and the development of strategic responses. What these managers 'need to know' in order to make their organisations successful form part of my enquiry.

The conceptual framework presents four important issues to be investigated and explored in this study. First, it sets out to explore how managers know how to make sense of and use their knowing in practices. Second, it seeks to examine how managers' knowledge influences and puts limits to the ways these managers notice, interpret and respond to fluid, complex and changing environments. Third, it provides a framework to understand in what context the top-level managers' knowledge is constructed and shaped. In doing so, it seeks to relate the managerial and organisational practices to the institutional setting within which these practices are situated. Fourth, it sets out to investigate how managers' sensemaking and knowing impact on the ways managers engage in strategy making processes and the development of the required organisational capabilities. Thus, the conceptual framework deals with the processes by which senior managers make sense, and act upon, the 'differences that make difference'. In other words, it links managerial sensemaking and knowing to active interpretation, decisions and actions in order to respond to the cues from the environment and to make their organisations' successful.

The chapter is organised as follows. The next section presents about managers' business knowledge as a point of departure of this study. This is followed by managers' knowing, interpretive frame and practices in section three. Section four presents strategic response development and the required organisational capabilities. Sections five and six illustrate the reciprocal ways in which managers' sensemaking and knowing interact with the external and internal organisational environments. In summary, the conceptual framework suggests different managers make sense of the shared experiences in different ways and hence hold different types of knowledge about the same 'reality' they face. The chapter structure follows the conceptual framework presented in Figure 3.1 below.

Figure 3.1. The Conceptual Framework



3.2. Managers' 'Business Knowledge'

In this thesis strategic level knowledge is conceptualized as the sets of assumptions, beliefs and working models that underpin thinking and decision-making on key organisational issues. It is a strategic level knowledge that 'provides a framework for evaluating and incorporating new experiences and information' (Davenport and Prusak, 1998: 5). It thus involves and enables judgment. It is 'the individual ability to draw distinctions within a collective domain of action, based on an appreciation of context or theory, or both' (Tsoukas 2005:123).

As stated earlier, except in some cognitive approaches to strategy and works on mindset and 'industry recipes', scant attention is given to strategic level knowledge (Salaman and Storey, 2006b). For instance, in the knowledge management (KM) literature, the focus has been on operational level knowledge and knowledge assets, and how these can be 'managed', 'leveraged' and used for organisational success. In this approach, IT and system-based perspectives dominate; social dimension is somewhat relegated. Here, I attempt to fill this gap by focusing on the strategic level knowledge of managers that underpins decision-making on key organisational issues.

In order to account for, how top-level managers' strategic level knowledge (including implicit beliefs systems and dominant logic) inform and underpin their thinking and decision-making, exploring various forms of knowledge is of a significant interest. Here, the distinctions between various forms/characteristics of knowledge such as explicit versus tacit, differentiated versus consensual and situated versus universal will be presented. However, this is not to give emphasis to the dichotomous, polarized, nature of strategic level knowledge held by top-level managers. Instead, it is to illuminate the dual nature of managers' knowledge in these taxonomic dimensions depending on the context of its generation and use in organizations. However, I contend that, as long as these managerial knowledge, assumptions and beliefs offer a valuable map, then they are useful, even though not infallible, to informing organisational and managerial actions.

The distinction made between tacit and explicit knowledge by Polanyi (1958, 1966) is used in this thesis to help understand the forms of knowledge in organisations and the knowing of managers. Rooted in action, experience, and involvement in a specific context, the tacit knowledge is comprised of both cognitive and technical elements (Nonaka, 1994). Tacit refers to hunches, intuitions and insights; it is personal, undocumented, context sensitive, dynamically created and derived, internalised and experience-based (Duffy, 2000). The cognitive element refers to an individual's mental models consisting of mental maps, beliefs, paradigms, and viewpoints (Alavi and Leidner, 2001). The technical component consists of concrete know-how, crafts, and skills that apply to a specific situation. The explicit knowledge is articulated, codified, and communicated in symbolic form and/or natural language. Explicit knowledge exhibits strategic characteristics only when it is proprietary (Meso and Smith, 2000). By accessing, sharing, and using both explicit and tacit knowledge, organizations can influence behaviour and achieve improved performance both individually and organizationally.

In contrast, a *pragmatic* approach to classifying knowledge simply attempts to identify types of knowledge that are useful to organizations. This organisationally useful knowledge may include knowledge about customers, products, processes, and competitors, which can include best practices, know-how and heuristic rules, patterns, business processes, and models; architectures, technology, and business frameworks etc.

Similarities or differences in senior managers' "assumptions and beliefs about strategy are highly significant to the dynamics of the top team, the nature and quality of decision-making and... to the performance of the organisation" (Salaman and Storey, 2006b:11). In this thesis the concept of 'strategy' refers to active processes of devising ways to make business organisations successful. In contrast to the KM based assumptions that depict knowledge as neutral and consensual, here it is argued that knowledge could be differentiated, conflictive and reflects power relations and interest. In other words, managers could hold a differentiated, politicised, knowledge about key organisational issues reflecting power relations, vested interests, personal backgrounds and institutional influences. Hence, exploring the nature of managers' knowing (differentiated versus consensual, formal versus un-specifiable know-how, etc) regarding core organizational issues such as its purpose, strategy, structure, market-related issues is of a high interest. This argument is informed by the work of Greenwood and Hinings (1996:1033) who suggest that 'Much of the work on differentiation and conflict in organisations (Lawrence and Lorsch, 1967) shows how technical boundaries between departments and sections are reinforced and buttressed by cognitive boundaries'. Naturally, it could be assumed that multiple coalitions with different interest and capacity for influence compete for power in the organisations (Palmer, et al., 1993:103). Given this, it would be interesting to study how my sample managers interpret and act upon on what they make sense of in their organisational context: what do they notice and bracket as strategic issues and how do they devise plausible responses to environmental cues?

By re-framing knowledge as an active and applied process (Contu and Willmott 2000; Law 2000), I explore how managers use their knowing in practice (Atherton, 2005). Thus, examining the ways in which managers 'establish patterns, identify key issues and features and create connections between identified elements of the known objects' will form a point of enquiry (Salaman and Storey, 2005:9). The key aspect of this approach lies in recognizing the importance of investigating the complex, reciprocal and subtle ways in which managers use ideas and knowledge to make sense of changes in their organisational environment. A primary factor in considering knowledge-as-knowing within an organisational context is its relationship with, and contextualization in, decision and action. Practice connotes *doing* (Wenger, 1998) and involves awareness and application of both explicit (language, tools, concepts, procedures) and tacit (rules of thumb, embodied capabilities and shared worldviews) elements. The social, historical and structural context in which the actions take place is acknowledged (Wenger, 1998). Here, the situated knowledge, that is, the knowledge embedded in the work practice of a particular organisation becomes of interest of study. For example, in a tannery organisation, situated knowledge might be about a local supplier's reliability, about the performance of particular process technology or about who knows what. So this type of knowledge could underpin and inform how managers make sense of and interpret their organisations' internal and external environment and can become a variety of practical knowledge.

In what follows, I discuss how managers' knowing may be shaped by the underlying implicit assumptions, belief systems and theories drawn from past experience, demographic characteristics and nature of industry and business.

3.3. Managers' Knowing, Interpretive Frames and Practices

Extant research indicates that mental models of key decision makers shape their environmental sensing capabilities (Daft and Weick, 1984; Fahey and Naranayan, 1989), influence their selective perception of key issues in environment (Starbuck and Milliken, 1988), and affect their diagnosis of such strategic issues as environmental opportunities and threats (Dutton and Jackson, 1987). Mental models also determine how an organization's 'dominant logic' (Prahalad and Bettis, 1986) may shape its growth, diversification, and business portfolio strategy. Barr et al. (1992) also track from a cognitive perspective how organizations' views of strategy-environment linkages change over time. And a range of researchers (Porac et al, 1989; Porac and Thomas, 1990; Reger and Huff, 1993; Hodgkinson and Johnson, 1994) examine how individual mental models enable the costs and benefits of various competitive strategies to be assessed. Weick (1979) and Porac et al. (1989) go even further and argue that, since competitive environments are enacted, the mental models of organizational decision makers actively shape the nature and character of their competitive environments.

Schneider (1997) makes a categorical distinction between the process and content of interpretations in studying how organisations make sense of their environment. The process of interpretation involves how organizations gather and interpret information (organizational frames of reference). The content perspective includes the knowledge structure and the organizational worldview or basic assumptions (Shrivastava and Schneider, 1984).

Managers' frames of reference refer specifically to the preferred processes by which strategic issues are noticed (scanning), the nature and sources of information sought, the models used to interpret that information, the reality tests used to confirm the presence or importance of this issue, and the criteria used for establishing its priority vis-à-vis other strategic issues. There is a scanning function which seeks information in ways that are narrowly focused or broad, in-depth (search), or superficial (surveillance). There is a preference for the sources and types of information that is objective and impersonal, e.g. coming from experts or industry reports, or for information that comes from sources that are more subjective and personal, such as colleagues, and relationship networks.

Information preferences can be for 'hard data', quantifiable numbers and graphs or more descriptive, qualitative data that comes from the field visits, discussions, or descriptions of best practice.

However, there is an apparent limitation to the managers' mental models. Mental models offer a 'valuable map' for organisational decisions and actions, they are influenced by processing of current information and a myriad of factors associated with the demographic and job characteristics of the individual. Furthermore, this work seeks to relate patterns of interrelated activities among managers by offering the argument that managers' knowing underpins their capacity to perform in a particular context as discussed below.

Following Ryle (1949) who claims that knowledge is essentially a "knowing how," a capacity to perform or act in particular circumstances; this work investigates the primary role of managerial actions in the process of knowing. Using an example of a boy playing chess, Ryle suggests that the boy can be said to "know how" to play chess if his action displays the rules of chess, even if he cannot recite them. Similarly, Polanyi (1967) points to the tacit knowing that is evident in our ability to recognize faces in a crowd or to ride bicycles even as we cannot articulate precisely how it is that we do these. Thus, we recognize the "knowing how" (the capacity to play chess or ride a bicycle) by observing the practice (chess-playing or bicycle-riding). However, the practice has no meaning apart from the "knowing how" that constitutes it, that is, knowing and practices are mutually constituted (Orlikowski, 2002; Giddens, 1984).

Knowing how to ride a bicycle (Cook and Brown, 1999), recognize faces (Polanyi, 1967), play basketball (Orlikowski, 2002), or launch and recover planes on an aircraft carrier (Weick and Roberts 1993) are capabilities generated through action. They emerge from the situated and ongoing interrelationships of context (time and place), activity stream, agency (intentions, actions), and structure. Because these capabilities are continually generated in recurrent action, continuity is achieved and preserved as people interpret and experience their doing as "the same" over time and across contexts (Lave 1988: 187).

People's ongoing engagement in social practices, and thus their reproduction of the knowing generated in those practices, is how they reconstitute knowledgeability over time and across contexts. Continuity of competence, of skillful practice, is thus achieved not given. It is a recurrently but nevertheless situated and enacted accomplishment which cannot simply be presumed. The status of competence is more provisional—because it is always to be achieved—than we tend to assume when we treat it as given. This is made clear in the accounts of deadly or expensive accidents described by Weick (1993, 1996) and Weick and Roberts (1993), where apparently competent practitioners (fire-fighters, pilots, and aircraft carrier crew) were unable to reproduce skilled performances in certain circumstances.

As people continually reconstitute their knowing over time and across contexts, they also modify their knowing as they change their practices. People improvise new practices as they invent, slip into, or learn new ways of interpreting and experiencing the world. For example, Schon (1983) shows that situated practice often involves reflection and experimentation, and how through such in the moment reconstruction of thought and action, knowing may be altered. Similarly, Barrett (1998) and Weick (1993) argue that improvisation in practice is a powerful means of increasing organizational innovation, learning, and change. Thus, when people change their practices, their knowing changes. From such a perspective, people learn to know differently as they use whatever means, motivation, and opportunity they have at hand to reflect on, experiment with, and improvise their practices.

The presentation thus far has important implications for this study. While examinations of knowing have examined a variety of settings, most have focused on the work practices of individuals (Suchman 1987; Lave 1988) or that of focal groups proximate in time and space (Weick and Roberts 1993, Hutchins 1995, Cook and Yanow 1996). Little is known about the process of knowing in organisations operating in a context of a transition economy. In such contexts, knowing in practice is constituted by the ongoing activities of different managers coming from the diverse organisational positions and changing institutional settings. Thus, studying the ways in which these managers achieve their knowing in practices and come to hold variety of knowledge is of great interest. Hence investigating the inherent complexity, uncertainty and ambiguity of such settings in which managers achieve their knowing in practice would form a part of enquiry.

3.4. Strategic Response Development

Work linking cognition to strategy suggests that organizational action is based upon beliefs decision makers hold regarding how the company can best succeed in its current competitive environment (Daft and Weick, 1984). These beliefs consist of interpretations of both the competitive environment itself, and the organizational actions required to compete in that environment (Anderson and Paine, 1975). This belief system is developed over time based on past activities and results, and as long as it reflects a reasonable (if not entirely correct) representation of the environment, it provides a useful "map" for directing effective organizational action (Weick, 1995). However, the environments in which most organizations operate tend to be fluid and complex (March and Simon, 1958, Allison 1971), and are changing at an increasing rate (Kanter 1989). As a result, environmental stimuli are often ill-structured, and managers are often confronted with unfamiliar events or choices. Effective response, or adaptation, requires that decision makers update their beliefs, including identifying and interpreting unfamiliar environmental events and action alternatives, and reinterpreting familiar issues and concepts to more closely align their belief systems with the demands of their external and internal environments. Failure to change belief systems to accommodate changes in the competitive environment may delay necessary adaptations in strategy, leading to decreased performance or even failure (Barr et al. 1992).

On the other hand, Schneider (1997) contends that beliefs regarding what it takes to be successful (e.g. cost control, or developing new products and markets), and scripts (routines) for making that happen represent strategic profiles of "defenders" versus " prospectors" (Miles and Snow, 1978). The worldview consists of how an organization sees itself (identity), how it sees the world (e.g. as hostile or nurturing), and how it sees its members (significant others). These assumptions may help to explain strategic actions (Schneider, 1997:95), which would otherwise seem difficult to understand. For example, an organization's sense of self that is invincible, of an environment that is munificent, and members as active and capable may ignore signals of new technologies or new competitors and fail to respond appropriately. If the environment is seen as hostile and threatening, the organization as impotent, and its members as passive or inadequate, then the organisations may seek some sort of protection.

Interpreting such issues as 'threats' or 'opportunity' depend, in part, upon the world view regarding the environment as analysable, the organization as able to control, and the members as capable. Threat interpretations are likely when the issue is perceived as having potentially negative impact, as urgent, and when the organization is perceived as having low control or capability to respond (Dutton & Jackson, 1987). This results in an internal vs. external focus to reassert control in a domain where it is considered feasible (Milliken and Dukerich, 1989). "This may encourage a 'defender versus prospector' strategic profile, which may be considered as knowledge structures that contain beliefs about what makes for success and for recipes, or scripts for how to get success" by cutting costs or developing new products or markets (Schneider, 1997:98).

Results of empirical investigations on interpretations of strategic issues (elements of the environmental stimuli) suggest that opportunity interpretation results in offensive-type responses, while threats trigger defensive-type responses, or, in the extreme cases, no response (Staw et al, 1981). Thus, the literature shows that "specific events can be isolated, and that the nature of strategic response can be linked to interpretations of those events" (Barr, 1998:646).

The ways managers make sense of the environmental issues may trigger different decision processes and actions. For examples, Schneider and De Meyer (1991) suggest that under 'threat', organizations tighten control, restrict the flow of information, and reduce participation in decision-making (Staw, et al. 1981) focus more efforts on internal adaptations rather than external change, and take actions of large magnitude, i.e., more costly and difficult to effect (Dutton and Jackson, 1987). Taking actions of large magnitude is consistent with the findings that individuals tend to engage in more risk taking behaviour when faced with the situations described as 'potential loss' (Tversky and Kahneman, 1974). Defining core competences, establishing 'niche', developing organisational capabilities, and emphasizing efficiency are examples of internally oriented actions that characterise 'defenders'. Seeking new products and new markets, diversifying, and emphasizing innovation are examples of externally oriented actions, which characterise 'prospectors'. Internally oriented action represents efforts to assert control where possible, as internal events are considered more understandable and controllable (Milliken and Dukerich, 1989).

In summary, managers' interpretations of an organization's operating environment frame and direct the change in organizational actions that take place (Bartunek, 1984, Gioia and Chittipeddi, 1991), and a significant change in organizational action does not occur until that new understanding is developed (Bartunek, 1984). However, the nature and quality of assumptions and knowledge which underpin and inform strategic thinking are also significant to the quality of organisational response and capability development (Salaman and Storey, 2006b). Top-level managers' knowledge, and understanding of, and response to, identified external or internal pressures are a consequence of what managers know and how they think. In the process, managers are said to be guided by the dominant logic that is embedded in the shared mindsets, belief structures, and frames of reference that have been developed based on the past experience. Managers also use their emerging dominant logic to conceptualize the business and make critical decisions (Prahalad and Bettis, 1986). Thus, strategy development could be taken as fundamentally a process of managerial learning that is affected by an organization's path (history), the organizational context, and managers' interpretive or sense making processes (see, Lant et al., 1992). Here, this study contends that managers don't just respond to the 'environment', they also *make* or enact 'it' (Smircich and Stubbart, 1985:727; Weick, 1995), and then re-confront their social construct as an external, constraining objective entity.

3.5. External Environment: Sectors, Events and Attributes

3.5.1 Task and Institutional Environment

As crucial aspects (layers) of environment, the framework sets out to discuss task and general environment, the deinstitutionalization process and internal organisational environment.

As noted in the previous chapter, based on Duncan's (1972) work, Elenkov (1997) conceptualised the environment as consisting of several factors that exist in two layers: the 'closest to organization' and the 'outer' layers. The closest to the organization layer is the task environment, which directly impacts business strategy and with which the organisation has direct contacts. These elements are commonly defined to include competitors, suppliers, customers and regulatory bodies. The outer layer is the general environment that affects organisations indirectly. The general environment often includes economic, political, social and technological sectors. It is assumed that the environment at both layers is a major source of uncertainty for managers. The refocus made here is on exploring how the top-level managers make sense of and enact with important aspects of the environments and the de-institutionalization process typical to a transition economy.

Duncan (1972) infers two dimensions of the environment that would determine its perceived uncertainty: the simple-complex dimension (the number of environmental factors considered in decision-making) and the static-dynamic (the degree to which these factors change over time). Duncan found that decision makers in environments that are dynamic and complex experienced the greatest amount of perceived environmental uncertainty. Perceived environmental uncertainty itself is conceptualised as "(1) lack of information on environmental factors associated with decisions situation; (2) lack of knowledge about the outcome of a specific decisions; and (3) inability to assign probabilities with confidence on how environmental factors affect success or failure" (Choo, 2006:111; see also Milliken, 1987). Thus, from the perspective of sensemaking, managers should engage in sensemaking activities to reduce equivocality and uncertainty.

There is a general agreement in the findings of scanning studies that managers who experience higher levels of perceived environmental uncertainty tend to do a larger amount of information seeking or environmental scanning (Nishi, et al., 1982; Auster and Choo, 1993). In terms of information needs, research suggests that the external business environment may be divided into environmental sectors, such as the customer, competition, technological, economic, and socio-cultural sectors (Auster and Choo, 1993). Again there is agreement in the research findings that information seeking tends to be focused on the market-related sectors, with information on customers, suppliers, and competitors appearing to be the most important (Ghoshal, 1988, Lester and Waters, 1989). But does this also hold true on sensemaking of environment by the senior managers in Ethiopia? The results on how senior managers make sense of and act up on their environment are presented in Chapter 7.

Environmental analyzability: organizations differ in their modes of scanning, interpretation, depending on their belief about the analyzability of the external environment and the extent to which the organization intrudes into the environment to understand it (Weick and Daft, 1983). Managers of an organization who believe the environment to be analyzable, in which events and processes are determinable and measurable, would seek to discover the 'correct' interpretations through systematic information gathering and analysis. Conversely, an organization that perceives the environment to be unanalyzable would create or enact with what it believes to be a reasonable interpretation that can explain past behaviour and suggest future action. An organization that actively intrudes into the environment would allocate resources for information search and for testing or manipulating the environment. A passive organization on the other hand takes whatever environmental information comes its way and tries to interpret the environment with the given information.

A study by Sutcliffe and Weber (2003) found that the way senior executives interpret their business environment is more important for organizational performance than how accurately they know their environment. Their study results suggest that, of all the factors examined, the executives' "general interpretive orientation" emerged as the strongest and most consistent predictors of changes and subsequent performance. In other words, an *interpretive orientation* can be a source of competitive advantage. Specifically, the less the top executives in the study felt they were in control of their environment, the more likely their companies were to change, and the better they performed. At the same time, positive expectations such as 'most situations are positive to the firm' and 'there is a lot to be gained from most situations', were strongly associated with both increased performance and change. Combining these two traits suggests that an interpretive orientation based on humble optimism is related to positive change and performance. In contrast, perception accuracy based on three measures of the environment – volatility or frequency of important changes, growth trends, and complexity – showed a negative relationship with the profit performance.

The relationship between managerial interpretations of environmental characteristics and the types of strategic changes undertaken by the firm becomes an interesting issue. Cook (1975) related mode of change (reactive, meditative, intensive, or active) to managerial interpretations of the level of hostility in the environment. He found that managers who interpret the environment as hostile undertake meditative or reactive strategies (depending on the firm's orientation to change), while those that interpret the environment as benign undertake intensive or proactive strategies. Subsequent studies have supported Cook's link between interpretation and action choices. Khandwalla (1976) found several links between managers' interpretations of the magnitude of change occurring in the environment and the strategic actions taken in 79 midsized manufacturing firms. The basic proposition that environmental interpretations are correlated with the types of organisational action taken has been well supported.

In the foregoing review, I presented how an organisational theory, cognitive and enactment approaches make connection between the top managers' perception, interpretation and, ensuing managerial actions and responses to the environmental stimuli. In what follows I provide an alternative view from the institutional theory perspectives as this complements the views based more on task environment perspectives.

Institutional Environment

In chapter two (2.6.2), I discussed how the institutional frameworks interact with individuals and organizations, influence individuals' decision-making and the co-evolution of institutions and organisations. Institutions provide the rules of the game in which organizations evolve, act and compete. I noted also how strategic choices that managers make is inherently affected by the formal and informal constraints of the institutional framework (North, 1990; Oliver, 1991). Tremendous amounts of diversity between the institutional frameworks and organizational forms were noted by previous studies in the West and in formerly planned economies (Lammers & Hickson, 1979).

As a consequence of the politically administered resource allocation mechanisms that typified the central planning era, transition economies inherited institutional environments characterized by heavy regulation. In such environments, accumulation of political power is likely to be a key managerial goal, as this assures access to resources (Holt, et al. 1994). Conversely, in established market economies, the institutions of free market and price signalling are more likely to focus managerial attention on performance. The empirical results of Hitt et al's (2004) study also suggest that managers' strategic decision-making in transition economies are influenced by the institutional environments in these economies. Literatures on transition and developing countries suggest that in the politically dominated environment, "the decisions of the top business executives usually require the approval of the crucially important political and economic power networks" (Elenkov, 1997:294). Hence, managerial scanning activities in those countries essentially amount to making assessment of future political expectations regarding managerial roles.

Institutional theory offers unique insights into the causal impact of state, societal, and cultural pressures, as opposed to the market forces and resource scarcity, on organisational behaviour, and to the effects of history, rules, and consensual understandings on the organisational conformity to environmental constraints. This perspective also explains how passive acquiescence, as opposed to strategic adaptation, to the external environment can contribute to the social validity and survival of an organisation, and how myths, meaning, and values, rather than efficiency, autonomy, and exchange, may drive and determine organisational behaviour in the context of external pressures.

Oliver's (1991) discussion of strategic response reflects her dissatisfaction with mainstream institutional theories of organisation which conceive the environment as a constraining normative force. Her view that 'organisations' engage in strategic behaviour with varying degrees of 'active agency' (Oliver, 1991:151) complements Miles and Snow's (1978) typology of five strategic responses to the task environment. Oliver (1991) suggests that institutional theorists are capable of addressing a broad range of strategic responses to the environment if they assume a potential variation in the resistance, awareness, proactiveness, influences, and self interests of organisations. She suggests that organisational responses will vary from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential, and from habitual to opportunistic, depending on the institutional pressures toward conformity that are exerted on organisations. Explicit recognition of the potential variation in these dimensions of organisational behaviour lays the conceptual ground work for identifying alternative strategies in response to the institutional environment (Oliver, 1991:151).

Oliver (1991) identified five typologies of strategic responses to institutional processes which vary in active agency by the organizational from passively to increasing active resistance: acquiescence, compromise, avoidance, defiance, and manipulation. While this is a useful terminology for capturing the diversity of organisational responses to the environment, 'active agency' is paradoxically operationalised not as a human agency but as an objective variable, determined by or determining institutional and techno-economic variables. Thus, Oliver (1991) treats organisation as a monolithic entity and ignores management as both an internal political process and a complex of values and meanings.

3.5.2. Deinstitutionalization

Although institutional environments are resistant to change, a key goal for most transition economies has been to replace dysfunctional institutions with new ones that are appropriate for a market economy. The dismantling of long-standing societal, political, and economic institutions creates considerable uncertainties. The transition is associated with 'deinstitutionalization' – that is, 'the erosion or discontinuity of an institutionalized organisational practice' (Peng, 2003:277). Previously established institutional practices lose their legitimacy (Oliver, 1992:564). Furthermore, in virtually all transition economies, the changeover from plan to market has been accompanied by external economic shocks and subsequent sharp drops in GDP growth (World Development Report, 1996). In such an environment one might hypothesize that managerial values, practices and systems would reflect short-term concerns.

State-owned organisations are likely to enjoy better state support from the institutional environment as they can leverage their relationships with influential actors in the environment (Roth and Kostova, 2003). Peng and Luo (2000:489) note "while state firms may have lost a lot of privileges during the upheaval, they still have preferential access to government officials". In contrast, formerly state-owned and emergent firms will use more informal substitutes because they have less ability to use state-based networks and, as argued by Peng (2000:285), "... they have to rapidly build ties to establish legitimacy, thus necessitating an intense networking strategy". Therefore, moving from one form of management to a newly institutionalised one and the learning and knowing processes, which are part of it, are not neutral and contested.

Within transition economies, the fundamental need is a change in governance systems to a market-based model. However, adopting new market-based practices may not be possible if little or no knowledge of these practices exists. And even if some level of knowledge exists creating a catalyst by which change is accepted throughout the organization may be quite difficult. Therefore, to effect deinstitutionalization within this context, firms will use as change agents outside entities which carry and convey the new market-based practices. Deinstitutionalization efforts will include inviting equity ownership by foreign enterprises, engaging in outside alliances, and participating in foreign markets through activities such as exporting. As previously argued, such activities will facilitate the process of change by allowing firms to experience directly the governance arrangements associated with the capitalistic model (e.g., Filatotchev et al., 2001; McMillan &Woodruff, 2002; Peng, 2003). As asserted by Oliver, firms that ''diversify their operations into other sectors or markets, particularly in different countries, are likely to be exposed to alternative organizational customs....'' (1992:577). Similarly, Newman notes the need to import organizing templates from other cultures, suggesting that ''...for firms trying to change without a foreign partner, the use of foreign templates is not as effective, because the template might not be relevant to the culture" (2000: 609). The behavioural responses reflected in informal substitutes and deinstitutionalization will also be accompanied by managers' perceptions about the changing governance system.

3.6. Internal Organizational Environment

The capacity of organizations to absorb knowledge and to process information depends on individual managerial learning and the organization's characteristics, notably its structure and combinative capabilities (Den Bosch et al., 1999). For example, firms with effective horizontal coordination mechanisms embedded in their structure are more likely to learn and diffuse knowledge. Research on Hungarian firms has shown that they improved their capacity to learn if organizational flexibility was promoted (Lyles and Salk, 1996). The existing distribution of knowledge within the firm may be viewed as both a gateway and a barrier to the acquisition of new knowledge (Cohen and Levinthal, 1990).

Managers' prior knowledge and experience shape selective perceptions of environmental cues and adopting of simplified models of reality (March and Simon, 1958; Finkelstein and Hambrick, 1996). In other words, what managers know influences what they can know. Managers' past experience, prior knowledge, and existing schemata create new frameworks that they use to reduce ambiguity and create meaning (Ramaprasad and Mitroff, 1984). Finkelstein and Hambrick (1990) concluded that prolonged firm experience induces an inward or restricted mindset, which ultimately limits the potential for more novel strategic endeavours while encouraging greater adherence to an industry's central tendencies (Geletkanycz and Hambrick, 1997:659). Moreover, past decision premises that are encoded in the firm culture, transformations, structure also influence current strategic decision-making in the organisations.

At any point in time, an organization's capabilities, decisions, actions and prospects, are rooted substantially in the preceding events, choices, and experiences that comprise its history and are shaped by its culture (Pettigrew, 1985, 1987). Such roots to the past frequently could be enablers or become sources of rigidities for the organisation to responding effectively to inevitable environmental change (Zucker, 1987). Managers may become committed to established historic routines (Lant, et al. 1992). Various behavioural factors may impair strategic problem-sensing or effective strategy development and implementation', that is, past success and ideological rigidities can foster dysfunctional inertia and mindsets.'(Valentine, 2002:41).

The aim of this thesis is to investigate the processes by which top-level managers in Ethiopia know how to make sense of and enact their organisations' environments. It is about how senior managers use their knowing in management practices in terms of developing plausible strategies and the required organisational capabilities. In doing so, it seeks to enhance our understanding of how managers facing similar environmental stimuli engage in sensemaking to reduce equivocality and uncertainty and to make their businesses successful. Moreover, it attempts to illuminate the implications for strategic management and business concepts and frameworks in general.

3.7. Chapter Summary

The conceptual framework shows four key issues to be investigated in this study. These issues include: first, the nature and forms of managers' knowledge and sensemaking during a time of transition. Second, how managers use their sensemaking and knowing to enact their organisations' environments. Third, how managers' 'need to know' is linked to the development of plausible strategic responses and how they seek to develop the required organisational capabilities. Fourth, the contexts in which managers' knowing and sensemaking are shaped. Overall, the conceptual framework suggests that managers' sensemaking and knowing are constituted in their decisions and actions and in the ways they interpret the environment cues in complex reciprocal ways. The study results on these issues are reported in chapter 7.

The next chapter presents a research paradigm and methodology that informed this study.

CHAPTER FOUR: RESEARCH PARADIGIMS AND METHODOLOGY

4.1 Introduction

In this chapter I describe the research paradigm and methodology used in this study. Primarily I make a distinction between positivist and interpretivist philosophical backgrounds that dictate the choice of research methodologies. For this study, the pluralist research strategy is used to investigate the processes by which my sample managers know how make sense of and enact their environments and engage in developments of both strategy and the required organisational capabilities.

This chapter is composed of eight sections. The next section presents the various research paradigms in use in social sciences and management research. This is followed in section three and four by description of the characteristics of qualitative research and some of the well-known qualitative research methods, respectively. Issues of soundness and rigour in qualitative research are discussed in section five. Section six provides justifications about the research method used in this study. This is followed in section seven by acknowledging my role as a researcher. Section eight summarises the chapter.

4.2 Philosophical Traditions: Positivism versus Interpretivism and Pluralist Strategy

It is evident that a plethora of research approaches are in use in social sciences and management. However, these approaches differ in paradigms or world views held by researcher(s) about the social world (Leininger, 1994; Hughes, 1990). Two philosophical roots, termed as positivist versus interpretivist are the key paradigms that embrace different research approaches in social sciences. This positivist-interpretivist distinction is founded upon some fundamental differences on a set of implicit and explicit assumptions about four associated issues. These are: the nature of social phenomena (ontological), the nature of knowledge about those phenomena (epistemological), the nature of methods to study the phenomena (methodological) and the nature of human action (Burrell and Morgan, 1979).

The two main ontological viewpoints are realism and idealism; each with its own epistemological implications. Realism (or objectivism) views reality as objective and independent of the perceptions, beliefs and values of the researchers and as such asserts that the only way these could be understood is by detached observations rather than by participation or experience. The associated epistemology is positivism. The underlying belief of positivism is the fact and values are logically distinct and that value-free knowledge is possible, hence observations are treated to be objective facts only if they are free and independent from the beliefs and values of the researcher.

On the other hand, the idealist believes that reality is a product generated by the thoughts, emotions, experiences, and beliefs of the individual. The associated epistemology is interpretive which considers knowledge as a social and historical product and that 'facts' comes to us with 'value-laden theories'. It is therefore, not possible to have value-free knowledge.

In their review of literature, Morey and Luthans (1984) observed that organisational researchers have described researches based on these two paradigms in the following ways: objective versus subjective (Burrell and Morgan, 1979), nomothetic versus ideographic (Luthans and Davies, 1982), quantitative versus qualitative (Van Mannen, 1979), outsider versus insider (Evered and Louis, 1981), etic versus emic (Morey and Luthans, 1984). The two distinct approaches has also been referred to as the scientific versus naturalistic (Abdel Khalij and Ajinkya, 1979), and natural science versus humanistic (Mukherjee, 1993) approaches in the literature. All these approaches are based on the two opposing philosophical bases.

4.2.1 Positivistic Paradigm

The essence of positivistic methodologies is the structuring of social reality in formal objective propositions, and subjecting it to quantification and empirical measurement that are recognised to be scientific (Daft, 1993). The customary belief is that there is predictable order in the social world and that the elements within it affect each other in a systematic and predictable manner. The conceptual approach to research is therefore characterised by precise definitions, objective data collections (i.e. maintain independence of facts from the value of the researcher), accurate measurements, systematic procedures, and replicable findings. The approach to theory building is basically deductive, specifying *a prior* hypothesis and testing them (either through verification or falsification) against hypothesis driven data via statistical analysis (Ibid, p: 149).

Hence, the theoretical structure of the research (be it in a mathematical form or conceptually a prior reasoning) is mostly concerned with identifying the dependent and independent variable and examining the functional relationships between these constituent elements by linking specific variables as likely causes of some of designated effects.

Basically, the structured approach involves the manipulation of theoretical propositions using the rules of formal logic and hypothetico-deductive reasoning and research outcomes are acceptable only if they meet the criteria of reliability, internal validity, logical consistency and have explanatory powers (Lee, 1991).

4.2.2 Interpretive Paradigm

Interpretive research downgrades the objectivity interjected in the structured research format of the positivist approach and is based on the view that people, and the physical and social artefacts that they create, are fundamentally different from the physical reality examined by natural sciences. Here, people socially and symbolically construct their own meaning about the world around them and to the behaviours that they manifest in that world.

Social 'realities' are therefore not concrete entities but are the projection of human imagination (Morgan and Smircich, 1980). In other words, the same human action, social institution, or physical artefact can have different meanings for different human subjects as well as for the researcher. The essence of interpretive research is therefore concerned with seeking, understanding and accepting the subjectively and inter subjectively created meanings as an integral part of the subject matter being studied. The focus is to obtain qualitative data that are able to describe not only the purely subjective, publicly observable aspects of human behaviour, but also the subjective meanings that these behaviours have for the human subjects themselves. As such it is necessary that the researcher gets involved with the phenomena being studied so as to be able to interpret this empirical reality in terms of what it means to the observed people (Lee, 1991). Consequently, the research outcomes are intrinsically subjective and usually do not need the support of statistical tests.

The basic stance of theory building in interpretive research is seeking inductive insights and explanations. The process is typically iterative and non-linear; in that tentative speculations are made on the basis of data generated and are then confirmed or disconfirmed by further consultation with the data on the ground.

4.2.3. Pluralist Strategy

Morgan (1993) argues it is wrong to condemn any research perspective as both the positivist and interpretivist research perspectives have their own strengths and weaknesses. Without a doubt, if either of these research approaches could be proven to be universally applicable, the debate would have been resolved long ago.

As the foregoing literature review showed there has been a tendency to view these research approaches as mutually-exclusive opposites, characterised by "disinterested hostility" between the camps (Burrell & Morgan, 1979:36). However, there are now several researchers who ague that these positions should not be viewed as mutually exclusive (e.g. Firestone, 1990; Gable, 1994; Jick, 1983; Morey & Luthans, 1984; Patton, 1990). For example, qualitative techniques can complement quantitative ones in that they can help to interpret and illuminate empirically-determined statistical relationships. This latter was a feature of a successful and widely-cited research study of Kaplan & Duchon, (1988). Similarly, a successful multi-paradigm research study was conducted by Hassard (1991).

Patton argues for a 'paradigm of choices' as the basis for method selection. He goes on to suggest that:

> "The issue of selecting methods is no longer one of the dominant paradigms versus the alternative paradigm, of the experimental design with quantitative measurement versus holistic – inductive design based on qualitative measurement. The debate and competition between paradigms is (to be) replaced by a new paradigm – a paradigm of choices which recognises that different methods are appropriate for different situations" (Patton, 1980:19-20).

Such a 'paradigm', in the viewpoint of Yin (1984) represents a 'pluralistic' strategy in selecting the appropriate method of study in a particular situation.

Hence the position taken in this study is to match the purpose and context of this study with the different epistemic roots of the two paradigms to determine the most appropriate approach. Hence, pluralist research methodology was found to be more appropriate to investigate the processes by which managers know how to make sense of and the nature and forms of top-level managers' knowledge which is assumed to be influenced and shaped by the interwoven complex interactions between managers' active engagement and constraining and/or enabling contextual factors. This would allow for different paradigms to be applied in a research situation. It would also allow for a contingent tool-box approach where different methods with complementary strengths could be used as appropriate (Landry and Banville, 1992; McGrath, 1984). As Firestone (p. 123) points out, in the practice of research, 'walls between paradigms break down', as it is not possible to remain in the philosophical heights avoiding methodological specifics. Thus, methodological pluralism has been recommended as an appropriate strategy in practice (Landry and Banville, 1992; Nissen et al, 1991).

4.3 Characteristics of Qualitative Research

The main characteristics of qualitative research described in the literature (e.g., Cassell and Symon, 1994; Hammersley, 1992; Bryman, 1989) include:

A commitment to naturally occurring data

Writers have argued that qualitative research can take place only in naturalistic settings (Lincoln and Guba, 1975) and that the focus of qualitative research is on every day activities that are "defined, enacted, smoothed and made problematic by persons going about their normal routine" (Van Mannen, 1983:25). This in vivo perspective recognises that contextual factors have influence on behaviour.

A focus on interpretation, seeking meaning and explanation

As Van Mannen (1979:520) stated, qualitative research 'seeks to describe, decode, and translate and otherwise to come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena'. The essence of qualitative research is therefore diagnostic in that it explores and seeks explanations so as to understand the phenomena under investigation.

The use of emic rather than etic analysis

A qualitative research is sensitive to participants and their interpretations of situations and experiences and takes into account their viewpoints in understanding social behaviour. Because of this inherent subjectivity, it has greater potential to provide a broad version of theory than quantitative methods that are limited to seeking relationships between variables.

A holistic attempt to synthesize rather than a particularistic attempt to analyse

In qualitative research, individual or organisational behaviours are not perceived as the outcomes of a finite set of discrete variables, rather than as a 'lived experience of the social setting" (Cassell and Symon, 1994:5).

More inductive than deductive

Unlike hypothetico-deductive methods where specific *a prior* theories and categorical framework directs the process of collection, analysis and interpretations of data, the emphasis in qualitative research is more inductive and moves from data to the identification of emerging themes and ideographic descriptions and there on to the development of theories. As interpretations come via the understanding of these emerging themes and descriptions, there is a safeguard against premature adoption of theories and of limiting the scope of enquiries.

Flexibility in the research process

Unlike quantitative research that is highly structured to ensure replicability, there is substantial flexibility in qualitative research and the researcher is permitted to change and reformulate the research process on the basis of emerging insights.

Reflexive and interactive role of the researcher

Van Mannen described qualitative research as a 'matrix of rational, serendipitous, and intuitive process in which the personal experiences of the researcher are often key event to be understood and analysed as data" (Van Mannen, 1983:10). This implies that a qualitative researcher is more than an uninvolved bystander. As the research takes place in natural settings, there are interactions between the researcher and the respondents. The researchers' own attributes and perspectives define the nature of these interactions, and would subsequently have an impact on the behaviour of those around. Hence, the researcher becomes part of the social world that he or she is studying and would have an impact on the social phenomena being studied. This interaction also means that the respondents become involved in the research process. They are no longer just *subjects* of research; instead they become *participants* in the research process.

Qualitative research, as part of pluralistic strategy, was used in this study because of its features as described above. The focus on context, subjective meanings, emic data collection and inductive analysis are more congruent with the philosophical and theoretical perspectives underlying this study. Thus, Patton's 'paradigm of choice' approach informed the selection of methods and theoretical perspectives.

4.4. Some Qualitative Research Methods

In this section, the main qualitative research methodologies and theories underpinning their design are presented. Table 4.1, below was adapted from the Creswell's (1998) work as it provides an overview of different research traditions.

Creswell's overview indicates the fact that, no matter which approach, the interview as a research tool is perhaps the most widely used of qualitative social research techniques. Whilst phenomenology and grounded theory use interview as the only source of data, ethnography is based on observation and in some instances supplemented by interview data. However the case study method differs from others because it uses multiple sources of the data. There is also difference in the end results of these approaches; grounded theory develops theories/ theoretical models and others provide thick description of the phenomena under study.

Criticism of the use of qualitative data collection is widespread, particularly the acknowledgement that all data is filtered directly through the eyes of data collector (Borman et al., 1986; Patton, 1990). One of the criticisms therefore, is that the results can be considered as too intuitive, personal and individualistic due to the researcher's closeness to the data. But, on the other hand, the choice of methodology should be appropriate to the nature of issues to be investigated. Thus, researchers have to make clear their research design and, the processes of data gathering, analyses and interpretations.

Table 4.1. Some Qualitative Research Methods

Dimensions for Comparing Research Traditions in Qualitative Research				
Dimension	Grounded Theory	Case Study	Ethnography	Phenomenology
Focus	Developing theory grounded in data from the field	Developing an in-depth analysis of a single case or cases	Describing and interpreting a culture and social group	Understanding the essence of experiences about phenomenon
Discipline origin	Sociology	Political science, sociology Urban studies	Cultural Anthropology Sociology	Philosophy Sociology Psychology
Data collection	Interviews with 20-30 individuals to 'saturate' categories	Multiple sources, documents, records and observation	Primarily observations and interviews with additional artefacts	Interviews
Data analysis	Open coding Selective coding Conditional matrix	Description Themes Assertions	Description Analysis Interpretation	Statements Meanings Meaning themes general description
Narrative form	Theory or theoretical model	In-depth study of a case or cases	Description of cultural behaviour of a group or individual	Description of the 'essence' of the experiences

Source: Adapted from Creswell, 1998:65

This research is based on the qualitative case study method. The rationale to choosing the qualitative case method for this thesis research is detailed below. In addition to the justifications provided below, the contemporary nature of the phenomena under investigation, that is, managers' 'business knowledge', necessitated the choice of this approach. Historically most of the studies informed by the sensemaking lens are based on case studies (e.g., Gioia & Chittipeddi, 1991; Gioia et al., 1994; Gioia & Thomas, 1996; Balogun & Johnson, 2004; Maitlis, 2005). In addition, research on the knowledge-based and resource based views are often process oriented. Moreover, researches informed by the institutional theory also widely make use of qualitative research approaches to investigate the phenomena under study.

The qualitative case study method is considered appropriate to explore the nature of managers' knowledge and how they make sense of their organisations' environments. The core concepts of this thesis such as business knowledge, strategy, tacit knowledge, capabilities, etc., restrict direct measurement. Furthermore, the case study method allows examining, from the insiders' perspectives, the influences the contextual factors have on their knowing about and response to the environmental situations.

4.5. Issues of Soundness and Rigour in Qualitative Research

A major criticism of qualitative research is that the validity, reliability and generalizability of qualitatively derived findings have generally been considered as poor (Miles and Huberman, 1994). Researchers have not been too concerned about them in the past and have argued that these conventional canons are not relevant to qualitative research. Silverman (1993) provides an interesting discussion on some of the arguments that researchers have used to side step these issues: the issue of the soundness of any research project is important and must be considered. As Silverman (1993) states, '*we cannot be merely satisfied with telling convincing stories*'. However as Blackler and Brown (1983) notes, it would be a "mistake" to assess the adequacy of studies based on qualitative epistemology against the positivistic criteria of adequacy. The usual canons of good research needs "to be redefined in order to fit the realities of qualitative research, and the complexities of the social phenomena" (Strauss and Corbin, 1990:250)

4.5.1 Criteria to Evaluate Qualitative Research

Lincoln and Guba (1985) have proposed a set of four criteria to assess the value of a qualitative research. These are summarised and compared with conventional criteria in table 4.2, below. The table also presents some techniques that can be used to enhance the value of qualitative research.

The first criterion judges the 'believability' of the findings of the study. The concern is for the validity of interpretations, i.e., whether a researcher's conclusion that 'x' is the main theme to emerge from the enquiry is valid. The goal is to demonstrate that the researcher has gained full access to the knowledge and meanings of the informants and has accurately identified and described the subject of enquiry. To do this, it is necessary to go beyond the limits of the researcher's own personal understanding of the situation and ensure that there is wider validation of what is being seen, thought or done. Morgan (1993) suggests that this can be done by testing and verifying interpretations as one goes along, through discussions with the research participants and co-researchers and by seeking reactions to descriptions and conclusions that are finally drawn. Reason and Brown (1981:169) suggest some techniques such as the use of multiple viewpoints; the use of 'feedback' loops; actively seeking contradictions in the data; convergent validation through triangulation of different methods; and comparison with the findings of similar studies to achieve this.

Table 4.2. Criteria for Establishing Trustworthiness

Dimension	Conventional criteria used for qualitative research	Alternative criteria used for qualitative research	Techniques to enhance validity for qualitative research
Truth value	Internal validity: the degree to which findings correctly map the phenomenon in question	Credibility: the extent to which it truly examines the subject which it claims to have examined	Prolonged engagement Prolonged observation Triangulation Referential adequacy Peer debriefing Members checks
Applicability	External validity: the degree to which findings can be generalised to other settings similar to the one in which the study occurred	Transferability: the extent to which the findings of a study can be transferred to a context similar to the context in which it was first derived	Thick description Purposive sampling
Consistency	Reliability: the extent to which findings can be replicated or reproduced, by another inquirer	Dependability: the extent to which the research accounts for the changes in the conditions of the phenomena as well as the setting of the research	Dependability audit
Neutrality	Objectivity: the extent to which findings are free of bias	Confirmability: the extent to which the general findings can be confirmed by the data or another person	Confirmability audit

Source: Adapted from Erlandson et al (1993:133)

The onus to determine *transferability* lies within the reader of the research who intends to use the findings of a particular research for other purposes. However, Lincoln and Guba (1985) point out that the researcher needs to provide the necessary information or data base to enable the potential users to judge and make decisions about the extent to which the findings from this could be applicable to other situations. Hence, comprehensive accounts of the theoretical framework, the research settings, the means of data collection and analysis and the concepts must be provided. Related to *transferability* is the issue of *generalizability*. Schofield (2002) suggests that several major themes can be found in the work of qualitative researchers who have written recently on the concept of generalizability. Whether it is Guba and Lincoln (1981) writing of fittingness, Goetz and LeCompte (1984) writing of translatability and comparability, or Stake (1978) discussing naturalistic generalizations, the emerging view shared by many qualitative researchers appears to involve several areas of consensus. First of all, there is broad agreement that generalizability in the sense of producing laws that apply universally is not a useful standard or goal for qualitative research. Second, most researchers writing on generalizability in the qualitative tradition agree that their rejection of generalizability as a search for broadly applicable laws is not a rejection of the idea that studies in one situation can be used to speak to or help form a judgment about other situations. Third, as should be readily apparent from the preceding discussion, current thinking on generalizability puts high importance on thick descriptions (Schofield, 2002).

The test of *dependability* rests with the research process itself. The research is more dependable if these processes are clear, systematic, well documented (Robson, 1993). Suggestions to enhance this include the use of audit enquiry and triangulation techniques (Guba, 1981). Although 'objectivity' usually is not a goal of qualitative research, the issue of possible researcher bias should not be ignored.

Confirmability is concerned about whether there is enough information to judge not only the adequacy of the process but also whether the findings flow from the data. There are several suggestions in the literature as to how confirmability of a research can be enhanced;

1. To explicitly distinguish between etic analysis (based on the researchers' own presuppositions) and emic analysis (derived from the conceptual framework of those being studied) (Silverman, 1993; Kvale, 1983)

2. Use inter-rater comparison of coding and explore reasons for any disagreement (Kvale, 1983)

3. Use the audit trails by which the research products such as the raw data (field notes, interview notes, etc); processed data, data reconstruction and synthesis products (codes, patterns, matrices, final report, etc.,) and process notes are perused by another person to determine whether the findings and conclusions are justified in relation to the these materials (Robson, 1993).

In addition to the criteria discussed above, the issue of interpretive validity merits some discussion. It is true that qualitative researchers are concerned with providing valid descriptions of what the objects, events, and behaviours mean to the people engaged in and with them. According to Maxwell (2002) the term meaning includes intention, cognition, affect, belief, evaluation, and anything else that could be encompassed by what is broadly termed as 'participants' perspective', as well as communicative meaning in a narrower sense. This construction is inherently ideational or mental, rather than physical. The term 'interpretive' is appropriate primarily because this aspect of understanding is most central to interpretive research, which seeks to comprehend phenomena not on the basis of the researcher's perspectives and categories, but from those of the participants in the situation studied – that is, from an 'emic' rather than an 'etic' perspective (Bohman, 1991).

For *interpretive validity* there is no in-principle access to data that would unequivocally address threats to validity. Interpretive validity is inherently a matter of inference from the words and actions of the participants in the situations studied. The development of the accounts of these participants' meaning is usually based to a large extent on the participants' own accounts, but it is essential not to treat these latter accounts as incorrigible; participants may be unaware of their own feeling or views, may recall these inaccurately, and may consciously or unconsciously distort or conceal their views. Accounts of participants' meaning are never a matter of direct access, but are always constructed by the researcher(s) on the basis of participants' accounts and other evidence (Maxwell, 2002:49). These above criteria for establishing trustworthiness are useful and hence referred to in this study.

4.6 What Is an Appropriate Method of Study for this Research?

For this study qualitative case studies were considered appropriate to explore the managers' sensemaking and knowing of their business and its environment and in what context their knowledge is constructed and shaped. It is believed that this study approach is relevant to address "the context-specificity of knowledge that is created *in* a situation and is *of* that situation" (Hatch and Yanow, 2003:69). Thus, the judgement of appropriateness and relevance of knowledge rests within the managers who are engaged in production, interpretation and use of that knowledge. In contrast to the positivist perspective, which assumes reality as given and the independent relationship of humans, the interpretive view argues that social interactions and processes of humans shape reality. This relativistic relationship assumes that the understanding of any phenomena is subjective, non-deterministic, and requires the consideration of cultural and contextual factors.

A number of justifications can be provided why I want to use qualitative case studies for this research. These are: first, to understand how managers' knowledge enables them to make distinctions within a collective domain of action about key organisational issues; second, qualitative case studies can provide the potential to study diversity in managers' interpretations and enactment of what they regard as important issues; third, they provide an opportunity to study qualitative elements which may otherwise have been overlooked or inaccessible in quantitative methodologies. By using this approach this research documents subjective qualitative phenomena such as managers' beliefs, world views, presumptions, and the schema that lie behind their understanding, decisions and actions that are context-rich and intrinsically unobservable (Godfrey & Hill, 1995).

Following Orlikowski & Baroudi (1991:5), this thesis attempts to 'understand phenomena through accessing the meanings that participants assign to them' and focuses on their cultural and historical context. Thus, this approach rejects the notion of value-free research and instead focuses on gaining a deep understanding of the phenomena being investigated, and acknowledges its own subjectivity as part of this process. The value of explanation is judged in terms of the extent to which it allows others to understand the phenomena and makes sense to those being studied (Walsham, 1995).

Moreover, qualitative case studies are used because I wanted to cover *contextual conditions* - believing that they might be *highly pertinent* to the phenomena of study.

An enquiry into judgment and alternative rationalities must treat the meaning of any data as problematic. The researcher can't pre-empt the subject's own meaning system or rationality when it is the actual target of the research. The researcher remains open to the subjects' own methods of explanation and conclusion, provided they conform to logic. Until the researcher finds otherwise, he is forced to assume the subject is logical, and therefore by his own lights, rational. Here the subject has initiative, especially in the process of constructing the meaning of his world.

In this study the case studies were used to provide the description of and to theorize about the Ethiopian managers' 'business knowledge' and sensemaking. This is because of our understanding of the concept of managers' 'business knowledge', especially, the strategic level knowledge, is extremely limited in transition economies (Cavaye, 1996). This is reinforced by the facts that theory of business knowledge is at its formative stages (cf, Benbasat et al. 1987) and there is a need to explore the value and utility of this concept in a context of a transition economy. This is not to suggest that researchers go into the case study with no theory at all - they would quickly become overwhelmed with data - but the key point is that the initial identification of research questions and a theoretical framework and concepts are repeatedly examined against the data which are systematically collected.

Thus, this research doesn't aim at seeking out general, abstract laws that ideally can be applied to an infinitely large numbers of phenomena, people, setting, and times. Here a more historical, particularistic approach to research was taken. Thus, the motive is not to seek to determine regularities but to seek to understand motives, meanings, reasons, and other subjective experiences that are historically and socially specific in exploring managers' sensemaking and knowing.

4.7. My Role as a Researcher

Schofield (2002) made explicit that at the heart of the qualitative approach is the assumption that a piece of qualitative research is very much influenced by the researcher's individual attributes and perspectives. Despite my capability to make use of both quantitative and qualitative research methods, this thesis was largely based on the latter approach. This choice of method is motivated by the desire to seek to understand the connection between managers' knowledge and their sensemaking activities and how the latter are used by managers to reduce equivocality and uncertainty they face. Born in Ethiopia, trained as an economist and worked for public and non-governmental organisations, this researcher shared and has 'lived experiences' of many features of a land of contrast (Ethiopia) as others millions of Ethiopians do. To put it differently, I am an 'insider' and hence can provide, to some extent, 'emic' accounts of the study phenomena.

Ethiopia, one of the ancient countries with stupendous civilization dating back to the seventh century, and perhaps the cradle of man kind, has been, for some decades, characterized by the protracted war, poverty, recurrent drought, volatile economic growth, unstable political situations, to mention some of its despicable features. From my experience working in different organisations and in participating in community activities I have had, to a certain extent, 'lived' experiences of the social, cultural and other contextual situations. Such engagement and participation provided me with the opportunities to observe how business people, largely small traders and producers, engage in sensemaking and do businesses. In relatively better positioned state-owned enterprises, I also noted how bureaucracy, power and politics dominate the production and exchange sphere. I am also aware of the ongoing socio economic and political developments in the country which are partly shaped by socialist precepts of key actors in politics and the pressures from demanding Bretton Woods' institutions. The contextual factors thus far mentioned, I believe, bring to bear varying levels of influence on how managers know about their business organisations and make sense of them. It is in such an environment and setting that this research study was conceived.

My personal experiences including my educational background, and 'lived' experiences informed my research orientations. From these I draw on three important lessons and these served also in shaping my approach to this study: (1) studies that are empirically based are more likely to be accepted by the government and other stakeholders as input for formulation of policies, strategies and making major decisions. Such studies, thus are informed by the epistemology of objectivism and hence make use of surveys, statistical models and theoretical closures to provide objective "value-free" results (prescriptions) (2) Studying social phenomena and human nature however, requires methods that would enable an understanding of and description of the interactions and 'lived' experiences of the phenomenon under investigation. The meanings people give are socially constructed and based on their subjective perceptions. Hence, the research design should be one that enables an access to socially constructed meaning of the participants and the context. (3) Since this study focuses on exploring how managers know how to make sense of, and act upon on what they make sense, it requires an interpretive approach that informs the selection of cases. Hence, qualitative case studies were chosen as appropriate for this study.

To sum up, my preference to qualitative case studies was influenced by the above-mentioned factors. Accordingly, the research outcome was the co-product of the researcher, the research participants and the context. The role of the researcher in interpretation is also acknowledged. Moreover, the need to think reflectively, historically (Denzin, 2002), and contextually were also taken in to account.

4.8 Chapter Summary

In summary, in this chapter I discussed systematically how different philosophical traditions embrace different theoretical perspectives, and research methods in social sciences and management studies. Primarily, the distinction is drawn between the positivistic and interpretivist paradigms and how these paradigms see the nature of social phenomena, the nature of knowledge about the social phenomena, the nature of methods to studying phenomena and the nature of human actions. Moreover, *paradigm of choices* and related *pluralist strategy* concepts were reviewed as an alternative to overcome the limitations of the two philosophical traditions.

The review also highlighted the following features of qualitative research: a commitment to naturally occurring data; a focus on interpretation and seeking meaning; the use of emic and more inductive analysis; holistic synthesis and flexibility in the research process and the researcher to be reflexive and interactive. Then, some qualitative research methods were described with their distinctive dimension in use in social sciences, humanities and management. This is followed by outlining the significance of rigour and relevance to qualitative research giving more attention to issues of credibility, transferability, dependability, confirmability and interpretive validity. Finally, I provided justifications for using qualitative case studies for this research and explained my role in the research process. The next chapter describes the research process including the research design, cases selection, data collection, analysis and interpretation.

CHAPTER FIVE: THE RESEARCH PROCESS

5.1 Introduction

This chapter presents how the research was conducted and analysed. It describes the research processes used for case selection, data gathering, analysis and interpretation. The research processes used here are that enable the documentation of how managers can make sense of shared experiences in different ways and hence provide multiple interpretations of what they make sense of.

This chapter is organised as follows. Section two describes the macro-microscopic approach to data gathering. This is followed in section three by an outline of access gaining strategy. Section four describes the processes of cases selection. This is followed in section five by data collection methods. Section six and seven, respectively, present how the interviews were conducted and the validity and reliability of the research process. Section eight describes how the data was analysed. Chapter summary is presented in section nine.

5.2. Micro-macroscopic Approach

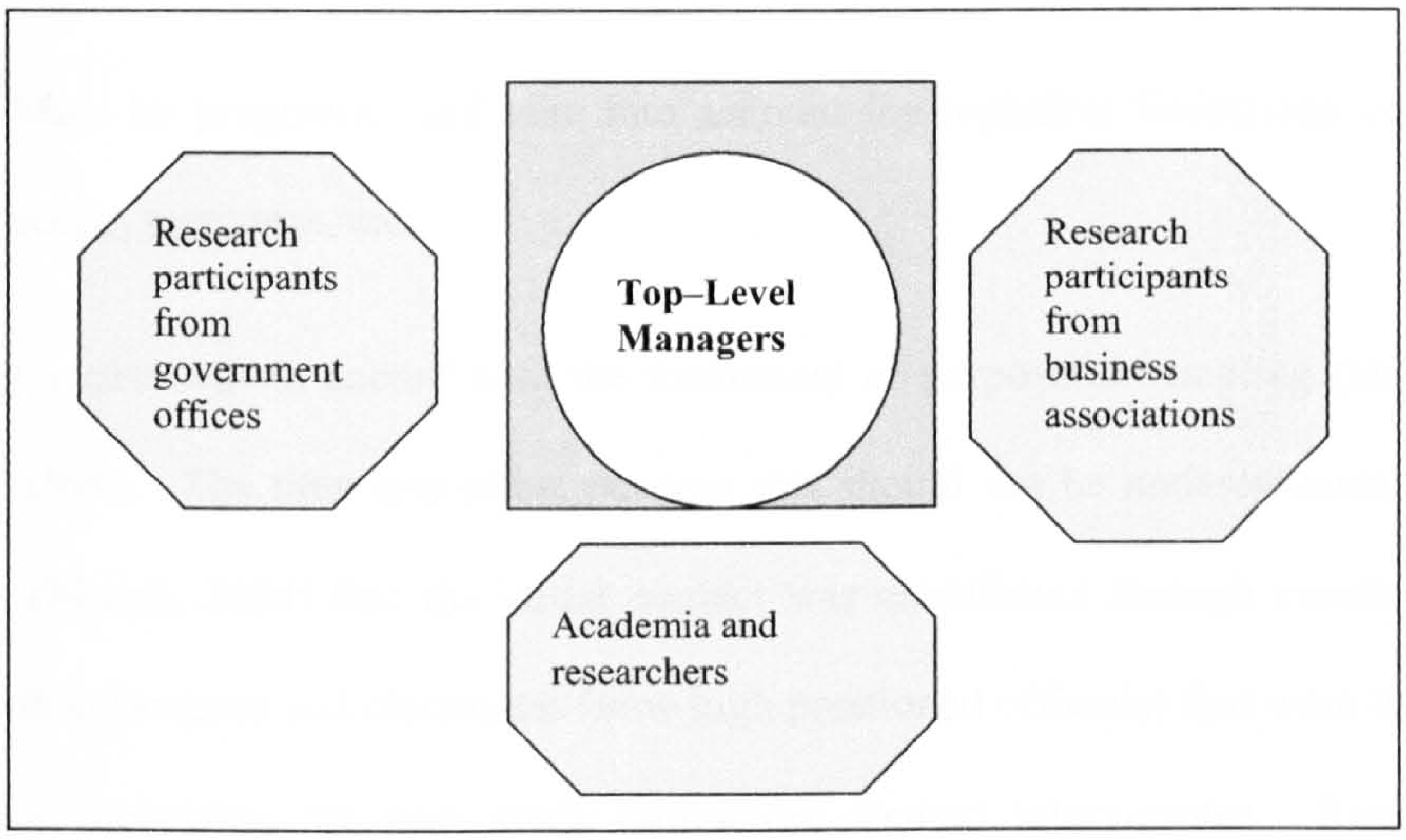
One of the strengths of the research methodology applied here is its micro-macroscopic approach that enabled the documentation of evidences, analyses and interpretations from the case study organisations' managers and from policy and industry experts, and business representatives at national level. This approach to data gathering provided descriptions that were facilitated by a theoretical grasp of the larger country and business environment context for understanding the analyses and interpretations managers make. This was consistent with the ontological assumptions because, as Silverman (1985:70) argues:

> It is misleading to assume that a fundamental choice must be made between these (macro and micro) perspectives. While research data are often mainly gathered at a structural or interactional level, sound analysis and intelligent conceptualisation requires both levels (and their relations) should be addressed".

A concern with social structures precludes a proper understanding of the processes of interpretation through which they are reproduced and sometimes changed. This is important given how the macro environment shapes and constrains how managers interpret and enact their organisations' internal and external environment. Hence, the micro-macroscopic approach was considered to be useful to relate organisational practices to the institutional context in which those practices are situated.

The following research design was used for the research process. The research design consists of two layers. The outer box shows the composition of the research participants at a national level. They were purposively sampled from different offices of government, business associations and a research institute. These research participants' accounts of the transition process, the limitations, capabilities and challenges of the business organisations in Ethiopia were used to frame the research context and to triangulate, and validate the interpretations of the top-level managers. The inner box is the main focus of this research, the top-level managers from the five case studies.

Figure 5.1 The Research Design



5.3 Access Gaining Strategy

The research process and strategy to gain access to the research participants took into account the following five important considerations. These were

1. They should be consistent with the objectives and the conceptual model of the study developed in Chapter three.

2. They should be consistent with the theoretical perspectives and the rationale for a qualitative approach as discussed in the previous chapter and be able to elicit the insider's perspectives.

3. Due to lack of empirical studies about the managers' 'business knowledge', data must be sufficiently rich in depth and scope in order to enhance our understanding of this concept's potential, utility and limitations in a transition economy context.

4. The strategy must adequately incorporate efforts to enhance the credibility, dependability, confirmability and transferability of the research outcomes.

5. Must be pragmatic, and take into account the logistical limitations such as time, scope, resources, etc.

Gaining access was in accord with the theoretical or purposeful sampling (Denzin, 1989; Patton, 1990). The time and effort put into this should not be underestimated. It was 6 months (March, 2004) that the initial contact was established through emails and phone calls with colleagues and classmates (now high positioned officials) that were thought to be helpful in accessing the case study and wider context interviewees. Researching on powerful managers is quite a difficult undertaking and this is doubly problematic given the research context, and when the researcher was at distant, foreign location. To overcome the access problem, preparation and implementation of the fieldwork involved four stages:

- I identified potential case study organisations as well as other informants that would suit the purpose of the research based on my background, experience and reading of contextual information.

- I identified a number of researchers and other colleagues with good contacts with potential case study organisations and contacted them via e-mails and phones. These contacts responded positively but at the same time warned me that it would be difficult to gain access to powerful board members and senior managers from abroad. The message was crystal clear: I had to spend a couple of weeks in Ethiopia for this to be effective and gets on hold.

- Based on the loose conceptual framework and the research focus, the theoretical sampling of informants from the wider research context was determined on an incremental basis. Officials and experts in a number of government offices were identified and requested to be research participants to help grasp the transition process and changing business environment in the country.

- Informants from the business associations (Chamber of Commerce and Industry Associations) were approached to understand the problems, constraints of and opportunities for the business organisations during a time of transition.

- The above four steps helped the identification of potentially relevant cases within two sectors: financial and, manufacturing and exporting. In addition, they contributed to the collection of secondary data. Through these network of contacts access to 'gate keepers' (usually chief executive and some times board members) were secured albeit with some failures. Then, I discussed with the 'gatekeepers' about the purpose of the research, appropriate research participants, the likely benefits of the research outcome to the organisation concerned, and anonymity and confidentiality issues.

There were failures of gaining access, too. An attempt to gain access through my sponsoring institution failed. Furthermore, one of the case study organisations denied me access to the rest of its senior managers although two of them were interviewed.

5.4 Cases Selection

As described earlier in a previous chapter, this study is based on qualitative case studies. The key rationales for this choice were described in 4.6. In addition, three other reasons for this method selection include: first, this research aims to generate theory about managers' business knowledge. Second, 'An important advantage with the case study research is the opportunity for a holistic view of the process' (Gummesson, 2000:86). Third, 'case studies can be of particular value in the applied social sciences where research often aims to provide practitioners with tools' (Gummesson, 2000:87). This is particularly important for the research that aims not only for theoretical achievement but also practical value.

The multiple cases design was used in this thesis because "evidence from multiple case studies is often considered more compelling, and the overall study is therefore regarded as more robust" (Yin, 1989). Cases were theoretically sampled and included different maturity (incumbent firms and newly emerged during a transition period); ownership types (state-owned versus private) and sectors (financial versus manufacturing and export). The profiles of cases are shown in Table 5.1, below.

Table 5.1. The Profile of the Business Organizations

Organisations' Profile	State Bank	Private Bank	State Tannery	State Garment	Private Tannery
Sector	Financial	Financial	Manufacturing	Manufacturing	Manufacturing
Industry	Banking	Banking	Leather	Garment	Leather
Ownership	State	Private	State	State	Private
Year of establishment	1963	1995	1975	1971	1972
Number of bank branches	171	30	NA	NA	NA
Capital (Million Eth Birr)	1,368	140	135	N/A	-----
Number of employees	7478	1234	989	579	225
Market focus	Commercia l and retail banking	Commercial & retail banking	Export & domestic	Domestic export	Export & domestic
Major customers	Governmen t public enterprises Private enterprises, individuals	Private enterprises Individual customers	Overseas and domestic leather and leather goods and shoe manufacturers	State enterprises and agencies Individuals (less), few overseas clients	Overseas and domestic leather and leather goods and shoe manufacturers

Multiple case studies approach was believed to facilitate case comparisons, illuminate differences/similarities and provide multiple interpretations that enrich the research findings. Inherent in this approach was the underlying logic that the selection process would enable the illumination of similarities and differences in mangers' knowing of key organisational issues that are historically, socially and situational specific. Brief descriptions of these five case study organisations are as follow.

5.4.1. The State Bank

The state bank was established autonomously in December 1963 with a paid up capital of Birr 27.3 million (Degefe, 1973). It is a dominant player in the commercial banking sector. It has total assets and capital of Birr 24.6 Billion and Birr 1.36 billion respectively (SB, 2002/03). It has 171 branches, of which one is in the Republic of Djibouti, and maintains deposit and credit accounts for about 1.3 million customers and 31 thousand borrowers, respectively. The staff strength of the bank was 7,478 in 2003 (SB, 2002/03).

This bank has been through three comprehensive assessment programmes. The first restructuring study in 1995/96 assessed the operational performance of the bank, its strengths and weaknesses, and reviewed the responsiveness of the bank's human, material, technical, financial and organisational resources to deliver the requisite services in the newly emerging competitive environment. The aim of this comprehensive audit program was 'to promote flexibility and efficiency in its operations and to ensure customer satisfaction' (SB, 1996/97). Accordingly, the organisational structure of the bank was reconfigured; and new divisions, reflecting the priority of the bank and the reality of the economic environment were created (SB, 1996/97:6). At the upper echelon, a board of management was appointed by the government to provide direction, guidance and oversight in the activities of the bank's management and in the implementation of the bank's strategic business objectives. A core executive management of the bank led by a President, one Executive President, and four Vice Presidents in Credit, Finance, Marketing and Corporate Planning and Human Resources and Property Management was also formed. Moreover, five regional offices and sixteen district offices were created to bring about efficiency in the bank's branch operation. The bank also modified its vision, mission and value statements and adopted a five year strategic plan (1996/97 -2000/01) that depicted the bank's business objectives, goals and strategies.

Second, in 1999, the state bank once again conducted a thorough assessment of its operational capacity with the help of the international consultancy firm, Ernst & Young. The objective of the Comprehensive Audit Project (CAP) was to 'further contribute to the improvement of processes to enable the bank to exploit the opportunities and new challenges presented by the liberalisation of the Ethiopian banking market and the introduction of a market economy, and strongly compete with the increasing number of new competitors' (Management Contract RFP document, P:5). Till 2005, the Bank of Scotland-Ireland provided management consultancy services for its executive management and functional departments based on the findings and recommendations of Ernst & Young and its own works. The key objective of this consultancy work was to achieving 'a sustainable improvement in the operational and financial management of the bank and adopting international best practices for the products and services it delivers.

Third, since 2004 the bank is undertaking a 'bank wide transformation programme' that is driven by the Country's Financial Sector Reform Programme and recommendations from the IMF and the World Bank.

5.4.2. The Private Commercial Bank

The private commercial bank is the first private bank to be established as a Private Limited Company by Ethiopian nationals in 1994 and started banking operations in February 1995. Since then, the bank has seen remarkable growth in its capital base, branch network, number of employees and customer base. At the end of 2005, it had 35 bank branches across the country. During the same period its paid up capital, deposit mobilization and loans and advances reached Birr millions of 158.4, 2270, 1545, respectively. It has been profitable throughout its ten years of operations and has been delivering value for its shareholders. It has 1234 employees and over 2300 shareholders at the end of 2005 (PB, 2006).

5.4.3. The State-Owned Tannery

The State Tannery was established under the technical cooperation agreement between the governments of Ethiopia and Czechoslovakia on December 11, 1959, but became operational in 1975 with 293 Ethiopians and 12 Czechoslovakian experts. The company is one of the largest tanneries with modern machinery and equipment and was first of its kind to produce semi-finished and finished leather both for foreign and domestic markets. It's fully equipped with modern production lines for hides and goats and sheepskins up to the finished stage. Currently it has a production capacity of 12,000 – 14, 000 pieces of sheep and goatskins, and 1200-1400 pieces of hides per day. Its products for foreign and domestic markets include crust, shoe upper, bag leather, garment, upholstery from hides; pickled, garment, glove and sheep lining from sheepskin; and wet blue, crust, and goat lining from goatskins.

About 80 per cent of the production is exported to the international market in the form of semi-processed and finished leather whilst the remaining 20 per cent is sold to the local shoe and leather goods manufacturers. The main export destinations are the UK, Italy, Romania, Netherlands, Sweden, Germany, Malaysia, Indonesia, India, China and the Czech Republic. In 2005 this tannery was accredited with ISO 14001 certification and is currently working towards achieving ISO 9001 certification. In Mid 2005, the company management was overtaken by Pittards, a UK company engaged in production and trading of quality finished products, for the purposes of acquiring and transferring best practices and 'modern' management techniques.

5.4.4. The Private Tannery

The Private Tannery was established in 1972 by a private entrepreneur. Many interviewed managers share the discourse that their organisation survived and succeeded in the hostile environment of the socialist era. It has been one of the thriving private companies in the country. The owner of the company is currently serving as a chairperson for the apex sectoral business association – the Ethiopian Tanneries Association. Its products include pickled, crust and finished leather from sheep skin; wet blue, crust and finished leather from goat skin; and wet blue, crust and finished leather from hides. It exports to the USA, UK and Japan, as well as providing finished leather to its sister shoes manufacturing enterprise owned by the same entrepreneur. The tannery's processing capacity is 2.3 million pieces of skins and 140 thousand pieces of hides per annum (EIC, 2004). The company is being run as a part of family business. The son of the owner, a qualified leather technologist, serves as managing director of the enterprise.

5.4.5. The State -Owned Garment Enterprise

The state-owned garment factory was established in 1971. The company's major products include cotton based varieties of garment products such as shirts, T-shirts, uniforms, work clothes, etc. The enterprise's product market is mainly domestic (targeted to government institutions) but it has potential access to duty and quota-free European and US markets. The company exported to USA and Greece in 2004 and 2005 using these markets access opportunities. With the exception of 2002, the company has been operating at a loss for the last fifteen years. During the two fieldworks, the company was on offer for privatization.

In summary, the core research sites included two banks (incumbent state-owned and newly established private) and three manufacturing and exporting businesses. Two of these were state-owned and one private. Two were tanneries and one was a garment-making enterprise. Each of the businesses, apart from the private bank, had over thirty years experience. They were each of medium to a large size.

5.5. Data Collection Methods

Three data collection semi structured interview questionnaires were used to tap the responses of the informants (Denzin, 1989; Patton, 1990). Two were directed to the company managers' (in two periods), and the other one to the wider context participants. The interview schedule for the wider research participants was designed to allow flexibility to tap a diverse response and information based on their experience, background, organizational affiliation and current responsibility. This approach to data collection was deemed critical for it serves purpose of triangulation as well as helps to illuminate difficulties associated with transition economy environment.

Two interview schedules were used to tap top-level managers' responses in 2004 and 2005. The first phase interview schedule main parts included questionnaires relating to the background of the informants and their interpretation and understanding of external environment, business strategy, business knowledge, capabilities, performance and future organisational directions. Some of the main discussion points were (see, annex1 for details):

- 'What and how do the managers think and regard as salient features (challenges and uncertainties) from the external environment during a time of transition? From these, what aspects did they regard as opportunities and/or threats for doing business?

- How do they describe their organisations' business objectives and business strategy? What knowledge do these managers have about organisational strategy and strategy making processes? How do they describe the features and contents of their organisations' strategy? How is strategy formulated and by whom?

- What do they think as required resources and capabilities to deliver their strategies and make their organisations successful?

- What do they regard as the role of managers' in enhancing the evolution and development of knowledge and capabilities in their organisation? What do they consider as enabling and/or constraining factors in acquiring and developing the required resources and capabilities?

- How would they like to see the future directions of their business organisations in five –ten years from now?

Thus, the data captured the periods under change, and the dynamic characteristics of these changes, how managers' knowledge is subjected to change and re-interpretations with changing environmental situations.

After analysing the first fieldwork data, the detailed fieldwork analysis report was produced in May 2005 and became the basis for the second round of fieldwork in October-November 2005. During the second fieldwork, the scope of the thesis research was narrowed to focus on the processes by which managers knew how to make sense of and enacted the environment in which their practices were situated. To put it differently, the core focus became managers' sensemaking and knowing of their organisation and its environments, including the nature and forms of knowledge they have about these issues. The key research question and the final version of the sub-main questions are presented earlier in Chapter 1 subsection 4.1 (pp: 14-5).

5.6. Running the Interview

It was expected that since informants were likely to have complex, diverse and dynamic stories to tell, and other data to impart, face to face contact was necessary to capture data. The case study sites were entered concurrently because opportunities for access arose in close time duration, whereas analytic induction normally involves carrying out case examination serially. Each participating organisation was given a letter explaining the purpose of the research, the data that was sought and the outcome of the research. Initial samples of interviews were identified while discussing the issue with the company presidents or general managers; or one of the government officials or the high level representative of the business associations, like the Chamber of Commerce. In this process the interview schedule kept and tracked as time goes by. This process went on as long as the author's resources and the participants' patience would allow. In addition, the research process continued as one thread leading to another until relevant and supportive accounts, evidences and meanings seemed completed. Additional theoretical samples comprised informants known to have differing points of view and who were concerned about the developments in the business environment. According to some of these informants Ethiopia is pursuing 'capitalism without capitalists' and this thought was subsequently investigated conversing with some others, albeit, difference in interpretations unfolding. This is thought to have a great relevance to the case at hand, given the underdeveloped nature of the business community in the country, the 'hang over of socialism' and the alleged tendency of government to bring about a 'controlled change'.

The interviews were semi-structured and used to guide discussion (Patton, 1990). Prior permission of the interviewees was secured. During the interview the questions and their orders were redefined to fit the characteristics of the informant (Denzin, 1989:105). This was largely due to the fact that the core constructs on which the research is based - nature of managers' knowledge and their knowledge of environment, strategy, and capabilities - were not too familiar for the majority of the informants even though they were knowledgeable about the business operations of their organisations. This provided flexibility to cope with data collection problems that would have stemmed from language difficulties. Moreover, the semi-structured interview relied, to some extent, on the managers' verbal communication skills and every day experience. Mintzberg's work (1973:39) showed that about 60 per cent of a typical manager's time is spent on communicating verbally, so I am reasonably confident in depending on this verbal facility. During the interview process I strived for transparency, imposing neither language nor direction (Spender, 1989:75), the process that enabled the respondent to illuminate his/her perspectives.

The interviews were "conversations ... where the main focus derived from the main questions" (Denzin, 1989:109). They ranged from those in which answers to the original, supplementary questions, probes, discussions and clarifications followed open-ended questions. At the other extreme, informants embarked on narratives describing their working environments, amplified these with anecdotes, and allowed interruptions to clarifying the narrative. Some earlier questions invariably elicited at least partial answers to many other questions on the interview guide (Denzin, 1989:106). These partial answers were noted and linked to items on the guide, which was also a source of new stimuli. Notes were taken of points that were unclear, so that they could be revisited (Patton, 1990), and when the informants raised some important issues that were not in interview guides (Denzin, 1989:106). The profile of participants is shown in table 5.2.

Table 5.2. The Profile of Senior Managers

Organisations / Position	State bank	Private bank	State tannery	Private tannery	State garment
Presidents, V/P	5	5	-	-	-
General managers			1	1	2
Senior managers	4	4	5	3	4
Mid-level managers	2	2	1	-	1
Total	11	11	7	4	7

The participants of the research were all top-level managers (presidents, vice presidents, general managers, senior executives managers) and in a few cases mid-level managers. The totals of 40 interviews were conducted from all the five case studies; the responses were digitally recorded (except for two respondents who refused to be recorded) and then downloaded to the computer for later transcription and analyses. The depth of discussion varied according to the participant's position, responsibilities and role. For instance, the discussion with the Presidents of the state and private banks, and Personnel Planning and Development Vice President of the state bank, took respectively, 103 minutes, 93 minutes and 95 minutes. On average the interview lasted for over 70 minutes. Three short interviews were curtailed by urgent business matters. Informants also provided documents and reports. The digital voice recorder proved to be crucial in that it "did not 'tune out' conversions, change what was said because of interpretation or record words more slowly than they were spoken" (Patton, 1990:348).

Table 5.3. Senior Managers' Demographic Characteristics

Case study organizations	Age			Work experience				Levels of Qualifications		
	30-39	40-49	>50	<10 Yrs	10-19 Yrs	20-29 Yrs	>30 Yrs	Diploma	BA/BSc	MA/ MSc MBA
State bank	3	6	2	0	7	4	0	0	3	8
Private bank	4	4	3	1	4	3	3	1	4	6
State leather	1	4	2	1	2	4	0	0	4	3
Private leather	2	1	1	1	2	1	0	1	2	1
State garment	2	5	0	0	3	4	0	5	2	0
Total	12	20	8	3	18	16	3	7	15	18
In (per cent)	30	50	20	7.5	45	40	7.5	17.5	37.5	45

Some essential characteristics of senior managers such as their age, work experiences and levels of education are shown in table 5.3. Information in table 5.3 is presented because top-level managers' knowledge is influenced and shaped by a myriad of demographic characteristics. Most of these managers 'lived through' the three different economic systems and this situation is believed to serve as a foundation to the interpretations they made on key organisational issues investigated in this research.

Table 5.3 shows that while bank organisations have a high number of managers with postgraduate qualifications; most of the state garment managers' qualifications were limited to diploma levels education (accounts for 63 per cent of managers in this group). Over all, 18 (45 per cent), 15 (37.5 per cent) and 7 (17.5 per cent) managers have postgraduate, first degree and diploma levels qualifications, respectively.

The wider research context informants were selected theoretically as well. Knowledgeable officials and experts from 6 government offices, 3 business associations and a research institute were sampled for the interview. The interview schedule used for context interviews consists of 14 interview questionnaires. The aim was to establish the peculiarity of the research context from the insider's perspectives. Moreover, they were meant also to strengthen the dependability and confirmability of information gathered from top-level managers in the case study organisations. 18 interviews were conducted. The number, profiles and organizational affiliation of the participants are shown in Table 5.4.

Gaining access to the national level research participants was extremely helpful for this research process. First, it enabled the identification of and approach to the next relevant informants in the same or different institutions in line with the principle of purposive sampling. Second, it facilitated the collection of secondary data such as published research reports, documents, organisational reports, policy papers and other relevant materials that, in some way, deal with the business organisations in the country. Third, it helped the saturation of data for latter "thick description" (Greetz, 1983) of the national perspectives on the evolving forms and status of business knowledge and capabilities. Fourth, and more importantly, the approach enabled me to frame the distinctiveness of the research.

Table 5.4 Research Context Participants Profile

Institutions	No of Participants	Roles/ Profiles
Addis Ababa Chamber of Commerce	2	▪ President ▪ Board member
Ethiopian Chamber of Commerce	1	▪ General Secretary
Ethiopian Economics Association/ Ethiopian Economic Policy Research institute	4	▪ President ▪ Director ▪ Ex.-Director ▪ Researcher
Ethiopian Private Manufacturing Enterprise Association	1	▪ President
Ethiopian Export Promotion Agency (EEPA)	2	▪ Director, Product Development and Market Research ▪ Director, Training and Facilitation
Ethiopian Investment Commission (EIC)	1	▪ Commissioner
Ethiopian Privatisation and Public Enterprises Supervisory Authority	1	▪ Director
Ministry of Capacity Building	2	▪ Ministry of State- Civil Service Reform Programme ▪ Advisor to Minister
Ministry of Trade and Industry (MOTI)	3	▪ Ministry of State: Trade ▪ Department head: Manufacturing Export Incentives ▪ Department head: Domestic Trade
National Bank of Ethiopia (NBE)	1	▪ D/Director: Economic Research and Monetary Policy
Total	18	

Moreover, informal discussion on the research contexts were made with the department head of Management in the Faculty of Business and Economics of Addis Ababa University, a chartered accountant from Ernst and Young, a board member of the state bank, and with colleagues working in different government organisations including but the Ethiopian Investment Commission, National Bank of Ethiopia, Micro finance institutions, Ethiopian Economic Association and Ministry of Federal Affairs.

5.7. Validity and Reliability

The data collection and analysis processes in qualitative case research are both subject to the influence of the researcher's characteristics and background, and rely heavily on the researcher's interpretation of events, documents and interview material (Galliers, 1992). This may limit the validity of the research finding, although, as Yin (1994:10) notes, bias may enter into the design and conduct of other types of research. The most commonly mentioned objection to case study research is that its results have limited external validity because of a small number of research units, i.e. cases (Mitchell 1983; Yin, 1989, Creswell 1994). This concern of external validity (transferability) is taken into account by increasing the number of cases as well as taking a macro-microscopic perspective so that the result would be robust. Moreover, following Denzin (1986: 166-68) "careful consideration of all available evidences, the intensive analysis of individual cases and cross-case comparisons" and theoretical sampling are used as part of analytic induction approach to improve validity and reliability of qualitative data and its reporting in this thesis. Moreover, the key concepts of the thesis research are used in a sensitizing fashion as to allow me to work back and forth between theory and emerging patterns and themes in data.

Determining when I have interviewed enough was also an issue of validity. During the interview, I and the interviewees found a point at which the conversation has covered the subject adequately and we had arrived at a natural conclusion. In the present research I regarded all data as problematic, and hence focused on how managers gave meaning by using emic analysis. Moreover, to establish the trustworthiness and validity I paid attention to credibility, transferability, dependability and confirmability of my research approach as described in chapter 4.5 (pp:115-20).

5.8. Data Analysis

The analysis of data in qualitative research is complex because of the complexity of the data themselves. Unlike quantitative data, verbal units of meaning - both emic and etic - are difficult to combine and weigh for significance. Iterative steps involved in data collection and analysis and the research questions were refined and refocused through out this study. Although I describe several of the methods of analysis used in this study in separate sections, to promote conceptual clarity, in practice the analytic processes often overlapped and blended together.

5.8.1 Thematizing and Patterns Forming

Different authors suggest different procedures or steps in theorizing and discovering of categories (Glaser & Strauss, 1967; Strauss, 1987; LeCompte and Preissle, 1993; Tesch, 1990). In constructing patterns and categories, the four steps suggested by LeCompte and Preissle (1993, pp. 240-249) and eight step procedures recommended by Tesch (1990) were useful. More specifically, from LeCompte and Preissle (1993) suggestions, a) contrasting, comparing, ordering, and aggregating by massing and scanning data and, b)finding relationships and linkages between data were used for identifying patterns during data analyses.

Analysis of data included reading, re-reading interview transcripts; noting similar topics and clustering them; organizing topics into a preliminary category/patterns, writing summaries and continuing to write memos on the data; refining the system by using descriptive wording and determining what categories are most important and which are subcategories; and conducting analysis on all notes and summaries emphasizing common features, distinctives, contradictions, similarities and differences. Some of these analyses procedures are drawn from Tesch (1990: 142-145).

Several themes found in the preceding sources were particularly important in developing categories in my research. First, patterns were identified by linking events that co-occur or are consequent or antecedent to others (for instance, 'bank-wide transformation programme' leading to 'business process reengineering' (BPR) in the state bank). Conversely, patterns may relate to conceptually similar events, such as physical or relational aspects of the situation (e.g. more exposure to market pressures requiring improving quality-price competitiveness in production enterprises or urgency to acquire externally focused resources and capabilities). For example, clusters of strategies were identified for each organisation through the process of pattern matching as shown on page 218-22. Pattern matching approach is proposed as a general analytical strategy for multiple case study research (Miles and Huberman, 1994; Yin, 1994). Basically, with the pattern matching approach the researcher 'compares an empirically based pattern (of event)' with propositions (Yin, 1994:106). In this study, managers' interview scripts regarding how they achieved organisational success (strategy typologies) were carefully classified with growth strategies identified from the literature. The implicit proposition guiding this analysis was that the business organisations studied may tend to pursue growth strategies as the transition to a market orientation unfolds. Thus, the objective was to determine, through pattern matching approach, clusters of strategies from the managers' perspective and relate this to the literature and this study's assumption. In the process, the analysis provides fresh insight into how organisation under study were similar or different in their strategies (core and subsidiary) and then to provide interpretations on managers' knowledge about their organisations' strategies.

Second, managers' detailed descriptions were made sense of, by initially concentrating on the whole of the event or on macro-levels rather than details. Third, a degree of trial and error was implicit in the patterns development schemes and other data analysis described in this section. Finally, the research questions and associated theories influenced the development of patterns. In the process, I acknowledge ambiguity and fuzzy boundaries are the rule rather than the exception in categorization (Maxwell, 2002).

Emerging patterns were used to understand the nature and forms of managers' business knowledge. They were derived from the extent to which managers were reliant on state or market mechanism for strategizing and critical resources, and the degree to which managers were exposed to changing market pressures. These patterns made clear that managers' knowledge is uncertain, differentiated, politicised, contingent depending on their ownership affiliation, the degree to which they were exposed to market pressures and prevailing institutional frameworks. The managers' knowledge also displayed its independence even though it has been significantly influenced by the surrounding contexts.

Reading and re-reading interview transcripts, summarizing, thematizing and then describing predominated during and after the fieldwork. Patterns analysis was used more frequently later in the study to organize certain categories discovered. Although some preliminary analysis of interview data took place while collecting data, the bulk of analysis and triangulation occurred after the conclusion of data collection. The presentation format of case studies findings and analyses followed what Yin (2003:148) suggested as 'cross-case analyses'. Accordingly, following the conceptual framework and main research questions, each section of chapter 7 is devoted to a separate cross-case issue and hence the analysis of each case is distributed through out the chapter. Moreover, cross case analyses were done based on emerged patterns and themes. The primary focus is on the level of the overall cases. This format of reporting the multiple case studies findings allows reader to understand the similarities and differences among managers in different enterprises on the key research issues.

5.9 Chapter Summary

This study was based on qualitative case studies informed by the pluralist research strategy. It draws more from interpretive perspective than positivist philosophical traditions. The choices of research methodology were influenced (dictated) by the purpose, objectives and the nature of issues under investigation as well as the researcher's background, training, experience. The research process and the fieldwork were accomplished by using the qualitative research approach. This approach involved theoretical sampling, semi-structured interviews, iterative data collection and analysis, phased fieldworks, thematization and patterns formations; inter case comparison and analytical level analysis. Moreover, necessary precautions and measures were used during research design, interviewing, transcribing, thematizing and analyses to increase the dependability, confirmability and transferability of the research process and its results. Collection of data from multiple cases and sources as well as deploying a micro-macro perspective were built into the research design and these helped greatly to validate the research, enhance our understanding of how managers sensemaking is influenced by the institutional environment in which their practices are situated and the nature of their knowing.

The next chapter presents the findings on the research context based on semi-structured interviews with 18 research participants' at national level and other secondary authoritative sources.

CHAPTER SIX: ETHIOPIA'S TRANSITION ECONOMY ENVIRONMENT

> Transition is better understood as a path dependent evolutionary process. Reform strategy matters, but it depends on history (Qian, 1999).

6.1. Introduction

This chapter provides relevant background information of the research setting. The analyses in this chapter draw heavily on subjective viewpoints and interpretations of the interviewed officials and experts from government offices, business associations and research and academia and, less, from the official data, statistics and secondary sources. In other words, this chapter report is mainly based on the viewpoints and accounts of the national level research participants on the Ethiopian transition process and its implications for the business organisations in the country. It forms a part of the research design and illuminates the macroscopic environmental context that has a strong bearing on managers' knowing and actions. Secondary sources are also used as appropriate to complement and/or support the subjective views.

The chapter is organised as follows. Following this introduction, section two reports on the national level informants' interpretations of Ethiopian transition process to a market economy and their analysis of the business environment. Section three presents an overview of the task environment and the industry contexts relevant to this study, mainly drawing on secondary authoritative sources. The research participants' analyses of the required organisational knowledge and capabilities and how these might be developed are presented in section four. Section five summarizes the chapter.

6.2. General Environment – Macroscopic Views

6.2.1. On Transition to a Market Economy: Its Pace and Some Debates

This section describes how national level informants understood "what does transition to a market economy mean to them?" and "how do they see the pace and mode of the Ethiopian transition to a market economy as compared to other countries in transition"? These informants gave diverse and competing accounts of what they understood by the phrase 'transition to a market-economy' and the pace of the Ethiopia's transition towards it. Their descriptions focused not on providing clear cut definitions but rather on providing historical analyses by contrasting it with the previous socialist system and the measures undertaken during the transition period. Three categories of informants emerged. For some, transition to a market economy entailed a "complete shift from the planned economy" (Director, EPPESA, 2004) and, for a second group of informants, Ethiopia "currently is not in a market economy and there is still a long way to go" (Vice President, AACC, 2004). According to these latter informants, 'the party and government still play predominant roles in the economy' (VP, AACC, 2004; ExD, EEPRI, 2004). Most informants, however, related the transition process with policy changes undertaken by the government. These reported policy changes included deregulation of price controls (MoST, Ex. Director, EEPRI; President, EEA); transfer of the ownership of public enterprises to private sector; liberalisation of some sectors (trade, finance); private sector participation in all business areas except telecommunication and utilities (Vice President, AACC; Ex Director, EEPRI); export promotion activities (Vice President, AACC) and the second phase macro economic stabilization measures. Most informants from the government offices had positive views of the macro economic policy environment: for them, it was conducive and comparable to other countries undergoing transitions. However, informants from businesses, academia and research argued that 'the job of creating an invigorating business and investment climate for the domestic investors still lacks a lot of things' (VP, AACC, 2004; BM, ECC, 2004; DEEPRI, 2004).

The interpretations of most of the informants from the wider research context converge regarding the pace and mode of the Ethiopian transition to a market economy. These informants viewed the transition process as very gradual as well as peculiar. The description by the prominent representative from the business associations was illustrative:

> "Even in neighbouring countries standard, countries like Uganda, Tanzania, and Zambia, have been making tremendous strides, and were changed in the last few years. Their move towards the market economy has been much faster than anywhere else in our sub region. Kenya has already been there, relatively speaking. In Ethiopia, I believe, we are trying to bring about a controlled change" (Vice President, AACC, 2004)

For some informants, the transition process in Ethiopia was not comparable to East European block or East Asian countries; but for others, Ethiopia had a chance to learn from others' experiences and was able to avoid the catastrophic social hazards those countries faced. The informants provided 'evidence' and reasons that they thought caused the slow and gradual approach to transition drawing on their experiences, day to day interaction, and collective domains of actions. The factors considered as contributing to the slow pace of transition were:

- "Fear of the unknown
- The tendency to control change and the hangover of socialism
- Implanted Marxist thinking that the state would take care of you from cradle-to-grave
- The then poorly performing heavily agrarian and peasant economy
- Underdeveloped material and human resources infrastructure

- Problems in technicalities and privatization modalities
- The previous socialist system effectively destroyed the private sector
- Lack of experience of how to operate in a market economic system
- Very weak experience of managing industry (businesses) along commercial lines
- A culture that does not encourage business".

Moreover, informants were also concerned about the transition process because it lacked clearly designed milestones and timetables. This point was raised in relation to the Ethiopian authorities' stance on forbidding entry to foreign financial institutions on the grounds that the central bank's supervisory capacity and other financial institutions' competitiveness were not yet strong. The following quote reveals how such a policy stance could become contentious:

> "The pace of liberalization is very slow. Basically, the government provides two reasons on financial liberalization process: (1) promoting private sector participation in the area of banking; (2) it doesn't have the capacity to supervise foreign banks. But what is missing here is clear time table that shows what needs to be done and when ..... We don't need to talk about lack of capacity for 14 or 15 years." (President, EEA, 2004)

The interview data analyses show that the Ethiopian transition to a market economy has been gradual, cautious, unique and still party and continuing dominant role of the party and state in the supposedly changing environment. The transition process lacked a clear timetable for what was to be done and when, and was overly ambiguous. The fieldwork interview analyses revealed a heated debate on the supposed role of the state in prompting the development of the business organisations in the country.

Two contrasting views on the role of the state were reflected in a group of informants from academia and research: more of the informants argued that the role of the state should be *'facilitator';* but a number of others argued for its role as *'carer'*. For the latter group who seemed to have close ties to the government, the state is 'every thing' and has to 'nurture, develop, teach the business community' (President, EEA). To these analysts 'there is no proper private sector' in the country because it was effectively destroyed by the previous regime. What business practice exists, these informants argued, is espoused with rent seeking and speculative behaviours and lacks vision. By considering the state as 'carer' of the private sector, this group put the government in an extremely powerful patriarchal position. They saw the government as the legitimate institution responsible for correcting inappropriate behaviours by such means as 'carrot and stick' as it deemed appropriate in the circumstances. They felt that "The state has to give the private sector knowledge, experience, access to the capital, exposure", etc., (President, EEA). They supported these analyses with the recent measures taken to provide market support services such as setting up of the Ethiopian Export Promotion Agency, Trade Point, as well as the new ministerial structure in the ministry of agriculture exclusively responsible for agricultural marketing.

The subgroup that appreciates the role the government as 'facilitator' did not wish to bestow the patriarchal position that the other group would liked the state to have. In other words, they felt that the government's role needed to be limited to what they called 'critical interventions' be it in the form of training or capacity building; providing incentives to promote entrepreneurial culture and good business practice; encouraging entrepreneurs engaged in innovative activities and setting visionary national development strategy. In addition, these informants stressed the importance for the business community of getting into clusters (associations), and internalising the values of competition and entrepreneurship. For this group, the government should primarily be responsible for the country's strategic direction, act as a facilitator and creator of an enabling environment for the development of the private sector. To them, the private sector should be the engine for the national economic development.

6.2.2 Context Informant's Interpretations of 'Environmental' Uncertainties

The next key question raised and probed further (depending on the responses provided) was what the informants regarded as the major challenges and uncertainties for the Ethiopian business organisations during a time of transition. The analyses of the informants' responses on this question revealed a number of environmental and organisational issues that have had due impacts on business organisations. Some of the key accounts of the interviewed officials, industry and research experts are summarized in table 6.1 below.

Political Environment

Analyses of the transition process and its features by the secondary authoritative sources complement the foregoing analyses in 6.2.1. Bevan (2001), for instance, identified four special features of the general environment of Ethiopia. These characteristics combinations include the following:

1. Before 1974, Ethiopia had been ruled by a series of emperors from the core territory and the functioning of the state involved a powerful centre which controlled a set of peripheral territories that had little in common with each other, either economically or ethnically. Equally significant, this feature was maintained following 1974 during the reign of military regime (Dergue).

2. The current coalition in power represents the victory of the periphery over the centre. The push towards ethnic regionalism is that it was conceived as a

means of preserving the Ethiopian State while reducing the risk that the periphery would again in future become dominated by an over-mighty centre.

3. The guiding ideology of both the Dergue and the then insurrectionist parties in the north was similar and they shared much the same ideological vision, and subscribed to a state-socialist perspective on the role of the state. Consequently, the end of the war did not in itself signal a switch away from Marxist- Leninist precepts.
4. The current government's view of the political process is akin to that of China in which a socialist regime can embrace far-reaching economic liberalization and encourage market development without subscribing to a participatory democratic view of the political process. The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) dominates the political process, and it is often difficult to see where the government ends and the party begins. This blurred edge is also increasingly apparent in the economic sphere, with the proliferation of businesses which are nongovernmental, but which are controlled by or associated with party political organizations.

Supporting analyses and interpretations were evident in a recent study that looked into the transition process ambiguities (Nega and Moges, 2003). It reveals that while taking the first generation of reforms was relatively easy for the government, taking the necessary institutional reforms that are necessary for the economic and "psychological" transition from a state-led economic management to a market led system was not straight forward in Ethiopia (Nega and Moges, 2003). Furthermore, some policies initiated by the previous regime, but which remained controversial and critical to the promotion of the private investment and the development of the private sector (such as state ownership of land and urban housing), were intact and functional. Even the ongoing privatization program (albeit slow in implementation), which should indicate the government's intention to make the private sector the main engine of the economic development, was not delivering the right signal as the ruling party proceeded aggressively with the establishment of large scale party owned enterprises raising the serious question in the minds of the business community about the government's motive and thus negatively affecting the business environment (Nega and Moges, 2003).

Policy Environment

This subsection discusses the policy environment based on the context informants' interviews analyses. In terms of promoting private sector development and to create a conducive business environment, the Ethiopian government has taken a number of policy measures in the areas of export development, tariff reform, business licensing and registration, provision of working premises and access to land, and the formation of private-public partnership programmes.

The interviews with informants in the policy arena and especially those affiliated to business licensing, registration, promotion and supervision revealed that there were a number of measures taken to streamline their organisations' services for the private sector development (for instance, Ministry of Trade and Industry (MoTI), Ethiopian Export Agency (EEPA), Ethiopian Investment Commission). For instance, according to the EEPA officials the agency has been very active in:

- Providing capacity building training (business planning, international trade practices and export management trainings were provided to exporting businesses).
- Assisting the participation of exporters in international trade fairs.
- Providing professional assistance in preparing samples and brochures.
- Organising awareness creation workshops (e.g. about new incentive schemes and new events and for the dissemination of information).

- Encouraging the formations of sub-sector business associations.

Informants described that the MoTI has been undergoing organisational restructuring programmes so that it could provide efficient licensing and business registration services to import /export and inter-regional business undertakings. Furthermore, it was reported that investors are now able to acquire land within 15 days from the date of application, have access to export credit guarantee scheme, equity financing credit (to encourage non-traditional exports), export credit facility (pre- and post-shipment financing) and voucher systems to alleviate the working capital bottlenecks. These informants also mentioned the establishment of training and development institutions in areas of agriculture and manufacturing to mitigate various skills shortage. The Leather and Leather Technology Training Institute for leather and the Bahr Dar Pole Technical Institute for textile and garment sectors were two training institutes established recently.

Because of the above mentioned efforts by the government agencies, it was reported that an increasing number of investors were being attracted to export businesses: for instance, 64 investors in flower and 25 in garment got licenses in 2003/04. However, it was noted that these achievements were yet not sufficient and there was a critical need to institutionalise practice oriented knowledge transfer to businesses in Ethiopia. Moreover, land in Ethiopia is state-owned, but long-term leases are available for periods of 50 to 99 years as per the Urban Land Administration Proclamation No. 80/1994. These leases are transferable and can legally be used for collateral or sub-leased together with on-build facilities but still it is too vague whether it could be foreclosed.

On the other hand, however, the official statistics and authoritative sources pointed to the low conversion rate of licensed investment projects and insignificant inflow of Foreign Direct Investment in to the country (EEA, 2004; EIC, 2004). The Ethiopian Investment Commission statistics shows that during 1992-2003, only 26 per cent of projects with 20.8 per cent of capital have become operational and 15.3 per cent with 26. 5 per cent of capitals are under implementation. Regarding foreign direct investment projects, however, the figures for operational and under implementation stood at 19.6 per cent and 26.3 per cent respectively (EIC, 2004:13-14). Similarly, Recent studies show that Sub-Saharan Africa's share of the global foreign direct investment (FDI) grew to 9.7 of gross fixed investment in the period 1995-98 from a mere 3.71 per cent in 1991-94. However, in contrast, during 2000/01 gross fixed investment was a mere 0.9 per cent of gross fixed investment in Ethiopia (EIC, 2004).

From the study interviewees' perspective, the analyses showed the differentiated and politicised knowing of these informants about the policy and related micro environments. For instance, many informants from the government offices, while holding positive views about the macro and policy environments, gave emphasis to what they referred to as the 'internal problems' of the business organisations as presented in table 6.1 (pp:161-62).

In contrast, informants from the business associations described the perceived prevalence of 'fear of the unknown' that acted as a deterrent to long-term investment and erosion of business confidence. Despite their optimism on ongoing improvements at the macro level, they were worried about difficulties at the micro environment level. This micro environment, according to these informants' accounts, comprised the immediate government agencies responsible for business licensing, registration and renewal, tax, provision of working premises (land), protection of property rights (police), and enforcement of contracts (court and legal systems). In addition, this group of informants described how the "level playing field" had been 'unfair' to the private sector (equal treatment and access across a range of economic areas, including access to finance and banking services, treatment by the tax system, access to markets, access to information, and access to reserved areas of economic activity).

The analyses of informants from academia and research pointed also to the anxiety and irregularity inherent in the politics-policy arena. They argued that positive policy changes were overshadowed by the expansion of the party-affiliated organisations that thwarted fair competition and weeded out feeble enterprises. Moreover, they questioned the conduciveness of the macro environment, taking the national development strategy as a case. According to these informants' analyses, Ethiopia needs to have a visionary national development strategy in which industrial development is accorded a high priority. In their views 'basing the country's strategy on today's problems rather than looking at its future is a great danger" (Researcher, 2004). Furthermore they questioned the resource base of the country which most claim to be a basis for competition:

> "Are we going to rely on the so called 'our comparative advantage' which is based on agriculture and natural resources, where we all know these natural resources based economic activities could not support even the farming population feed itself? In fact, with increasing population, there are quite a number of predictions suggesting that there is no way that the Ethiopian agriculture would sustain for another 20 years if it continues like this" (Ex. Director, 2004).

For this type of informants, despite of its small size, there is an amazing entrepreneurial initiatives requiring nurturing and availing an enabling environment. They pointed to the crucial importance of availing long term financing; establishing strong cooperation between state, business community and market supportive institutions; encouraging the import substituting sector to grow into the exporting sector. This group of informants also suggested that policies need to be in place to attract the Ethiopian Diaspora, which has knowledge, exposure, and contacts to participate in the investment activities.

In summary, the analyses so far point to the influences that the state's development policies and institutional arrangements could have on the ways business organisations and their managers interact with the environment and make strategic choices. For instance, the investment code, export promotion incentives, trade liberalization as well as financial policies have had huge impacts in terms of facilitating a formation of a number of new businesses and, in a certain cases, in enforcing some businesses' exit from the established businesses into a new unknown business territory.

Table 6.1. Interpretations of the Transition Period Challenges and Uncertainties

Challenges and uncertainties / Informants	General Environment (political, policy, legal, social and economic)	Task environment (market, competitive, regulatory)	Organization-specific problems
Government Officials	• Conducive macro economic environment • Good investment climate • Export promotion activities • Money market is not working well • Limited use of existing training institutions • Absence of entrepreneurship development institutions	• Government bureaucracies • Weak business associations and chambers of commerce • Limited access to finance • Technical, administrative or regulatory requirements (environment, health and safety issues). • Competition with SSA countries that serve the same global market with similar products. • Accession to WTO might hurt manufacturing firms with high import content • Globalisation	• Lack of knowledge of international trade practices & market • Limited knowledge in finance and using bank credit • Don't know the sources of information • Don't use the state of art technology • Lack of entrepreneurial skill • Not visionary in business • Short-termism and rent seeking behaviour • Lack capable and competent managers • Design and technology problems • Traditional business management • Weak financially and technically • Shortages of inputs • Lack well-trained human resource • Limited production capacity • Lack research based activities • Increasing level of NPLs in banks
Business associations	• Unpredictable policy changes • Bretton Woods Institutions dictate policies • Self-righteous attitude of the government • Fear of making mistakes prevail - the system penalizes mistake not inactivity • The fear of the unknowns • Inefficient micro environment • Some times rules and regulations change overnight • Slowly evolving market supportive institutions • Under developed telecommunication infrastructure • very limited sources of information		• Weak in cluster formation • Traditional business management practices that encourage copying only. • Underdevelopment of entrepreneurship • Under capacity operation

Challenges and uncertainties / Informants	General Environment (political, policy, legal, social and economic)	Task environment (market, competitive, regulatory)	Organization-specific problems
	• Weak information dissemination • limited capacity of the intermediary institutions • detaining without due process of law		
Research/ academia	• Lack of visionary national development strategy • Trade and tariff liberalizations • Lack of clear policy direction on industrial development • The government doesn't trust the private sector • Financial sector is not yet liberalized • Frequently changing policies • Tendencies to control every thing • Hangover of the command economy • Volatility in economic growth • Limited sources of information • Absence of long term financing institutions • Underdeveloped transport and distribution infrastructure.	• Cheap imports from Asia • Exposure to international competition • No service-orientation • No competition • Party affiliated business organisations • Globalisation • Liberalisation	• Weak skills levels • Weak management capability • Deteriorated work ethics • Lack of finance • Lack of information where and what to export/produce • Lack of established contacts abroad • High transportation cost • Very limited business experience • Rent seeking & speculative behaviours • Hangover to the command economy • Short supply of entrepreneurship

Economic Environment

Ethiopia faces macroeconomic challenges characteristic of several low-income Sub-Saharan African economies. Historically, it has experienced low growth rates, is deeply indebted, is highly dependent on the agricultural sector and agricultural exports (coffee), and growth has historically been volatile due to frequent external shocks, mainly from drought and terms of trade shocks (see, Bourguignon et al, 2004; EEA, 2004; Lofgren, 2004). This leaves a large part of the population at risk of famine due to low yields and vulnerability to frequent drought, a situation made worse by the weak rural infrastructure. The national infrastructure overall is very poor, with far lower average road density than the average for sub-Saharan Africa, and with relatively little of the country's arable land under irrigation.

The description by a government official regarding the then economic situation and its restructuring aspect illuminate partly the then Ethiopian economic situations:

> "(1) The country's economy was heavily agrarian and a peasant economy - not mineral - or oil-based; (2) lacks good infrastructure for industry; (3) the experience of managing industry along the commercial line was (is) very weak; (4) the then quota system production hindered care for price and quality; and (5) The economy was in depression and hence poorly performing. Thus it was not a question of restructuring and changing things in a certain ways but to bring the level of capacity utilization of enterprises to a certain level before even thinking about restructuring and commercialisation" (Director, EPPESA, 2004).

Overall, the key insight that emerged from informants' analyses and discourse was the fact that the three groups of informants perceived the causes and level of challenges somehow differently. For the government officials, the major problems reside within the business organisations themselves. For business association experts, the problems was coming more from the general environment and less from the businesses. According to academia and researchers, however, while uncertainties emanated from the general environment, business organisations also had their own weaknesses to deal with these challenges. But the crucial insight emerged from the meticulous analysis was that *the types of government policies and institutional arrangements in place to promote economic development influenced the choice- making behaviours of business operatives by signalling actions that were allowed or restricted in their circumstances.*

6.3 Task Environment

This section provides analysis of the competitive and market environments in Ethiopia. The analysis draws on interviews, a critical overview of the banking and manufacturing and export sectors and other secondary authoritative sources.

6.3.1. Competitive and Market Environment

Historically world-wide, informants from research/academia contended, the manufacturing firms developed with strong state and public sector support. But now, the argument goes on, the international environment has changed such that the poorest of the poor countries are asked to compete in this controlled international competitive environment without any support from the state: that is, what liberalization and globalization imply. From the market and competitive environments, globalization was considered to be one of the greatest challenges for the Ethiopian business organisations. The analysis of one of the key informants highlights the seriousness of this perceived challenge for the Ethiopian business organisations:

> "Globalisation is becoming a great challenge of all times even for highly endowed, capital rich manufacturing firms with centuries of experience in Europe and the United

> States. These firms are now having very serious difficulties in competing with the manufacturing giants coming from Asia and particularly from China. Given this you can imagine how it would be difficult and if not impossible for very poorly endowed financially weak, technologically backward firms with a very low level of skills to compete and survive in international market" (Ex-DEEPRI).

Moreover, according to these interviewees, the cheap imports from Asia, dumping and under-invoicing activities were threatening the very survival, and in some cases led to the closure of many domestic manufacturing firms. These informants described that, with a new market oriented economic system, the domestic market was relatively left open to the competition from imports. High production cost that were caused partly by currency devaluation, combined with reduced barriers for imported items, they argued, pushed domestic manufacturing enterprises out of the market.

Most informants were worried about the present and future competitiveness of the business organisations unless these were based on areas of comparative advantage. The account of one key informant represents such views:

> "None of the institutions in the financial sector by themselves would be able to compete against multinationals" and "phased liberalisation of the financial sector should be considered" (VP, AACC, 2004).

On the other hand, some authoritative sources pointed to the difficulties in marketing faced by the Ethiopian business organisations. Marketing has become quite difficult mainly due to import liberalization, high production cost of domestic enterprises, dumping, contraband, under-invoicing, poor market information, low product quality and monetization of food aid (Teferi and Zerihun, 2001; Nega and Moges, 2003; EEA, 2004). As result of these factors most domestic enterprises were operating at very low capacity and were unprofitable. Furthermore, a Diagnostic Trade Integration Study (DTIS) finding showed that Ethiopia continued to face problems of global market access. It showed that Ethiopia's export bundle was generally subject to high tariffs in both developing and developed countries. Thus, tariffs and non-tariff barriers externally acted as serious barriers to export growth and diversification efforts of Ethiopia - ultimately undermining the efforts for rapid and sustained economic growth and poverty reduction in general and export promotion in particular.

6.3.2. Overview of the Ethiopian Banking Sector

This and the next three subsections draw heavily on the authoritative sources and empirical studies. They provide 'authoritative' accounts of the banking and manufacturing and exporting industries context.

The establishment of the Abyssinian Bank in 1905 marked the start of modern banking in Ethiopia. The financial sector was dominated by foreign ownership until 1931. The Bank of Abyssinia was renamed "the Bank of Ethiopia" in 1931 thereby becoming the first bank to be nationally owned in Africa (Gidey, 1990:83; Degefe, 1995:234). Additional financial institutions were established during the Italian occupation of the late 1930s. After the end of the Italian occupation, the State Bank of Ethiopia was established in 1943 and functioned both as the central bank and commercial bank of the country (Degefe, 1973:12).

The year 1963 marked a turning point in the banking industry of the country. A new banking law was enacted that separated the functions of central banking from the commercial banking activities by creating the National Bank of Ethiopia (NBE) and the Commercial Bank of Ethiopia (CBE). Furthermore, the legislation allowed the formation of the private banks and the operation of the foreign banks in the country on a joint-venture basis, Ethiopian nationals owning a majority of shares (Dessie, 2000:9). It thus introduced ideas conceptually based on the market-oriented economy. Prior to 1963, the government owned all the banking institutions, and there was virtually no competition. Following liberalization of banking in 1963, the Addis Ababa Bank, a joint venture with Grindleys Bank, and two Italian banks, namely, Banco di Roma and Banco di Napoli were established. The latter two were established with the primary motive of serving Italian businesses in the country (Dessie, 2000). The Addis Ababa bank grew fast and competed on a par with the CBE.

All of this changed during the military regime (1974-91) when stiff control of the central bank and a state monopoly characterized the financial sector. Under the Dergue regime all privately owned financial institutions including three banks, thirteen insurance companies and two non-bank financial intermediaries were nationalized on 1 January 1975 (Degefe, 1995:273; Harvey, 1996). The NBE continued its functions as a central bank by fixing both deposit and loan rates, administrating the allocation of foreign exchange and financing the fiscal deficits (NBE, 1996). Other state banks undertook little in the way of any financial and economic analysis of prospective projects. Since loan collateral was not required from state-owned enterprises and the government implicitly covered losses by fiscal subventions, state banks developed very little capacity to appraise the riskiness of their balance sheets (Addison and Geda, 2001).

6.3.3 Quasi –liberalization of the Financial Sector

Following the downfall of the Dergue regime in 1991, the current government has taken some policy measures to liberalize the financial sector. Notable in this regard were: first, the initial massive devaluation of birr (Ethiopian currency) by 140 per cent and the introduction of the foreign exchange auction system took place, respectively in October

1992 and in 1993 (Aron, 1998). Second, the enactment of a proclamation allowing the domestic private sector participation in banking and insurance business in January 1994. Third, issuance of a series of legislations related to interest rate liberalization, restrictions on the supervisory role of the central bank and foreclosure laws. With the liberalization of the financial sector six private banks and eight private insurance companies joined the financial market, raising the total number of commercial banks in the country, including three public banks, to nine. Regarding the pace, the government's strategy for financial sector development is characterized by gradualism mainly focusing on maintaining macro economic stability (Addison and Geda, 2001). Simultaneously, the strategy aimed at strengthening the capacity of domestic financial institutions and the central bank's capacity for prudential regulation and supervision before further liberalization was enacted. The restrictions on the entry of the foreign banks retained (interviews, 2004; Addison and Geda, 2001; IMF, 2004a, 2005).

Driven by a joint IMF/World Bank policy prescription in a bid to strengthen the competitiveness and efficiency of the domestic financial organizations, the government was pursuing what it calls the 'financial sector reform programme'. However, the pace of reform was slower than in neighbouring countries (IMF, 2005). According to an IMF report (2005), Ethiopia just started a comprehensive financial restructuring of the CBE, but the market competition was limited, as the near monopoly status of the CBE was not addressed yet. The gradual reforms adopted over the last decade, following a long period of state control suggested a cautious attitude by the government toward any radical and fast-paced reforms and difficulties in building a consensus in the country (IMF, 2005).

Competition among the banks was very limited but increasing (NBE, 2003; IMF, 2005:39). At the end of 2002/03, the CBE was the most dominant bank, holding 76 per cent of assets, 54 per cent of loans, and 75 per cent of deposits of the banking system. The largest private bank, Dashen Bank, held 4 per cent of assets of the banking system. But the two distinct characteristics of the banking sector were, paradoxically, its underdevelopment and high liquidity. Reflecting weak credit expansion to the private sector, excess reserves of the banks have remained high. Banks only provide short-term financing and credit for investments in real sectors (industry and agriculture) has been low and insignificant.

The level of nonperforming loans (NPLs) in the banking system was high, due to a number of structural weaknesses. Some of these were the effects of the border conflict with Eritrea (1998-2000), declining coffee prices, and the vulnerability of the economy to exogenous shocks, particularly droughts, and the strengthened loan provisioning requirements.

Excess liquidity in the banking system reflected both supply and demand factors. From the supply side, factors include restrained lending activity by banks under strengthened prudential regulations, steady deposit inflows owing to a lack of investment options other than bank deposits, and a constant inflow of remittances and donor assistance from abroad (EEA, 2004; IMF, 2005; Interviews, 2004). Banks reported that inadequate information on borrowers related to poor bookkeeping and business planning often hindered extension of credit and led to a reliance on collateral-based lending (Interviews, 2004). On the demand side, excess liquidity was driven by weak credit demand from the private sector, due to the uncertain business environment, declined coffee prices, cumbersome investment requirements, and the lack of infrastructure and readily available land (EEA, 2004; IMF, 2005). In the latter case, banks accepted urban land as collateral based on the leasing value, however, banks have never foreclosed land as the government owns it and the lease market is not active. In addition, insufficient liquidity management by the NBE and liquidity risks associated with an outdated payments system contributed to the excess liquidity. This is due to financial transactions that are mostly settled based on papers and manual processing, and cash and cheque being the dominant payment medium. There was no automated clearance system for inter-bank transactions and checks, and there were no "failure to settle" rules and arrangements.

In summary, the foregoing reviews suggest that the Ethiopian banking sector development has seen periodically recurring business and ownership orientation of: state monopoly (pre-1963 and 1974-1991) and different ownership types and limited competition (1963-1974 and 1992 onwards). The review also showed the characteristic features of the banking sector to include high market dominance of the state banks, limited competition and policy restrictions on entry of foreign financial institutions. The banking sector remains underdeveloped but highly liquid.

6.3.4. Overview of Manufacturing and Export Sectors

The contribution of the Ethiopia's manufacturing sector to the national income has been less than 10 per cent and lower than the average for Sub-Saharan Africa (World Bank, 2003, EEA, 2004). Moreover, throughout the past decade its share has been stagnant or declining (EEA, 2004). For the period 1996-2002, the manufacturing sector growth was limited, on average to 1.6 per cent annually. The "sector depended on imports for nearly half of its input requirements excluding the capital goods" (EEA, 2004:168). The structure of the sector was highly skewed to agro-based industries and was weak in forward and backward linkages. Moreover, the size and share of other technologically leading industries (such as chemicals, electronics, iron and steel and related engineering industries) that would be instrumental for fast industrialisation as was the case in newly industrialized economies were insignificant, or nil. As a result, it lacked capability in supplying and acquiring the necessary resources, skills and hence depended on the imported raw and intermediate inputs, and technology. Despite the heavy consumption of the imported inputs, none of the manufacturing industries is capable of exporting on a large scale to international markets. The textile industry was attempting to export on a very small scale, which could not cover even its foreign exchange demand for inputs (EEA, 2004:171). Over the period 1996-2002, many firms in various consumption goods industries were closed down because they were unable to compete following the abrupt opening up of the economy (EEA, 2004:155, Teferi and Zerihun, 2001). However, the total number of firms has been increased by 6 per cent annually as new entrants outnumber outgoing ones. In addition, the non availability of some of inputs locally, poor quality, inadequate supply and high price were reportedly mentioned by the management of these enterprises as reasons for importing inputs (raw and intermediate) from abroad (EEA, 2004). Hence, the organisational performance and competitiveness of these manufacturing firms were affected because of variations in input supply and costs, lack of on-time availability of foreign exchange and inability to compete in price.

Table 6.2 Ethiopian Manufacturing Export, 1996-2002 (Percentage)

Year	Export Growth	Export share	No. Exporting firms	% of exporting firms	Export intensity	Import coverage
1996		15.8	24	3.9	37.8	28.2
1997	-78.2	2.6	18	2.6	8.4	6.7
1998	26.6	2.9	14	1.9	17.8	8.5
1999	142.3	8.8	36	4.8	24.7	16.3
2000	-1.8	8.6	37	5	18.8	15.2
2001	124.5	20.1	40	5.2	34.4	38.9
2002	-24.9	15.6	26	2.9	40.8	32.5
Average	31.4	10.6	28	3.8	26.1	20.9

Source: Survey Result of EEA and CSA's report on LMSME Industries Survey

On the other hand, the number and proportion of exporting firms, export share and growth have not been encouraging in the seven year periods, 1996-2002. Export earnings have shown an appreciable average increase of 31.4 per cent annually as shown in the above table. However, the export earning has been highly volatile and characterised by steep ups and downs during this period- the reflections of the lack of capabilities and competitiveness. The insignificance of the sector's contribution to export activities was manifested both in the number of firms exporting and their proportion against the total number of manufacturing enterprises being on average 28 and 3.8 per cent, respectively during 1996-2002. The other two important observations from the above table include: (1) firms were exporting, on average, only 26 per cent of their outputs; and (2) These firms could cover on average only 21 per cent of their imports by their exports and hence they were susceptible to external shocks and imbalances. The extremely small proportion of firms in the export trade may indicate the fact that manufacturing export was not given due policy attention as well as the consequences of the past regime's economic orientation that was focused on the internal market.

6.3.5. Tanning of Hides and Skins, and Garment

The modern tanning industry in Ethiopia dates back to 1920s. Presently, Ethiopia's leather industry is in the forefront of the leather sector development within the Eastern and Southern Africa region. It is the second largest contributor to Ethiopia's export earnings after coffee but its contribution has been volatile.

Ethiopia is one of the countries that have the largest herd of livestock population in Africa. Thus, its resource base for the development of the leather and leather goods industry is substantial, but the effective use of these resources is very limited. The market opportunities and potential of the Ethiopian sheepskins and goatskins at the international market were considered to be high given the high tensile strength and the high fibre structure of these products. Specially, "Bati genuine" goatskin and the "Salalie sheepskin" which have got their names from Bati town and Salalie area of Ethiopia, respectively, are valued at premium. These products are suitable for the production of high quality leather, dress-gowns, sport gloves and garments. Because of its high quality, the Ethiopian leather, particularly sheepskin and goatskin leather can be marketed easily in the major leather importing countries. According to the Ethiopian Investment Commission, there is also a high domestic market potential of finished leather for the growing local leather products manufacturing industries (EIC, 2004).

In 2004, there were 20 tanneries in the country, out of which 16 were private and the remaining 4 were state-owned. These tanneries had an average tanning capacity of approximately 4,000 pieces of hides and 30,000 pieces of skins per day. However, their tanning process was largely limited to semi-processed leather, the finished leather only accounting for 14 per cent of the total production (EIC, 2004). Their finished leather occupied the biggest local share for shoe uppers. All of these tanneries produced shoe uppers leather and lining as well as garment leather. They were also member of their umbrella organisation - the Ethiopian Tanners Association (ETA). The state-owned tanneries were under offer for privatization.

Garment

The modern garment manufacturing industry started in Ethiopia 40 years ago with the establishment of the Addis Garment Factory, previously known as Augusta, by three Italians in 1965. Currently, there are five public and 25 private garment manufacturing factories in the country producing mostly work-wear garments primarily for the domestic market (CSA, 2002; EIC, 2004). The major products include cotton based varieties of garment products such as shirts, T-shirts, uniforms, work clothes, etc. mainly for the domestic market.

In summary, the Ethiopian manufacturing sector was highly dependent on agriculture, was import intensive and made minimal contribution to the national economy. Manufacturing enterprises were small in size, had limited access to capital, had low absorptive capacity, and were exporting only 26 per cent of their outputs and could cover only 21 per cent of their imports by their exports. They faced stiff competition from imports.

6.4. Required Organisational Capabilities

This section presents findings on context informants' analyses of the required capabilities and knowledge for organizations during a time of a transition. Thus, their analyses were at a general, national, level but will be useful to triangulate the accounts and interpretations of the managers on this vital issue later on to enhance the credibility and transferability of this study's findings.

6.4.1. The Problem

Informants from the government offices viewed the status of the Ethiopian organisations' resources and capabilities to be weak, feeble and underdeveloped. These informants attributed the weaknesses to the inherent poor business culture which they thought was a major constraining factor to share information and knowledge. According to these informants, many traditional business people tended to be reticent in their business conduct; did not want to get paid consultancy services; did not want to get into clusters and were not willing to share experience, ideas and information with others. Because of such managerial attitudes, most of the business organisations had wide skills gaps; a majority of their workforce being unskilled. In addition, these informants discussed the limitations and barriers to knowledge and capability development which included lack of exposure to international trade practices; lack of technical staff with practical skills ('people are good at theoretical rather than practical knowledge'); and abhorrence to use existing training institutions to upgrade employees' skills. The underdevelopment of intermediary organisations that facilitate access to relevant information, knowledge and resources was also mentioned as one weakness in the business environment.

As the discussion progressed, more reflections and more concerns were surfaced. Because of the above mentioned limitations, some informants had concerns about the ability of the business organisations to exploit the available opportunities. One key informant said:

> "We have market opportunities in Europe, Canada and the USA and exploitation of these opportunities only happen through the management - somebody should be there prepared to seize such opportunities" (Director, EPPESA, 2004).

The analysis of another government official's interview on the prevalence of traditional banking practice reflects a similar tone:

> "Banks in Ethiopia basically lack exposure to the outside world in terms of management of the financial institutions and innovation..." (Deputy Director, Economic Research and Monetary Policy, 2004)

In relation to this, the utility of formal management training to transform traditional management practices was questioned: "whether an employee is a graduate of Harvard or Oxford, business management in the country is at rudimentary level" (Director, EPPESA, 2004). This account illustrates the vital importance of developing a practice-oriented knowledge base.

On the other hand, the analyses of informants from the businesses community focused more on structural problems rather than attributing the problems on the business organisations *per se*. For some of these informants business organisations are weak in their organizational capabilities base because of a lack of finance, backward information and telecommunication technology infrastructure, low entrepreneurship, weakness in intermediary institutions and the marginal interest of the business community in forming associations or clusters. Furthermore, they particularly noticed the existence of a mismatch between what the educational system produced and the required skills and knowledge on the ground. Thus, the business firms were overwhelmed with the traditional business management that was not open to the 'modern management' and 'international business practices'. The account of one informant reflected two important issues that acted as constraints:

> "Money shortage and mindset are the two crucial bottlenecks in acquiring business knowledge". ..."people are not yet ready with their perception that they can work together" (President, EMIA, 2004)

Moreover, the description highlighted the scope and depth of the structural problems:

> Status of acquiring business knowledge and information is weak because of backward telecommunication infrastructure, low entrepreneurship, weakness in intermediary institutions and marginal interest of business community to form associations or clusters" (Managing Director, Research Institute, 2004).

A number of interesting insights could be drawn from the knowledge of these informants. First, Ethiopian managers lacked prior experience in operating in and exposure to market oriented business environment and hence need to have practical experience on national and international business practices. Active engagement in 'modern' business practices was believed to help change their mindset and imitative learning, and increase the use of existing training facilities and the formation of business clusters. Second, they were concerned about the discrepancy between the outputs of educational system and the required applied skills on the ground - the widening gap between formal/theoretical knowledge and practical knowledge. Third, some key informants' perception of the key challenges of business organisations surpasses the level we might expect them to be. The following quote encapsulate their analyses and discourse of the key problems:

> "Over the years, *we've been kept separate from each other*, and I think it becomes an *impediment to getting into clusters, sharing information and experience.* Even what has been happened in the last ten years kept us fragmented: association and dissociation effects ..... Maybe *now, we are more suspicious of each other than before.* All these are challenges. ... We need really a type of leadership, skill and human resource to lead us to do these things. So the challenges are lack of leadership, cultural inhibitions and the mindsets" (President, EMIA, emphasis added)

Academicians and researchers also underscored that Ethiopian business organisations have been suffering from weak management capability, lack of sufficient resources (capital, skill, supply of entrepreneurship), lack of information as to where and what to produce/export, lack of established contacts abroad and high transportation cost. A number of researchers also highlighted the worrying features of the business organisations such as 'rent seeking' and 'tendency to get rich overnight, lack business ethics and business experience'.

6.4.2. The Required Organizational Knowledge and Capabilities

Interviewees' subjective views on the required organisational knowledge and capabilities to make these organizations competitive and improve performance were also probed during the interview process. The details of their analyses are presented in Table 6.3, below.

The research context interviewees' analysis of the required organizational capabilities of Ethiopian business organisations revealed differences and similarities on the sorts of capabilities needed to be in place. Some interviewees saw *marketing know-how* as extremely crucial before, during and after production while for others developing *management capability* was what mattered most. A third category of informants put emphasis on building *technical capability* that would enhance quality and productivity. Those who argued primarily for the development of management capability described management competence as a critical resource for the Ethiopian business organisations. One key informant's argument reflects how vitally important developing management capability in the country is.

> " Filtering the environment for information on global market, systems and procedures that would enable competitiveness, even the proper use of resources, and strategic choice of supplies are now heavily depending on management and management infrastructure. The management capacity is the one that differentiates one organisation from the others coupled with culture, innovativeness and openness" (Director, EPPESA, 2004).

Marketing know-how was considered by a number of informants as one of the essential skills and knowledge that needed to be developed. To the extreme, these types of informants saw marketing know–how as a panacea for the business development and that primacy should be given to the specifics of the market and how to get access to it, before dealing with the internal constraints.

Table 6.3. Analysts' Assessment of the Required Knowledge and Capabilities

Context Interviewees	Required Knowledge	Required Capabilities
Government officials	***Internally focused*** Technical know-how; Design; How to become efficient and effective ***Externally focused*** Marketing know-how; Fashion; Competitive situations ***Both (Spanning)*** Knowledge of the financial system,; Strategic management; Business clustering; Knowledge about macro economic developments	***Internally focused*** Production process; Design capabilities; Fashion; Organisational or integration; Technical efficiencies; Effluent treatments; Work safety; Cost; quality; Weaving and finishing; business process reengineering (BPR); Total quality system (TQM) ***Externally focused*** Knowledge of the market; Market sensing; Use of training facilities; Technical and administrative and regulatory requirements; Search for information and training sources. ***Both (Spanning)*** Networking ability; Business clustering; New product development; Strategy development; Standard and quality certification; partner formation capability, Mindset changing
Business community	***Externally focused*** Clustering knowledge	***Externally focused*** Competition Both (Spanning) Cluster, change mindset
Research and academia	***Both (spanning)*** Entrepreneurial skills, Knowledge of quality standards & administrative requirements	***Internally focused*** Technical and production capability ***Externally focused*** Knowledge of the market; Government support schemes; Internalise value of competition. ***Both (Spanning)*** Suppler linkage capability; Networking; Negotiation competence; entrepreneurship

In addition, the national level interviewees suggested that business clustering, ability to form partnership with foreign firms, entrepreneurial competence and business management were key required capabilities. They also singled out finance, in particular long term finance, as a critical resource required by the Ethiopian business organisations.

6.4.3. Ways of Acquisition and Development

While most informants from the research and business associations were pessimistic about the future direction of the Ethiopian business organisations, others informants from the government seemed to hold more humble expectations than the former group. To these latter type of informants, most problems and challenges could be solved through initiatives of partnership formation, availability of wide choices of technology and by meeting the quality and standard requirements drawing on recent success of some enterprises (.e.g., the success of an agricultural products exporting enterprise that was able to meet the requirements of the Euro good agricultural practice). There were also some more enterprises starting to achieve the total quality management system (TQM): ISO 9000 or ISO 14000 versions. Thus, introducing 'modern management practice' was seen as a possible strategy to overcome the internal organisational weaknesses.

The national level interviewees suggested the business people need to change the ways they had been doing things, change organisational culture and attitude of the staff as matter of urgency. According to one key informant, this might be achieved through:

> "...learning business management by doing, experiencing and exposure; developing capability to change the way things are done, by being responsive and learning type of organisation" (Director, EPPESA, 2004).

There were competing accounts of the status of business organisations' organisational capability. These accounts differed on the nature and depth of the problem but also on ways these could be addressed. But the closer analyses of these informants' views unveiled that the strategic focus of the Ethiopian business organisations needed to be on *imitative learning, efficiency and quality improvement and collaboration with authoritative sources of knowledge.* In other words, business organisations were considered to be weak in engaging in transformative, radical and innovative change until such time that they are able to develop such capability. The account of one key informant reflected such views:

> "In general, firms in manufacturing need to acquire technical ability to *improve quality and productivity*; *be good followers and imitators* until they develop innovative capability; be able to *introduce quality management systems* that would reduce their cost, enhance product quality, and enter foreign market; be *able to learn from others who do better*; create linkage with research institutions and universities, and willing to provide internship programmes for vocational and technical students" (Director, EPPESA, 2004).

As evidence, this informant suggested that public enterprises' managers were learning from the others which do better through experience sharing and discussions with other managers. There was also an intention for foreign exposure visits. These exposures to, discussion with and seeing others doing better, according to this informant, would motivate imitation by the visiting managers because these managers would think that this is (a) possible; (b) useful; and (c) can be done by themselves. These, he argued, are the ways to eliminate barriers to information and knowledge sharing.

In summary, the analyses of the sources of the problems, the status, the required types and the ways of developing organisational knowledge and capabilities by the national level informants revealed a number of important issues. These were:

1) Business organisations were weak in their knowledge and capabilities bases due to constraints from the institutional environment, the behaviours of organisations and their managers.

2) The national level informants' analyses suggest that the important knowledge and capabilities *required* to be acquired and developed can be classified as *internally focused, externally focused and spanning.* At organisational level, however, the informants regarded ***management, marketing, technical, business***

clustering and *partnership formation* as the required knowledge and capabilities need to be developed by the Ethiopian business organisations.

3) The required organisational knowledge and capabilities could be developed, according to these expert informants, by *imitative learning, exposure visits, managing business through doing and experiencing, introducing 'modern' management practices* and tools such as BPR, TQM, and *collaboration with the authoritative sources of knowledge,* networking and capacity building programmes of the government.

6.5. Chapter Summary

By using the macroscopic approach, this study uncovered a number of distinctive features of the Ethiopian transition economy environment that have due implications for business organisations and their managers. In summary, the following five important findings emerged from the analyses of interviews and secondary sources.

1. The Ethiopian transition to a market economy was described as very gradual, peculiar, and ambiguous. Party and state had been playing predominant roles in the economy. These characteristics features were manifested themselves in Marxist precepts which have continuously influenced the thinking and actions of key environmental actors; a tendency to bring about a 'controlled change'; the fear of the unknown, the ideology of a state-socialist perspective on the role of state; the lack of previous experience in operating in market economic system, and the legacy of the socialist formal institutional arrangements that did not dissipate. These interpretations heightened the contested nature of transition to a

market economy and showed how it might be difficult to venture into and manage business in such ambiguously changing environment.

2. The three groups of informants differed as well as had similar views on the attributes of general and task environments of the country. While most of the informants from the government offices viewed the general environment as conducive and stable; most informants from the business community and research/academia perceived this to be volatile, uncertain and unpredictable. These competing analyses and interpretations by these three groups of informants, in turn, led them to blame different sources for the problems: government offices informants tended to see the problems to be inherent in business organisations themselves; business community and research/ academia informants maintained that the problems to have emanated more due to structural, ongoing liberalisation, unpredictable polices; volatile economic growth; slow evolution or development of market supportive institutions and less from the business organisations and people's mindset.

3. From the task environment, most informants converged in their interpretations that encroaching globalisation could be the greatest challenge. Meeting the requirements of international quality, standards and administrative bodies; opening up of the economy; 'unfair' competition (the proliferation of party affiliated business organisations) were considered as sources of significant uncertainties for business organisation in Ethiopia.

4. At industry level, the Ethiopian banking sector development has seen periodically recurring business and ownership orientation of state monopoly (pre-1963 and 1974-1991) and different ownership types and limited competition

(1963-1974 and 1992 onwards). Dominance of state-owned banks, policy restrictions on entry of foreign financial institutions, excess liquidity and very limited but increasing competition were typical features of the banking sector. The ongoing financial sector reform programme focused on building the capacity of the state-owned banks and an insurance company, and the regulatory capacity of the central bank. The overview of the Ethiopian manufacturing and export sector showed that the sector was highly dependent on agriculture and was import-intensive for its inputs. Moreover, manufacturing firms were small in size and lacked capabilities to be competitive in the face of the ongoing opening up of the economy. Moreover, manufacturing firms were exporting only one-fourth of their outputs and only could cover one–fifth of their imports by their exports. The overview showed that the tanning and leather industry enjoyed comparative advantages in resource base and international reputations for sheepskin and goatskins.

5. National level informants' analyses suggested that the important forms of knowledge and capabilities required to be acquired and developed can be internally focused, externally focused and spanning. In particular, these informants emphasised the importance of developing management, marketing, technical, and business clustering and partnership formation capabilities. Imitative learning; managing business through doing and experiencing; introducing 'modern' management practices and tools (such as BPR, TQM); collaboration with the authoritative sources of knowledge; networking and capacity building programmes of the government were considered as possible ways to develop the required organisational knowledge and capabilities.

In summary, the national level respondents' accounts and analyses, and the description of secondary sources about the Ethiopian transition process and the business environment convey significant implications for firms and their managers. As managers' knowledge is assumed to have its developmental trajectory, is path dependent and situated, this chapter provided insights into some important contextual, organisational and managers' personal factors that seemed to influence and shape the ways in which these managers understand, know and respond to environmental constraints and limitations. Moreover, the analysis in this chapter revealed the crucial importance of management knowledge to managing business in a market-oriented environment. This in turn will lead us to seek to explore sensemaking and the nature of managers' knowledge of environment and key organisational issues in their context. The focus of the next chapter is, thus, to report on the main findings from the managers' perspective.

CHAPTER SEVEN: FINDINGS AND ANALYSES

7.1 Introduction

This chapter provides description of the key findings from the core part of the study. The chapter structure reflects the conceptual framework and the main research questions investigated in this thesis. Accordingly, it is structured as follows. The next section presents the results of the top-level managers' knowledge of the environment and their analyses of the implication of this on their business organisations. The third section presents results of the managers' analyses of their current organisational resources and capabilities. Managers' conceptualisation of strategy and their knowledge about what it takes to be successful is presented in section four. This is followed in section five by how managers make sense of plausible organisational strategy and strategy making processes. The managers' accounts of the required organisational resources and capabilities, and how these might be acquired and developed are reported in section six. Section seven summarises the main findings of this study.

7.2. Managers knowledge of the Most Important Aspects of the 'Environment'

I started my investigation of the top-level managers' knowledge base by asking them what they regarded as the most important aspects of the environment and from these aspects what they saw as opportunities and threats for their organization. This section reports on key findings on this question.

The Ethiopian managers tended to see a number of key aspects and attributes of the environment. The fieldwork data showed that Ethiopian managers' knowledge of aspects of the environment varied across and within organisations. For some of the managers the environment was highly politicized, unpredictable and a source of significant uncertainties; for others, it was conducive, improving and providing opportunities; and still for others, it was both. Despite the variations at managerial level, Ethiopian senior managers essentially saw the most important elements of the environment to include political/policy, market, competitive, regulatory, economic and technological factors. The general interpretive orientations and sample detailed interpretations of managers inter-organizationally are shown in Table 7.1 and Figure 7.1. Table 7.1., provides insights into how managers saw the importance of various elements of environment and, threats and opportunities arising in them selectively.

Table 7.1 Managers' Sensemaking of the Environmental Elements

Organization Attributes	State Bank	Private Bank	State Leather	Private Leather	State Garment
Threatening	Competitive, Market, Economic, Technological	competitive, Economic, policy/political and Socio-cultural	Competitive, market, technological	Competitive, market, technological International events Policy	Competitive, Market technology, policy/ political regulations
Opportunities	Social, policy-political, regulatory	Technological Market, regulatory policy	Regulatory policy-political	Regulation policy	Market (AGOA, EBA)
Not mentioned as threat or opportunities	------	------	economic, social	Economic, socio-cultural	Economic, social
Overall Environment	**Both**	**Threat**	**Conducive**	**Threat**	**Serious Threat**

Given transition process to and path dependence, these managers considered competitive and market environments from the task environment and policy /political environment from the institutional environment as significant sources of 'threats' and 'opportunities'. While bank managers interpreted the *economic* environment as volatile, it was the *technological* environment that was emphasized by managers in manufacturing and exporting organizations. The socio cultural environment did not seem to attract managers' attention. With the exception of managers in the state bank and the state tannery, almost all others managers considered political and policy environments to be unpredictable and unstable. The policy environment in particular received mixed interpretations by the interviewed managers as they were operating either in policy encouraged business types or protected sectors.

Figure7.1. Managers' Interpretations of Aspects of Environment

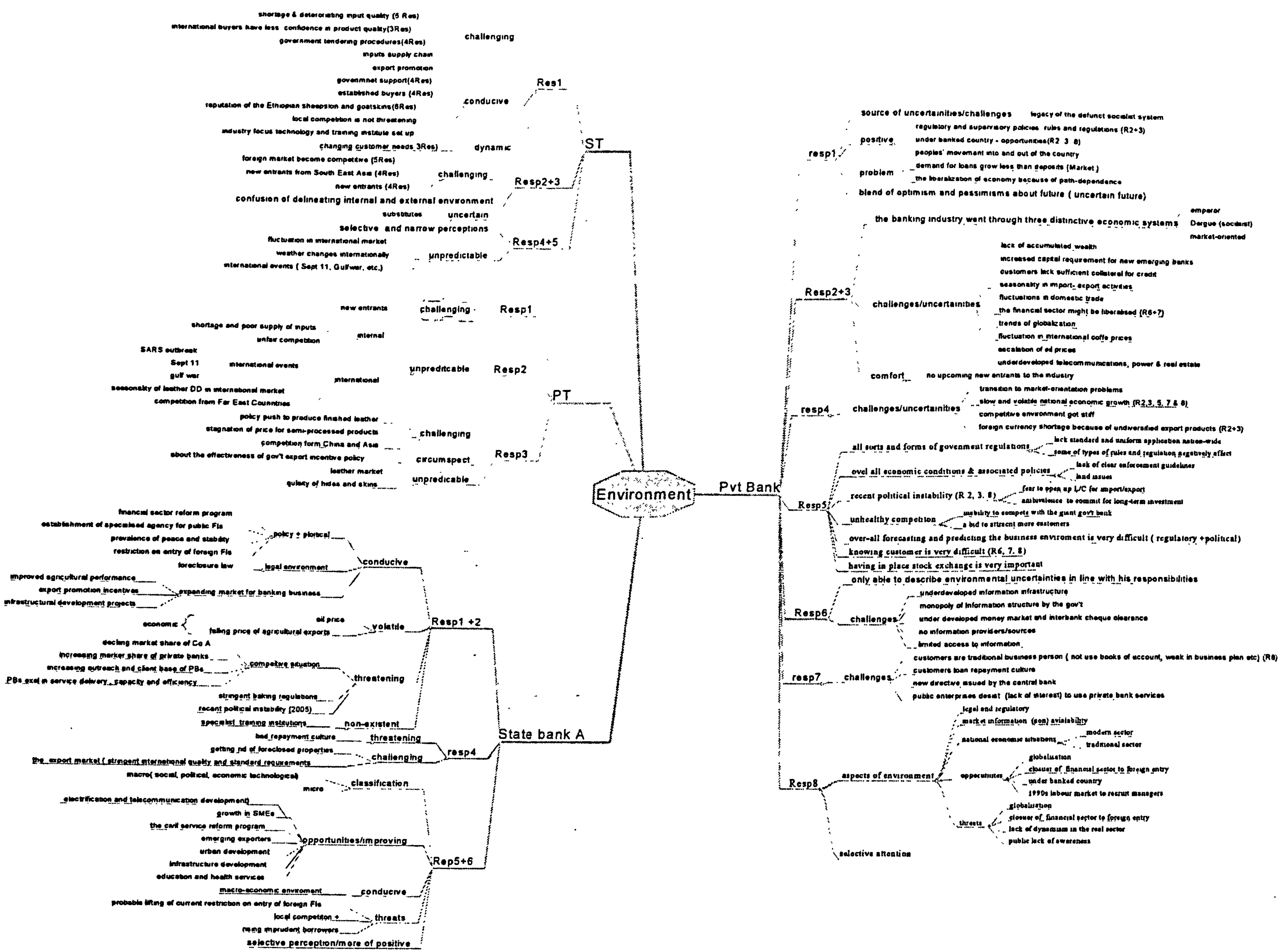


Figure 7.1 above shows the most important aspects of the environment at organisational level as identified by managers. Since the banking sector is policy protected and the country is under-banked, managers in the private bank saw these as opportunities for growth and expansion. However, managers in the process of sensemaking identified a number of issues as sources of uncertainty. These factors included the volatile national economic growth, political instability, unpredictable policies and regulations, an underdeveloped money market, market information scarcity, unfair competition and the difficulty in knowing the customers. The state bank managers considered political/policy and macro-economic environment stability, legal environment (foreclosure law), export incentives, infrastructural development, and growth in small and medium enterprises as opportunities for banking business. They considered volatile national economic growth, local competition and increase in number of imprudent borrowers as sources of uncertainty.

The state tannery managers perceived the shortage, and deteriorating quality, of local inputs, increasing international competition and the growing number of entrants to the industry as major challenges. However, these managers considered the state support, export incentives, the international reputation of goatskins and sheepskins as providing opportunities. The private tannery managers reported adverse international events such as 9/11, the SARS outbreak in Far East, the seasonality of the international leather market, competition from the Far East (China) and the deteriorating quality and shortage of the local inputs to be major threats to their business. These managers had little to say about the opportunity arising from the environment and were mostly circumspect about it.

Another interesting observation from figure 7.1 is that managers differed in the extent to which they knew their environment. It is evident from the figure that, relatively, managers in the banking organisations had a broader knowledge about the environment as compared to the managers in manufacturing and exporting enterprises. Within organisations a number of managers had broader knowledge of their environment than some of their colleagues (e.g. respondents 2, 3, 5 and 6 from the private bank, respondents 1, 2, 5 and 6 from the state bank). Moreover, managers selectively interpreted aspects of the environment that they thought would impact on their current roles and responsibilities.

7.2.1. Political and Policy 'Environment'

Managers' interpretations of and knowledge about political/policy environment revealed its unpredictability, frequent changes and ambiguity. Managers' knowledge of this environment tended to be differentiated, highly politicized and incomplete as well as similar in some dimensions. From the aspects of this environment, managers' knowledge converged on issues relating to the conduciveness of export policy and the macro environment (macro economic stabilization – low inflation, stable exchange rate, and interest rates). However, at the micro level there were many managers who were fraught with uncertainty about the proper and uniform implementation of relevant policies and administrative rules. Thus, one director questioned:

> "How would I get licenses from the ministries, how would I pay my taxes, how would I go to the court and get judgment, how do I get justice in this country, how could I get police intervention if one breaks into my property? These are things to be desired; and a lot remains to be done in that direction. When things come down to the grass roots level, there are still institutional settings which are not in place. So these are challenges" (Manager, Private Leather, 2004).

The conversation of these managers revealed the perceived malfunctioning and void in the desired institutional frameworks at micro level. They questioned whether the existing micro level institutions were capable of providing the required services to promote private enterprises in a changed environment. Moreover, they worried about the absence of the conventionally taken-for-granted elements of the business environment.

On the remaining aspects of policy and political environment, however, their interpretations divided evenly – a group of managers having positive views and, others seeing this environment as a source of significant uncertainties. The closer investigation of issues reveals that most managers from the state-owned enterprises had views that the political/ policy environment is relatively providing an opportunity for them (with the exception of the recent political instability). In support of their interpretation these managers provided evidences that pointed to the policy and administrative measures taken by the government. These mentioned measures included the Financial Sector Reform Program (FSRP); restrictions on the entry of foreign financial intermediaries; a foreclosure law for banks; support in areas of market search, consultancy services and partner formations; and export incentives.

By contrast, private business managers had strongly held convictions that the current policy and political environment, in a majority of the cases, has not been delivering on their expectations. For the majority of informants, the socialist experiences and precepts internalised by Ethiopians, be it policy makers, businessmen or civil servants, were not fully dissipated. These informants criticized the way that the transition process was being managed and implemented. The fieldwork suggests that the tendency of policy makers and government officials to bring in a 'controlled change' and their ambivalence or reluctance to fully commit to the market-orientation created suspicion on the continuity of the other market-oriented policies, despite the government's evident success in adapting to some of the stabilization and liberalization policies.

According to some informants, 'Ethiopia is not yet in a market orientation; there is a long way to go' (Vice President, 2004). This stems from the fact they suggested that policy makers have deeply held Marxist precepts, which continue to inform their behaviours across a range of policies including land, urban housing, and agricultural development. Therefore, even though some organisational fields, including the private sector and some informed sections of the society, recognised the need for change, or transition to the new value such as the right to own land as a private property, they were not successful. One of the informants' analyses highlighted the deep concerns of private business managers or owners:

> "One issue seriously besetting the private sector but not officially accorded recognition is that of trust between the business community and the government. The business community suspects that the government does not see the private sector as a partner in the national economic development despite its claim thereto" (Senior Manager, Private Leather, 2004).

The interviews revealed that many top-level managers were very circumspect and cautious about the future. They pointed out that frequent changes in policy made it difficult for them to plan ahead and to invest. "Frequently changing policies undermined businesses confidence in general" (Director, 2004). This interpretation was re-enforced by the head of a manufacturing firm who argued:

> "Rules and regulations change over time affect current project decisions or the implementation of approved ones. For instance, the investment code has been modified at least seven times in the last twelve years yet no significant investment, especially FDI, has come into the country. That is an indication for me there is something wrong. [In such circumstances] I would like to make sure every thing in this country will be as good as it is now or even better before committing myself to a project of five years pay back period. But who can guarantee what would happen next" (Managing Director, Leather Manufacturing Co, 2004.)

The interpretations of managers about the political/policy environment thus far underscored how managers became circumspect about and had low confidence in this environment. The perceived environmental uncertainty has been extreme. These managers, thus, did not feel confident that they understood what the major changes would be in this environment and how to assess the likely impact on their businesses. Because of these, managers reported, they held a 'wait and see' attitude and interacted less with the environment.

Furthermore, most managers in tannery organisations mentioned that adverse international events such as the Gulf War, September 11, and the outbreak of SARS in Far East had affected their business very negatively. Some managers questioned the sources of state policies. They saw Ethiopia as under restructuring and transition processes dictated by the Bretton Woods institutional agreement. They suggested, for example, that the trade, tariff and financial liberalisation policies had differential impacts on different types of business organisations disadvantaging some operations, while others enjoyed government incentives.

7.2.2. Market 'Environment'

Most managers' knowledge about the market was differentiated, contingent and context specific, and tended to be informed or shaped by their current business activities and past experiences. For some managers, 'market' involved a focus on quality, price and delivery time to satisfy customers' needs and, for others, 'market' means knowing about the customers needs first and producing accordingly. For others still, 'market' meant locationally differentiated, segmented by types of customers (e.g. valued customers) or engaging in products and markets diversifications. For instance, one senior manager viewed the market as follows:

> "We see the market to include both domestic and foreign markets, and think to satisfy our customers' need by producing based on their requirements and specifications" (Production and Technical Manager, State Garment. 2004)

Cognitively simplified understanding of the 'market' concept is evident in the above quote. Thus, this manager understood the market in terms of location, demand for products and services and meeting the customers' needs. Most often managers saw the market (customers/buyers) as crucially important for their business operations but also as significant sources of challenges and uncertainties. The following quote from a senior manager illustrates the difficulties in operating in a changing market environment:

> "We were not able to penetrate the international market with leather garments due to price, quality, fashion etc. requirements. We are far from the fashion centres and, fashion and features of these leather articles and garments get changing now and then. By the time we produce a lady's handbag here, the fashion changed over there. So we believe, we're not yet able to meet the changing customer needs" (Manager, Private Leather, 2004)

The above analysis of the market environment shows that these organisations lacked the necessary capabilities and knowledge to operate in volatile international leather markets. Because of these constraints enterprises were not competitive in product price, quality and features and were not able to meet changing customer preferences.

The important aspects of the market environment as seen by these managers however shed contrasting and different interpretations (see, table 7.2, below). In both of the tannery organisations, managers emphasised the *potential loss/ threat* from the market environment. These managers' analysis of the market environment identified that seasonality and fluctuations in the leather market, foreign buyers' negative perception of their ability to produce quality products, the weakening of the established customers, unreliable local suppliers and the decreasing quality and supply of inputs as posing threats to their businesses. The results, according to these managers, were under utilization of capacities and an inability to enter international markets with high quality finished leather.

Table7.2. Managers' Interpretations of the Market 'Environment'

Aspects/ issues	Case study organisations		
	State leather	Private Leather	State Garment
• Export market- AGOA and EBA (+)	n/a	n/a	X
• Unreliable local suppliers (-)	X	nr	X
• Poor animal husbandry and hygiene (-)	X	X	nr
• Weakening of established buyers (-)	X	nr	(X)
• Shortage & deteriorating quality of inputs (-)	X	X	X
• Seasonality and fluctuation of markets (-)	X	X	nr
• Lack of buyers confidence on the quality of finished leather (-)	X	X	n/a
• International reputation for quality of Ethiopian sheepskins and goatskins (+)	X	X	n/a
	State Bank	Private Bank	
• Growth in micro financing institutions (+/-)	X	X(+/-)	
• Growth in small and medium size enterprises (+)	X	n/a	
• Possibility of foreign financial institutions entry (-/+)	X (-)	X (-/+)	
• Increasing demand for the bank services (+)	X	X	
• Borrowers lack sufficient collateral (-)	nr	X	
• Bad repayment culture (-)	X	nr	
• Customers' lack sufficient awareness of banking services (-)	X	X	
• Public enterprise do not use the private banks services (-/+)	X (+)	X(-)	
• Low purchasing power of the population (-)	X	nr	

Note: X shows the aspects of the market environment that were identified by managers as providing opportunities (+) or sources of 'threats' (-); na = not applicable; nr = not mentioned by managers of that specific organisation (s).

Similarly, the account of the general manager of a garment enterprise reveals how it has been a tremendous struggle for them:

> To establish itself as a competitor in this changed market place, the factory has had to adjust its product types and quality, and fashion; but as a price taker this has been a tremendous challenge (GM, State Garment, 2004).

Managers in the garment enterprise mentioned that they were aware of available foreign market opportunities like Africa Growth Opportunity Act (AGOA) and 'Every Thing But Arms' (EBA) but were unable to exploit these opportunities despite limited entry attempts to the USA markets in 2004 and 2005. The high international reputation of the Ethiopian sheepskins and goatskins were seen as providing opportunities for tanneries.

In banking organisations, managers made similar as well as different interpretations of the market environment. For some managers in both banking organisations, their customers' low level knowledge about the banking services and lack of sufficient collateral were considered as major constraints. On types of customers being served, while government bank managers saw the government enterprises as their highly valued customers and source of competitive advantage, the private bank managers were unhappy about these enterprises' preference for the services of the government banks. While flourishing micro financing institutions were seen by some state-owned bank managers as an opportunity to expand their banking business, these were seen as potentially emerging competitors in coming years by the private bank managers. However, some top-level managers in state-owned bank admitted that they were weak in understanding a market environment.

7.2.3. Competitive 'Environment'

Managers understood the competitive environment as involving domestic and foreign competition and buyer-supplier relationships. Details of most important aspects of the competitive environment, as seen by the managers to be impacting positively or negatively on their organisations, are shown in table 7.3 below. The most challenging competitive environment elements were the trends towards globalisation, entering international markets and, for some managers, simply making their companies competitive locally. They saw the competitive environment as more threatening than availing of opportunities for their business. For managers in manufacturing firms, threats coming from local and foreign competition had been a source of anxiety. An increasing number of new entrants, globalisation, unhealthy competition for inputs and synthetic substitutes were mentioned by these managers as reasons for the increasing competitive situation. For instance, one senior manager from the private tannery explained:

> "Entering into the international market with leather articles and garments is difficult given highly changing customer preference on fashions and design, and increasing export from the South East Asia" (Manager, Private Leather, 2004)

On local competitive intensity, the analysis of senior manager of a garment enterprise is worth mentioning.

> "There are private competitors and they are flexible in scanning the environment, market and then trade their products at competitive prices. We are competing with such types of enterprises now. This is a great challenge for us: we can't compete on make-to-orders bids with such enterprises because we are stringently fenced by administrative rules and procedures" (Production and Technical Manager, State garment, 2004)

The foregoing description of the competitive situation of this particular organisation reveals the influences ownership types have on organisational flexibility and discretion. The government's procurement procedures and labour policy were mentioned by the state garment managers as a hindrance to organisational restructuring and efficiency. As a result they were inflexible and less responsive to competitive pressures.

Almost all managers interviewed regarded globalisation as a challenge for Ethiopian business organisations but with differential impacts on different business/ sector organisations. They felt threatened by the increasing amount of cheap imports.

Table 7.3. Managers' Knowledge of the Competitive 'Environment'

Aspects of the competitive environment	State bank	Private bank	State leather	Private leather	State garment
Cheap imports from Asia (garment, etc.) (-)	na	na	na	na	X
Low priced quality leather exports from the Far East (-)	na	na	X	X	na
Increasing new entrants to the industry (tannery and garment) (-)	na	na	X	X	X
Globalisation (+/-) – extremely frustrating	-	X	X	X	X
Synthetic substitutes (-)	na	na	X	X	na
Prohibition of entry of foreign financial institutions (+/ -)	X	X (-/+)	na	na	na
Inability to enter international markets			X	X	X
Competiveness locally	na	na	na	na	X
Stiff competition from the private banks (-)	X	nr	na	na	na
Increased excellence, capacity and efficiency of private banks in service delivery (-/+)	X	X	na	na	na
Under banked country (+)	X	X	na	na	na
Small number of financial intermediaries (+)	X	X	na	na	na
Unhealthy competition (-)	X	X	X	X	X
Lack of fair playing field – Party organizations (-) (+ research context interviewees)	-	X	-	X	-

Note: X shows the aspects of the competitive environment that were identified by managers as providing opportunities (+) or sources of 'threats' (-); nr = shows that no such interpretations were provided by managers; na = indicates that specific issue is not applicable.

According to some managers, 'unfair competition' is prevalent in local markets be it in banking or manufacturing businesses. By this term they meant, business organisations affiliated to the state or party organisations were becoming dominant in the market place affecting a level playing field. Many interviewees suspected that the government favoured party affiliated business organisations as the following quote illustrates:

> "In this country there are also party affiliated business organisations. If things continue the way they are today, many business organisations are complaining about the party affiliated companies are being given preferential treatments. This is a crucial aspect whether the democratic system is flourishing in this country or not and it has its own implications on the business environment" (Director, 2004).

This interpretation was reinforced by another experienced manager:

> "There seems to be an environment where the government ensures its policy directions to be ambiguous. The government made it difficult for the business community to enter into new businesses and emergence of dynamic institutions by establishing party affiliated businesses that spoil the business environment" (Senior Manager, Manufacturing, 2004)

Such beliefs of the informants' points towards some tentative conclusions regarding the competitive environment: they saw it as unfair, biased and highly politicized. This created ambiguity and confusion for the private enterprises. As a consequence, managers perceived the widening gap between the state's policy rhetoric and reality in the business environment about which they lacked certain knowledge.

The banks' managers were more comfortable about the competitive environment due to an absence of new entrants to the banking industry (because of increased capital ceilings and policy barriers that prohibit the entry of foreign financial institutions). However, the differences in views between the two banks' managers emerged. On the one hand, the government bank managers were wary about the growing competition coming from the private banks and as a consequence their bank's market share declining. On the other hand, the private bank's managers felt unhappy about the government bank's market dominance saying that there exists 'unfair' competition. Furthermore, some managers of both banks were dismayed by an appearance of 'unhealthy' competition among banks in their bid to attract more customers. These managers envisaged that such behaviour might affect the financial soundness of the banking industry as a whole. Their analysis was also supported by industry experts who suggested that such reckless activities signalled domestic banks lack of capabilities in areas of credit and risk management. Banks' managers also differed in their interpretation of the implications of government protection policy. Managers in the state–owned bank thought this would provide them with a period of grace to build up their competitive capacities and help the development of vibrant domestic banking institutions. Managers from the private bank, however, while agreeing to a certain extent with such views, stressed the importance of having financial sector liberalization policies in phases that would facilitate the acquisition and learning of new banking skills, competences, technology and other strategic resources.

In summary, managers' accounts of the competitive environment showed that it was dynamic, threatening, unpredictable and highly politicised, and in general lacked a level playing field. Managers in manufacturing and exporting firms perceived brutal competitive situations resulted from policies liberalization and threats from encroaching globalisation. In addition, managers in private ownership reported that they had been facing 'unfair' and 'unhealthy' competitions locally due to lack of level playing field and unethical competition for inputs (manufacturing) and customers (banks). For enterprises operating in opened up (liberalized) sectors, the competitive intensity had been increasing while for those operating in policy protected banking sector it was limited.

7.2.4. Socio Economic 'Environment'

Similar to the reported national level interviewees' analyses on pages 163-64, managers interpreted the Ethiopian economic 'environment' to be very volatile, unpredictable and susceptible to external shocks. The analysis of one senior manager reflects such views:

> "The Ethiopian economy is extremely susceptible to external shocks such as adverse international events, falling prices of traditional exports, natural hazards (recurring drought) and even to bumper agricultural harvests" (Vice President, Personnel Planning and Development, State bank, 2004)

At organisational level, with the exception of two managers who saw the recent improved agricultural performance as offering opportunities for the expansion of the banking business, almost all other top-level managers saw the volatile growth of the national economy as a 'threat' to their businesses. Most managers used statements of causal attributions to elaborate the prevailing challenges drawing on their past experiences. They had witnessed how fluctuations in different economic sectors affected negatively their customers directly and their banking business indirectly. The following quote from a senior manager illustrates this point:

> "Expansion and growth of the banking business is a reflection of the whole economy because banks serve investors, traders, and public at large. However, the Ethiopian economy, especially the export –import sector, has not been strong as we would have desired it in the last ten years, and this had a knock-on effect on our borrowers" (Vice president, International Banking, Private Bank, 2004)

The above two managers' analyses of the Ethiopian economic environment show that they strove to develop more understanding of the situation if it was more likely to impact on their roles as well as on their business organisations. These managers' interpretations highlighted problems associated with dependence on a single main economic sector, agriculture, and the volatility of the import-export sector. This dependence in turn gave way to thinking that success would come as a matter of luck, chance or will of God- 'because we don't know what will happen next'. The volatility in national economic growth resulted partly in the banking sector having a huge amount of non-performing loans, an increasing number of defaulters and high liquidity as discussed in 6.3.3.

The nature of managers' knowledge also revealed how social and cultural factors unique to Ethiopia have an impact on the way business was being done. Two important insights are noteworthy. The first relates to the fact that Ethiopians were in a closed system that blocked interaction with the outside world. The second is a culture that in general does not embrace and admire business success, innovation and openness due to historical and cultural (religious) influences.

7.2.5. Regulatory and Market Supporting Institutional 'Environment'

Managers' knowledge of the regulatory 'environment' distinctively revealed the importance of compliance with the industry standards. They considered such compliance as providing legitimacy in a changing business environment. Bank managers were consistent in their views that they had to comply with the central bank's regulations and directives. Failure to comply, according to these managers, would have far-reaching consequences for their banks including business license revocation; loss of public trust and confidence; and being out of businesses. The account of the president of the private bank represents such views: 'we are the most regulated institutions as it is the case all over the world". And he then went on to describe how they do it practically: "The liquidity management is critical to our businesses and we've done this in past ten years and we'll continue in doing it" (President, PB, 2004) Similarly, managers in tanneries held views that marketing their products to environment-conscious high value customers required having established effluent treatment plants and certification by ISO 14000 standards.

In contrast, however, some other managers saw the stringent banking regulations as having negative effects on their businesses by imposing restraints on provision of loans to customers. Variations in rules and regulations being enacted and enforced in different regional states were also seen as having negative bearings on their business operations.

On the other hand, the establishment of a Specialized Monitoring Agency for public financial institutions was considered by some government bank managers as the positive development in support of their activities. However, there were no such references in private bank managers' views. Overall, most of the state bank managers were content in explaining law and institutional aspects of this environment.

The second important issue/aspect raised by the bank managers was the absence of information on their customers and the non-existence of market information providers in the country. Hence, they were unable to assess prospective borrowers' trustworthiness and repayment capacities. Some managers in the private bank also mentioned the undeveloped telecommunications, power and real estate infrastructure which had affected their planned expansion (growth) and the use of modern banking technologies in outlier branches.

In summary, two important features of the regulatory environment, as noticed and bracketed by the interviewed managers, were the importance of compliance with the industry specific regulatory requirements, scarcity of market/business-related information and lack of its providers. While managers in banking organisations were content about compliance, managers in manufacturing and exporting firms tended to see themselves as incapable of meeting internationally required quality standards and administrative requirements. Relevant information scarcity and lack of institutions that provide information were the concerns of all the managers interviewed. This study finding to some extent is in line with previous empirical works on institutional theory that suggest that the impacts of institutional environment are not uniform across different industry and/or organisations.

7.2.6 Technological 'Environment'

Managers' interpretations of and knowledge about the technological environment were narrow and limited to their organizations' perceived technological requirements. Managers in manufacturing firms reported that they suffered from underdeveloped technological and design capabilities that would have enabled them to produce and deliver quality products and services. In banking organisations, however, the story was mixed. Even though in both banks, managers saw acquisition and use of modern banking technology as a matter of urgency, their frames of reference were somewhat dissimilar. In the state-owned bank, acquisition of banking technology meant two things: first, improving service delivery efficiency; and second, providing new products using customer friendly technology. The latter interpretation forms an aspect of current bank strategy of product diversification and included in this are ATMs (automatic teller machines), local currency cards and e-purse.

However, some of the private bank managers conceived technology broadly. In addition to the use of banking technology that would enhance efficiency and improve service delivery a wider use of information and communication technology (ICT) was considered essential. These managers argued ICT use would strengthen their research and business development activities and their competences. Overall, banking technology as a means for knowledge sharing across departments and branches were not mentioned by these managers with the exception of exchange of financial transactions data between branches and headquarters. In one of the manufacturing firms, however, efforts were underway to set up a local area network to facilitate fast communications between different units, the plant and head office.

7.2.7. Summary of Findings on the Business Environment

In summary, three main interesting findings emerged regarding Ethiopian top-level managers' sensemaking and knowing of the environment. These were:

1) Ethiopian top-level managers' interpretation and knowledge of the 'environment' tended to be highly politicized, differentiated, evolving, context-dependent and role-specific. The external environment was seen as uncertain, unpredictable and threatening by most managers. For a minority, it was understood as improving in relation to the success of their business. The variations in managers' knowledge of the important aspects and attributes of the environment depended on the extent to which they were reliant either on markets or on government for strategic resources and business operations. Managers in the less marketized firms (that is, less exposed to competition), but owned by and dependent upon government for resources, saw the environment as providing them with opportunities and hence munificent (e.g. the state bank). In contrast, managers in private organisations that were subject to market influences were pessimistic and circumspect about many features of the 'environment'.

2) The senior managers in the sample perceived the government as ambivalent about its commitment to the market. This fed suspicion about the continuity of the other market-oriented policies, despite the government's evident success in adapting to some of the stabilization and liberalization policies. Although the private business organizations enjoy more formal autonomy than the non-marketized state-owned firms, they found themselves in a vulnerable position because of the absence of a level playing field, well-defined property rights and unpredictable political and policy situations. Due to these ambiguities about the future, more managers from the private business had low confidence/trust in the trajectory of deinstitutionalization.

3) Managers' knowledge about and interaction with the environment was limited, contingent, situated but also differentiated. Managers were not aware of and insentient to the extent to which they were expected in their roles to know about aspects of changes in external environment. Managers were able to describe and analyse more the narrow environment that they understood as affecting their line of business operation while leaving aside the big picture. In other words, these interpretive frames were typical indications that it was not the general environment but *specific aspects/elements* of that environment which the managers thought of *as important for and impacting on*, positively or negatively, their businesses that received managers' selective attention and interpretations. At the sectoral level, however, managers in banking organisations seemed to have broader knowledge about the changing environment than managers in manufacturing and exporting firms.

7.3. Current Aspects of Internal Organisational Capabilities

The next question investigated was how managers saw their organisations, their resources and capabilities and responsiveness in the face of unanticipated changes in the external environment. The way they responded to these questions is important because the managerial interpretive frame is the basis for the logic underlying the development of strategic response and managerial actions.

Managers' response patterns showed similarities as well as differences in their interpretations of and knowing about their internal organisational capabilities - resources, strategy development and management responsiveness. Details of their knowledge of current organisational capabilities are presented in table 7.4, below. Managers' views of their organisations as capable or otherwise influenced, to a certain extent, their consequent actions, changes in the content and process of strategy, strategic profile and organisational outcomes as discussed in the next two sections. Moreover, the interpretive frames shed light on these organisations' idiosyncratic resources and competences, common resources across industry and their resource and capabilities limitations.

The picture as defined by these managers was that the case organisations were different in their resources and capabilities bases. For instance, the government bank was more comfortable in financial resource, its physical structure and pioneering of new services. The private bank was good at in management and service delivery capability and in its commitment to improve skills and knowledge of its human resources. While both banks were weak in credit and risk management capabilities, the government bank managers saw their bank's attitude to customers, use of banking technology and corporate culture to be weak (despite improving currently).

The process of strategy development and managers' responsiveness to the changes in their external environment were found to be modest in both organisations. For example, the state bank manager commented:

> "Our organisation as well as its management team is new to the strategic management and planning process and our experience is limited. Because of this, most of the decisions made by the management or the board were of the short-term nature. Managers are more reactive than proactive in face of changing environment. Even though the executive and other management are key players in strategy making process, they lack required sufficient experience, exposure and skills and these constrain their ability to respond creatively or with entrepreneurial quality" (Manager, Banking Systems, State Bank 2005).

Table 7.4. Managers' Interpretations of Existing Organizational Capabilities

Perceived level of capabilities	State Bank	Private Bank	State Leather	Private Leather	State Garment
Good at	• Financial resources • Branch networks • Capital base • Pioneering new service	• Management capability Commitment to improve human resource skills and competence • Customer service • Branch expansion	• Management stability • Plant capacity and flexibility • commitment to be environment friendly • Image	• Market sensing • Producing quality products • Entrepreneurial quality of owner –founder • Family business • adaptation	• Plant capacity
Medium	• Skilled human resources • Using management consultancy services • Managerial skills and competence • Effective use of HR • Strategy development • Managerial responsiveness	• Use of banking technology • Research and business development • Strategic planning • Managerial responsiveness	• Financial resource • Supplier management • Management responsiveness	• Production capability • Environment friendly	• Knowledge of the garment industry
Low/weak	• Attitude towards customers • Use of banking technology • Corporate culture • Credit and risk management • Service delivery	• Credit and risk analyses and management	• process technology • managing technologists • Penetrating international market • Strategy development	• Strategy development	• Market sensing • HR efficiency • Management capability • Low self perceptions • Strategy development

In manufacturing and exporting organisations, managers' interpretations of organisational resources and capabilities exhibited much variation across the organisations. For instance, the state tannery managers were confident about management capability, flexibility in plant and production capacity and commitment to be environment friendly. On the other hand, the private tannery managers saw the entrepreneurial quality of the owner/founder and their ability to meet buyers' requirements as their capabilities. The state garment managers, however, saw their plant capacity as their strength but found themselves very weak in market sensing, employees' productivity, self perceptions and financial resources. The study also found that all the three manufacturing enterprises were seen as weak in strategizing.

Overall, managers to a certain extent were able to make crude distinctions about their capabilities base drawing on their experience and every day activities. These distinctions illuminated how organizations differed in the levels of capabilities and resources developments in which they are capable, average and weak. This is in line with the assumption of the knowledge-based view of the firm. In most organisations, market sensing, management and technological capabilities were underdeveloped. In organisations (private bank, state tannery and private tannery) where the management was stable in their positions, where there was low turnover of organizational leadership, managers saw themselves, and in turn their company, as capable, successful and less susceptible to changes in the external environment. On the other hand, managers in business organisations that suffered periodic removals of management teams (state bank), and where the company faced a continuous decline in its performance (state garment) showed mixed emotions, external locus of control and the changes were not successfully sustained.

Following managers' interpretations of the most important aspects of environment and their analyses of existing organisational capabilities and resources, they were asked "how these managers make judgment about appropriate organisational strategy and the essential features of the content of this strategy". In other words, they were asked what it takes for their organisations to be successful. This section reports on the managers' knowledge of these important issues.

7.4. Managerial Changing Knowing About Strategy

Ethiopian top-level managers gave incomplete but diverse as well as competing and changing (temporally) accounts of what they saw as strategy. Managers' accounts of strategy typologies were dominated by strong narratives of what needed to be done to make their lines of responsibilities effective, efficient, and in certain cases result-oriented (perform better) leaving aside a big organisational picture. Some managers mentioned also that their strategy was basically problem-driven. As accounted by one senior manager:

> "Basically I can say that our business strategy involves various actions to be taken to address our bank's main problems and hence, it is problems-driven" (Vice president, State Bank, 2004).

During a second fieldwork interview in 2005, this same senior manager's account was somewhat changed:

> "In terms of competitive environment our bank is cognizant that the private banks are making stride in increasing their market share. Hence, our focus now is on implementing strategies that would help us defending our market share rather than introducing new products or revising prices aggressively". (Vice President, State Bank, 2005).

There were very ambiguous and ill–defined organisational objectives that their organisations were supposed to achieve. Most managers did not see their organisations' major objectives as about financial performance and becoming profitable. Instead ambiguous objectives such as 'supporting the national economy, creating employment', or 'earning foreign currency for the country' dominated the discourses of many state-owned enterprises' managers. Although some organisations had in place a strategic planning process, only a few managers in two case study organisations mentioned the importance of having a vision of market economy. In short, strategic thinking was a very recent phenomenon for the Ethiopian managers and as to the accounts of the key knowledgeable informant, 'business management in the country is at its rudimentary level' (Director, EPPESA, 2004). The possible reasons for underdevelopment of strategic thinking and business management will be discussed in 8.4 and 8.5.

This study found that Ethiopian top-level managers' understanding and frames of reference were based on a contingent knowledge regarding the unfolding environmental dynamics and the ways to respond to it. Even though managers aspired for their enterprises to become best performing, competitive, and customer oriented, they were not sufficiently aware of the alternative choices to be made and how these could be achieved. In most cases, there was a lack of clarity regarding key purpose.

Managers were also struggling with the changing mindset and knowledge structure. This change in managerial schema also facilitated the emergence of new dominant management logic and informed consequential actions. For instance, in the state bank internal control orientation was being replaced by a 'customer orientation approach that aims to improving service delivery and customer satisfaction is crucial' schema (president, 2004). Managers in banks tried to improve service delivery and handle valued customers. Likewise, top-level managers in the state-owned manufacturing and exporting enterprises emphasised the importance of product quality, competitive pricing and meeting customer requirements in place of the previous focus on production and fulfilling the central government planning requirements.

Hence, the term 'strategy' as referred to by these top-level managers is not about formal, rational, planning but the active processes of devising ways to make their organisations successful. To put it differently, 'strategy' is a constituent of practices, routines and scripts that these managers believe in to result in organisational success. Hence, essentially strategy means managers' belief of what it takes for their organisations to be successful. The following section presents what managers believe should be done to make their organisations successful.

7.4.1. Managerial Beliefs about What It Takes To Be Successful

For simplicity, I categorise sets of managers' beliefs and schema into three: internally oriented, externally oriented and spanning schema and routines. The following presentations refer to table 7.5, below.

Internally oriented views and beliefs: Managers' accounts converge on issues of building competence and knowledge bases of their organisations, human resource development and utilization, and improving efficiency. In all organisations, managers strongly believed in the importance of providing training and development programmes for management and staff. However, industry wise, managers' interpretations differed regarding what it takes for their organisations to be successful in their context: managers in banking organisations gave emphasis (in addition to the above mentioned) to periodically review their organisational structure, policies and procedure; and developing measurable performance indicators. On the other hand, managers in manufacturing and exporting organisations emphasised the acquisition of new production machineries; development of capabilities that would enhance product quality, features and fashion. The need to change work processes, routines and behaviour was considered instrumental in the state bank and the state garment enterprise.

Externally focused beliefs: In general, managers in all case study organisations believed in and singled out two strategic issues to be crucially important for success (see, table 7.5). These issues involve preparedness for unforeseen competitive situations from abroad and offering of new products and services to their customers. Industry wise, different strategy tools were mentioned to make their organisation successful: bank managers sought to handle high value customers and improving service delivery; and the state-owned manufacturers put much emphasis on partner formation to enter international market. The private tannery managers, however, opted for a piecemeal strategy to enter international market.

Spanning practices and routines: The bank managers provided more detailed accounts of spanning practices and routines than managers in manufacturing enterprises as shown in table 7.5. These practices and routines included strengthening credit and risk management capacity, improving asset quality and increasing credit volume, decentralizing decision-making and empowering people, use of customer friendly banking technology, and developing new products and services. Manufacturing and exporting firms' managers thought that new product development and diversification should be the way forward but their analyses and interpretation were very narrow and limited when compared to managers in banking organisations. All managers believed in the importance of engaging in market research or business development activities. Such schema implied that these managers started feeling the need to develop market sensing capabilities.

In short, across all the organisations, managers' presumptions about what it takes to be successful converge on the

- Building new competences & knowledge
- Human resource development and utilization
- Preparedness for unforeseen competitive situations from abroad
- New product / service offerings (innovation)
- Developing market research/business development capacity signifying their changing mindsets regarding what takes for their organisations to be successful.

The bank managers, however, had relatively broader understanding and knowledge than managers in manufacturing and exporting firms in identifying routines, processes and strategy tools. Most managers in manufacturing firms were able to identify only a very limited number of 'strategy' elements. Two possible reasons that explain the variations in their knowledge-base regarding how to get success might be managers' levels of education and their access to relevant information on the environment. Education-wise, bank managers were relatively better trained and qualified than managers in production and exporting firms (see, section 5.5, p:132). Second, the former managers had a broader access to personal external information than the latter since they finance a wide range of businesses and customers, and developed experiences of using consultancy services that could be vital sources of information and knowledge on their internal and external environments. The implication of managers' knowledge on their organisations strategic profile will be discussed in the next section.

Table 7.5. Top-level Managers' Beliefs about How to Get Success

Practices, routines and scripts to be successful	State Bank	Private Bank	State Leather	Private Leather
Internal organisational focus				
♦ Acquiring new production machineries and hiring technically skilled employees	na	na	*	*
♦ Downsizing or firing older inefficient employees	nr	nr	na	na
♦ Developing capabilities that enhance product quality, features, fashion	na	na	*	*
♦ Changing the work process, routines and behaviours	*	* (m)	nr	nr
♦ Undertaking organization -wide transformation (restructuring)	*	nr	nr	nr
♦ Building new competences & knowledge	*	*	*	nr
♦ Human resource development and utilization	*	*	*	*
♦ Providing training and development for management & staff	*	*	*	*
♦ Periodically review and change organisational structure, policies and procedures	*	*	* (m)	nr
♦ Develop measurable performance indicators	*(h)	*	nr	nr-
♦ Cost containment and rationalization	* (h)	* (m)	nr	nr
♦ Improving asset quality and credit volume	*	*	na	na
♦ Improve efficiency and reduce wastage and reworks (cost control)	*	*	*	nr
♦ Forming task forces (committees) to identify problems and strategic issues	*	*	nr	nr
Externally oriented				
♦ Preparedness for unforeseen competitive situations from abroad	*	*	*	*
♦ New product / service offerings (innovation)	* (h)	*	*	*
♦ Product/ market diversification	*	nr	*	nr
♦ Handling (retaining) valued customers by relationship managers	*	*	nr	nr
♦ Improving service delivery	*	*	na	na
♦ Educating customers to improve loan repayment culture (or buy local products)	*	nr	nr	nr
♦ More emphasis on customer orientation rather than on internal control	*	nr	nr	nr

Practices, routines and scripts to be successful	State Bank	Private Bank	State Leather	Private Leather
♦ Entering international market on piecemeal basis	na	na	nr	*
♦ Entering international market with partnership routes	na	na	*	nr
♦ Entering international market by cutting prices (break even point)	na	na	nr	nr
♦ Fostering better relationship, trust and confidence with their clienteles	*	*	* (m)	nr
Spanning				
♦ Developing market research/ business development capacity	*	*	*	*
♦ Introduce change management	*	*	nr	nr
♦ Strengthening credit and risk management capacity	*	*	na	na
♦ Knowledge and experience transfer from one area of operation to another	*	nr	nr	nr
♦ Decentralizing decision-making and empowerment	*	*	nr	nr
♦ Forming partnership	nr	*	*	nr
♦ Use of customer friendly banking technology	*	*	na	na
♦ New product development /product diversification	*	nr	*	*
♦ Strengthening business association (like Ethiopian bankers association)	nr	*(m)	na	*(m)

Note: * indicates the presence of management schema; nr = no such type of interpretations given; na = not applicable; h = majority views; m = minority views.

7.5. Managers' Knowledge of Organisational Strategy

7.5.1 Salient Features of Content of Strategy

The knowledge of managers regarding what it takes for their organisation to be successful surfaced the fact that organisations could follow multiple strategies. This conflicted somewhat with the conventional strategy literature which suggests organisations should pursue one strategy at a time. Multiple strategies existed in each and every organisation but the core strategy varied across the firms. The literature on growth strategies (Porac et al, 2002) has identified six possible growth strategies: capital intensive, non capital intensive, market expansion, product or service development, human resource improvement and process improvement. Table 7.7, below shows sample growth strategies and related scripts from the interviewed managers.

Table 7.6. Sample Growth Strategy Scripts of Managers

	Strategy Category And Its Elements	Sample Quotes From Managers' Schema
1	Capital intensive ▪ Building new plant or facilities ▪ Production capacity expansion ▪ Strategic acquisitions, mergers and joint ventures	'We take as a big issue to increase our production capacity (GM- SG). 'We seek to form joint venture kind of relationship with international firms to develop design and market research capabilities' 'We need to invest in machineries and processes as well as engage in automating and computerising our production process' (Managing Director, PT); 'we're constructing a new tannery equipped with new machineries and new technology'(Commercial Manager, PT)
2	Non capital intensive ▪ Development of strategic partnership ▪ Franchising and licensing agreements	'Possibility of working in partnership with foreign banks, if allowed and if we believe that it would be beneficial to our bank' (VP, PB). 'Work in partnership' (GM, ST); 'We've got a business partner now' (DGM, ST)
3	Market expansion ▪ Entry into new products or geographic markets ▪ Increase market share in existing markets ▪ Accessing new	'In 2004, the factory produced quality garments and exported to international market (the USA) the first time in its history'; 'The big issue is to increase our market share' (PTM, SG) 'Expand the branch network' (President, PB); 'Turning one-time customer to sustain with us by providing efficient and prompt services' (Branch Manager, PB); our bank's objective is to grow and expand

	customer segments	(VPIB, PB); 'Market penetration'(CM, ST)
4	Product or service development ▪ Development of new products or services	'Thinking of introducing various banking services' ; 'Diversify our loan portfolios' (President, PB) 'Introduce product differentiation and diversification' (VPPPD, SB++); 'We recently introduced the ATMs and credit card is another prospective product'. (VPCRM, SB)[1] 'We have to produce diversified products because of changing market conditions and fashions'. (MD, PT) 'New products to existing and new markets' (CM, ST++)
5	Human resource improvement ▪ Hiring new employees ▪ Improving the quality of work life of employees ▪ Enhancing the skills of management team and employees through training or education programme	We keep on training our people on continuous basis, and upgrade the level of their education' (President, PB ++); 'Need to put in place staff benefits and good working environment' (BM, PB); 'Human resource is very important to our bank and hence we give trainings and consider this as investment'; 'We have a management succession plan in place' (VPDO, PB); develop high level skills organizing training and sending for exposure to developed countries..." (VPCRM, PB) 'We plan and train our management members' ; 'Provide adequate and appropriate training to management staff and ensure efficient and effective utilization of the bank's human resources' ; management competence framework' (VPPPD, SB ++); 'We have a kind of new succession planning' (President, SB). 'Use skilled and experienced people to enter international leather market' 'Upgrade and improve skills' ; 'In last five years, the company has been hiring employee with the experience of finished leather and has been providing training locally and exposures abroad (DMD, PT) 'Change the life of our workers (better pay, incentive structure and promotions)'; 'improve the knowledge of the employees from the management up to the lower level' (GM,ST); 'We have to improve the capability of the human resources'.(DGM, ST 2005)
6	Process improvements ▪ Production and administration processes improvements ▪ Technological	'Use banking technology to provide efficient banking services to the customers' (President, PB); Our services should be fast, timely, and quality' (BM, PB); 'Business process reengineering to improve processes in operational areas+++; 'Cost containment and rationalization of our organizational structure'+++; Providing service through people-friendly technology support' ++ (VPPPD, SB); adopt benchmarking and 'best practices'

[1] As described in p: 208, many managers thought product diversification and offering of new services to be crucial for their market development and competitiveness. For instance, during both fieldworks in 2004 and 2005 many senior managers (president and many vice presidents) of the state bank stated that one of their business strategy is to diversify their products and services. The account of Vice President responsible for credit and risk management represents their commitment to implements such a strategy.

> "We are trying to improve our operational aspects by improving the menu of services..... The study on this is completed and, procedures and manuals are being prepared. The three planned new products are consumer credit (financing car purchase and mortgage loans), warehouse receipts (to farmers) and financing real estate developments. So, the planned introduction of these new products would help diversifying our products and in meeting our customers' specific demands (Vice president, State Bank, 2005).

	innovation	from abroad' (MB, SB); 'Now we've a tall structure and this should be flat and shorter' (VPCRM-SB) 'Give high emphasis to the R&D, use least cost approach by reducing wastage and reworks (ETGM); 'have to improve the technology' (DGM, ST)

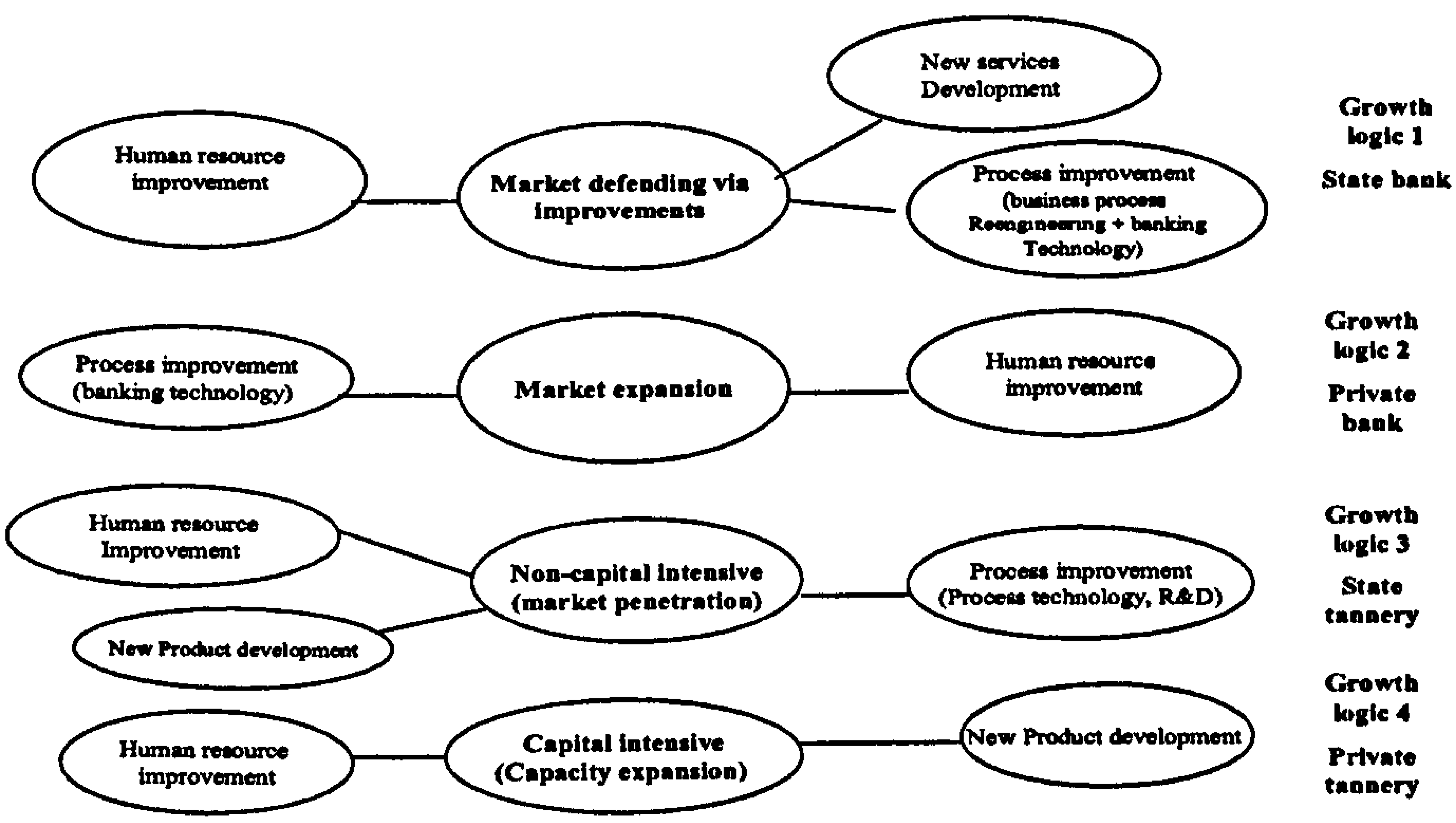
Note: Acronyms in parentheses show informant position and his/her organisation. + indicates that there were multiple similar managers' schema within that the same organisation. SB = State bank; PB = private bank; ST = state tannery; PT = private tannery; and SG = state garment.
P= president; VPDBO = Vice president, domestic banking operations; VPCRM = vice president, credit and risk management; VPIB = vice president, international Banking, VPPPD = vice president, personnel planning and development; MBT = Manager, bank transformation; BM = branch manager; MD = Managing director; GM = general manager; DGM = deputy general manager; CM = commercial manager; PTM = Production & technical manager.

It becomes apparent from the above table that the emphasis placed on different strategies varied across the organisations and among managers within the same organization. The close observations of managers' knowledge – their judgement about appropriate strategy for their organisations - showed that to a certain extent the emerging dominant logic of their organisations had influenced the ways these managers sought to pursue clusters of strategies. Based on emerging patterns from managers' descriptions of their strategy (ies), the following four growth logics for each of the case study organisations were identified. These are as follows:

1. The State bank had been pursuing a growth logic of 'defending its market share' through continuous improvement, new service development and human resource improvement.
2. The Private bank had been following growth logic of 'market expansion' supported by human resource improvement and process improvement.
3. The State tannery was engaged in 'partnership formation' strategy aimed at foreign market penetration and process improvement to be supported by improved skills and knowledge of its human resources.

4. The private tannery's growth logic was 'capital intensive' to increase production capacity and process improvement to be complemented by human resource improvement.
5. The state garment enterprise's managers claimed to be following 'market expansion'. However, because of organisational and management capacity limitations and external constraints, it might be appropriate to say that this enterprise has had no clearly articulated strategy.

Figure 7.2 Various Strategic Choices of Case Study Organisations



The above mentioned clusters of strategies that were considered to serve as 'roadmaps' were reflections of Ethiopian managers' concerns of how to become competitive locally and in international markets. Consequently, they felt urgency to change their hitherto dominant logic (paradigm) to make (at least in theory) their business organisation customer-oriented, and these should be achieved by various strategies as described above. These managers' analyses could be taken as their beliefs about environmental unanalyzability, complexity and dynamism (in a certain aspect, static). Intuitively, managers subscribed to a dominant logic or a set homogeneous assumptions and beliefs at organizational level and beyond despite massive variations inter-organizationally and among managers in the same organisation in various aspect of the environment.

The next section presents findings on managers' knowledge of the process of strategy development (by whom, when and where) in their organizations.

7.5.2. Strategy Development Process

Managers' knowledge of the process of strategy development in their organisations revealed a number of contrasting insights into the nature and processes of strategizing in a transition economy context. In a number of organisations, strategizing practices were seen as politically influenced, externally driven, formalised as well as less formal, survival-oriented and incremental. The study found variations in strategy initiation and formulation processes, the key actors involved and the values and significance attached to it. The extent of this depended on the degree to which the organizations were perceived to be reliant on the government or on external markets.

Political and formal as well as bottom-up and top-down approaches to strategy development were evident mostly in state-owned organisations. In the state bank, for instance, processes of doing strategy were highly politically influenced and problem driven. Many external agencies such as the World Bank, IMF, consultants and other relevant state departments were involved in an initial phase of strategy development. These external stakeholders required the state-owned bank to undergo a restructuring programme which included compliance with the range of 'modern management practices' such as strategy development and business process reengineering. Restructuring was seen as panacea for the bank's performance and capabilities problems at that time. These external agencies imposed explicit frameworks which became the basis for the procedure called 'Comprehensive Audit Programme' (CAP), and which in turn informed organisational restructuring and strategy development. Before 2001 however, the planning and budgeting processes were based on the bottom-up approach with little alignment with the strategic plan. In consequence, the plans were incoherent, incomplete and unsuccessful. Due to this, the strategic plans and strategic goals had never had the chances of implementation and were restricted to a shelf at a Corporate Planning Department.

The outcome of CAP undertaken by Ernst and Young became the basis for who would participate in the strategy process and the types of strategies to be followed. In 2004, strategizing practices were also subject to a high degree of influence from the country's Financial Sector Reform Programme (FSRP). The top management of the state-owned bank and other financial institutions were given capacity development training in strategic planning and management (SPM). The FSRP thus became the main driver of organisational restructuring, introducing change management and formed the basis for strategy development processes and for the main types of strategies the bank was pursuing. On the surface, it seemed the process was open but in reality the so-called participatory approach to strategy making served in legitimizing the strategies to be followed. The top managers actively engaged in sensegiving through establishing a bank transformation office, regular meetings and briefings, and communicating the values of the organisational change to employees. The strategy document was intensively discussed, argued and necessary changes were made by the executive management team and then by the board of management. In other state-owned case study organisations, however, strategizing practices followed similar approaches but with less influences from external stakeholders. The

Supervisory and Privatization agency of the state was the one that provided the strategizing templates and the organisations had to follow this template in their strategic planning process. Overall, this study showed the significant influence of politics and external agencies in the ways managers engaged in strategizing practices in the state-owned organisations. Hence, the Ethiopian institutional environment involved imposition of a new way of working and strategizing as well as an attempt to change management style in organisations.

The study also documented how managers saw the support of the state in key aspects of their organisational matters: in strategic planning and management, resource allocation, market search, partnership formation, and the hiring of consultants. In turn however, the government has its stake in more powerful stances as at times wholesale executive management team would be subjected to dismissal or removals. For instance, in the six years since 2000, two executive management teams of the state bank were summarily dismissed and some members were detained for various alleged reasons. In such situations, it was not the farsightedness and visions of the top management team that drove strategic organisational change but the government's desire for change in its bid to legitimate its policies and political power. What it takes to be successful in such situations might be the managers' adeptness of handling the key and influential contacts in upper political and party echelons and in consequence their ability and acuteness in managing the extent of locus of control and resource dependency. This skewed interdependence had its influence on the way managers in these organisations saw their business objectives, business strategy and how they went about developing organisational capabilities. In short, *managers' knowledge about how things work in their contexts and the prevailing institutional framework* influenced their strategizing practices and decision-making processes.

In contrast, strategizing practices in private firms were less formal, incremental and emergent and most frequently survival oriented. In the more private sector organizations, managers questioned the value of strategy-making where their companies lacked the necessary resources and capabilities, and did not know where and how to find markets. The strategy development process itself was emergent, implicit and was not yet fully comprehended by managers. Incoherence, confusion and randomness may best characterise the ways these managers went about strategizing. On most occasions strategy thinking was implicit and unclear. Managers seemed to act intuitively as opportunities arose. In organisations where managers were capable such as the private bank, the strategizing process started with the identification of strategic issues that they thought would be essential for growth and success. In such cases, strategy initiators varied but were mostly limited to executive management, board of management and function-specific board committees (operations, credit, and audit). Similar to the state bank, the bottom–up approach to planning was also in place in a private bank. In contrast, in the private tannery, there was no explicit and formal strategizing practices in place and almost all the decisions were made by the founder-entrepreneur in consultation with his close family members. What was more interesting was the fact that this tannery was perceived by many as one of the most thriving and successful private businesses in its industry. In these cases, the strategy processes were intuitive, implicit, opportunistic and relatively closed. Moreover, secondary sources suggested, in the more of the private business organisations, the most common situations for strategizing processes were stifled by lack of previous experience and knowledge, incomplete information and knowledge about customers, competitors and the business environment. Therefore strategizing becomes less formal, closed, opportunity seeking and essentially survival oriented.

In summary, the study revealed how managers' knowledge of strategy, strategic responses and strategy development processes could be politicised and context-dependent. It showed also how managers' knowledge could be clustered around a 'core strategy' that they thought would lead to better organisational performance and competitiveness. The following three key points emerged.

1) The Ethiopian top-level managers' understanding and frames of reference were based on a rather contingent and narrow knowledge about the appropriate strategic responses. Managers were struggling to come to terms with alternating priorities. Because of this, Ethiopian top-level managers gave incomplete but competing and changing accounts of what they saw as strategy. In the state-owned enterprises politically dominated view of strategy prevailed. In the private firms, managers understanding and knowing about strategy had been just evolving and implicit, and the notion of 'strategy' was problematic for them. Managers' accounts of strategy typologies were dominated by strong narratives of what needed to be done to make their lines of responsibilities effective, efficient, and in certain cases result-oriented leaving aside a big organisational picture. 'Strategy' in this setting was less connotative of formal, rational, planning.

2) Managers differed in their emerging dominant logic across organisations and in consequence pursued different clusters of strategies. Given the changing business environment, managers tended to focus on growth strategies but with marked variations in their core strategies. Identified growth logics for these organisations were: state bank - defending its market share via improvement; private bank – market expansion; state tannery – partner formation; private

tannery – capacity expansion; and state garment –no articulated strategy. This finding contradicts with conventional strategy literature that assumes organisations pursue one strategy at a time but in line with a 'dominant logic' argument. Moreover, as compared to managers in other transition economies, Ethiopian private enterprises' managers were found to be weak in networking (clustering) strategy.

3) Managers' interpretations and knowing about the process of strategy development in their organisations revealed a number of contrasting insights into the nature and processes of strategizing in a transition economy context. In state-owned organisations strategizing practices may be best characterised as politically influenced, externally driven and formal. In contrast, strategizing practices in private firms were less formal, incremental and survival oriented. Even more revealingly, there were no explicit and formal strategizing practices in place in the private tannery. Thus, the taken-for-granted assumptions of the rationalist, normative stance, that managers can and should strategically respond to the changing environment, are questioned by the Ethiopian managers.

The next section presents findings on managers' knowledge of the required resources and capabilities to deliver the strategic response.

7.6. Required Capabilities and Ways of Development

7.6.1 Required Resources and Capabilities

How (what) do managers think about (as) the required resources and capabilities and how these resources and capabilities might be acquired and developed? What factors facilitate/ constrain the acquisition and development of the required resources and capabilities? This section presents the findings on the above three main questions I asked my research participants.

One of the findings of this is that managers' knowing of the required knowledge and resource was differentiated, role-oriented and function specific. Changing organizational priorities and emergent dominant logics (i.e. predominantly shared beliefs and assumptions about how to get success) also influenced managers' emphasis on what they sought to develop as the required knowledge/capabilities. Discussion in this section refers to table 7.7, and figures 7.3 and 7.4 which provide insights into how managers differed in their interpretations of the required resources, knowledge and capabilities inter-organizationally.

Even though there was uncertainty about to what extent the emerging dominant logic diffused and gained currency intra-organisationally, it appeared that managers had strategic level knowledge that shaped their understanding of the required capabilities at organisational level.

Managers made distinctions between the required resources and capabilities based on the collective domain action. For clarity, what were seen as the required knowledge and capabilities by managers can be categorised either as internally focused or externally-focused depending on their use either for internal organisational purposes or for external environment purposes. For instance, knowledge and capabilities that are internally oriented could be (in case of the state bank) thorough knowledge of the banking business, how to improve processes and routines, credit and risk management, and an ability to use banking technology. These types of knowledge and capabilities are internally focused and may help to improve efficiency, control, and productivity.

Table 7.7. Managers' Knowledge of the Required Knowledge and Capabilities

Organisations	Emerging Dominant Logic	Required Business Knowledge And Capabilities
State Bank	Endeavours to be world-class commercial bank of 'international best practices'	*Internally focused*: Thorough knowledge of banking business, how to improve processes and routines, how to improve service delivery credit and risk management, ability to use banking technology, change management capability, managerial and leadership skills. *Externally focused*: identification of and servicing customers needs, scanning changes and direction of changes in the environment, knowledge of & comply with banking regulations and directives, and strategic marketing, new product development knowledge.
Private Bank	Leading and competitive private bank	*Internally focused*: use of banking technology (ICT), improving processes for service delivery. *Externally focused*: Public confidence, image building, strategy development, theoretical knowledge, knowledge of national and international economy, financial markets; knowledge of and complying with banking regulations and directives.
State Tannery	Exporter of quality finished leather	*Internally focused:* Leather processing skills and capabilities, how to market, meeting quality and environment standards (ISO 9000, ISO 14000) *Externally focused*: satisfying customer requirement, producing and selling environment friendly products, promote and make use of image and reputation, knowledge of input suppliers, strategic planning.
Private Tannery	Exporter of finished leather, shoe and leather garment	*Internally focused*: Computerization, process technology, use of modern production and technical machineries *Externally focused*: knowledge about input suppliers, communication capabilities with customers, new product development knowledge and capabilities.
State Garment	Fully serve international market and satisfy domestic customers	*Internally focused*: knowledge and capabilities in design and fashion *Externally focused*: Knowledge of quality standards and requirements, ability to penetrate global market, knowledge of input suppliers,, communication capabilities with buyers

On the other hand, examples of externally focused knowledge and capabilities, in the case of the bank, included how to improve service delivery; how to identify and satisfy customer needs; scanning and making sense of changes and direction of changes in the environment; and ability to comply with regulatory requirements. The description by the president of the state bank represents such viewpoints:

> "The key business knowledge we need to have in place include the knowledge of changes and directions of changes in the business environment; how banking industry behave in Ethiopia and elsewhere, and the changing customer needs - the market being served and to be served" (President, State Bank, 2004).

However, in a private bank the focus was more on identifying knowledge and capabilities that were externally oriented than internally-focused.

The public tannery managers emphasised those competences and knowledge that would enable them to enter into international markets. Hence, they put emphasis on efficiency and quality and new product development knowledge that would enable them to penetrate international markets. Thus, the required knowledge and capabilities were both internally-focused as well as externally-oriented. In the private tannery, managers had a very narrow knowledge about the required resources and knowledge as illustrated in figure 7.4. Their emphasis tended to be more internally driven and hence focused on knowledge and capabilities that would help them to improve plant capacity, productivity and quality of finished leather. Because of these changing organisational focuses, managers' thinking about the required organisational knowledge and capabilities were fluid and unstable.

Managers' knowledge about the required organisational knowledge and capabilities varied depending on their roles and hierarchical locations as shown in figures 7.3 and 7.4 for banks and tannery organisations. Hence, managers' current roles and responsibilities shaped/informed their interpretations but their links to managerial actions could be tenuous. For instance, it was common to find that vice presidents responsible for credit and risk management in banking organisations gave more attention to acquisition or development of knowledge in areas of risk control and management, customer handling, process improvement and possibly new service development capabilities. Similarly, the technical and production managers in the tanneries and garment enterprises emphasised knowledge and capabilities development that would enhance production quality, compliance with meeting quality and environment standards and reduce wastage (for instance, see respondent 2 in figure 7.4). On the other hand, marketing managers in these manufacturing organisations emphasised knowledge and capabilities developments in marketing and related areas.

Figure 7.3 Managers' Accounts of the Required Capabilities in the State and Private Banks

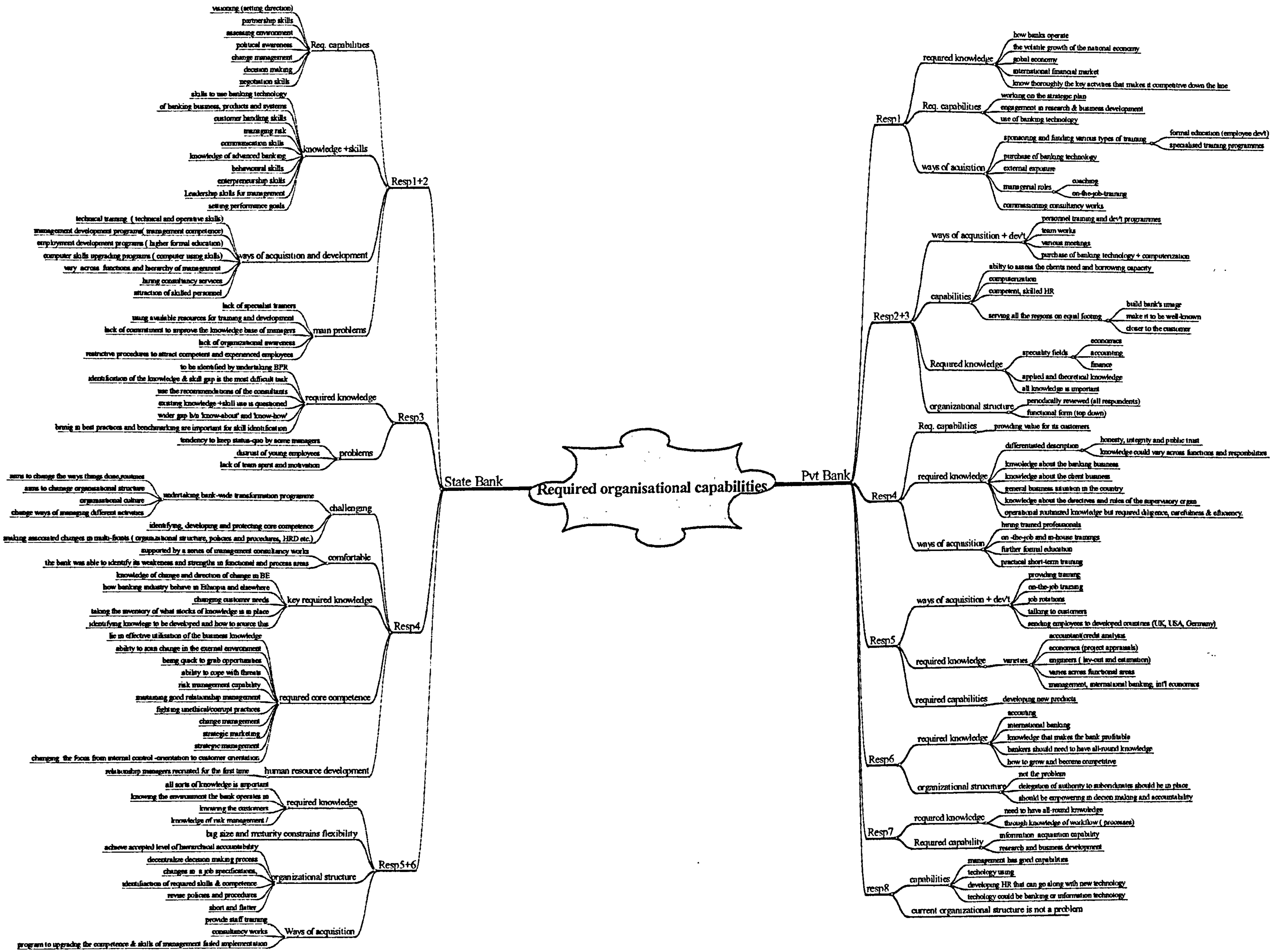
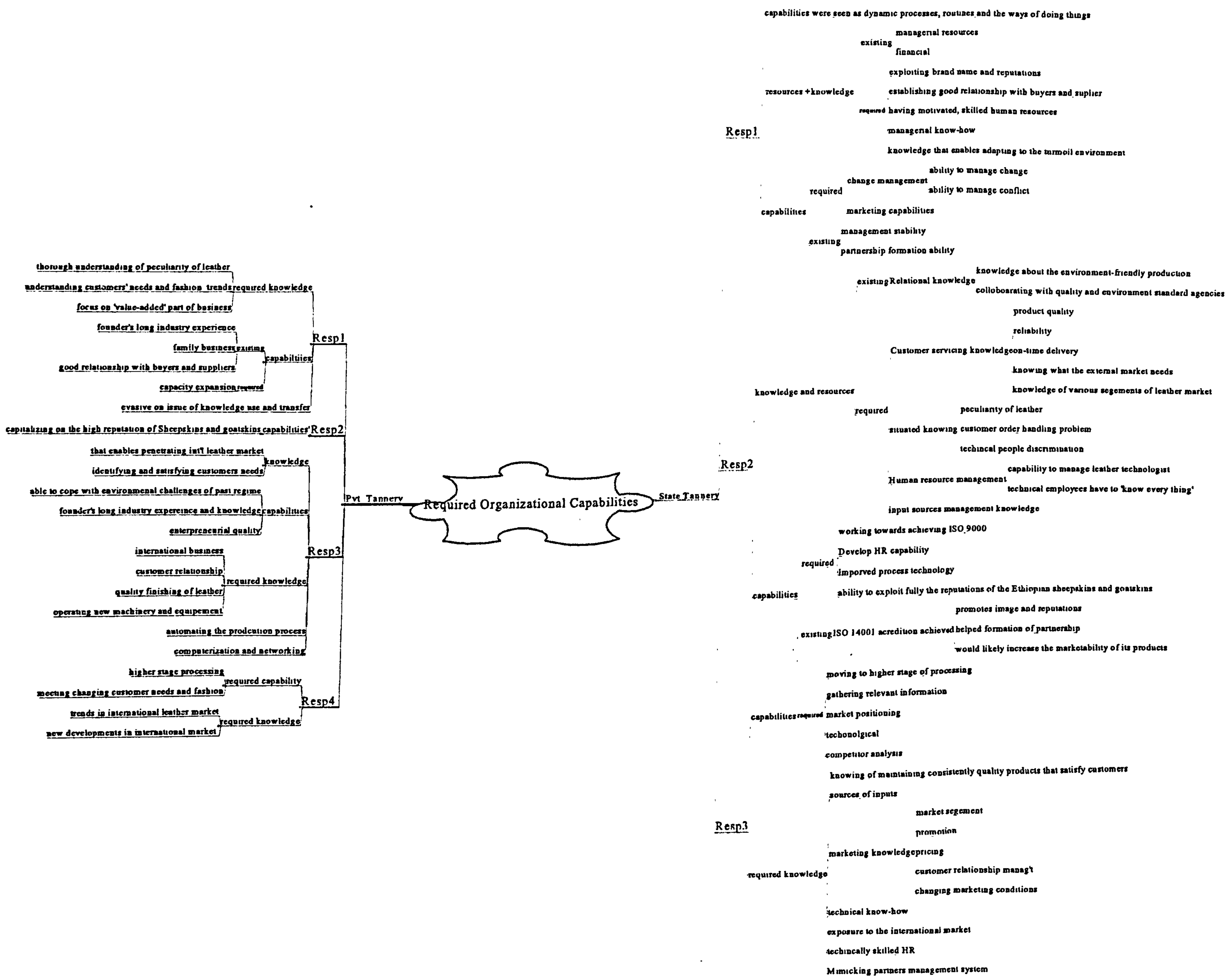


Figure 7.4. Managers' Interpretations of the Required Capabilities in Tannery Enterprises



This study found that the skills and knowledge seen as required varied according to the hierarchy of management. The case of the state-owned bank illustrates this as described by the senior manager:

> "The Bank has started identifying the type of managerial skills we require at all levels with support of the consultants. Some of the skills and competencies that were identified for executive managers include: leading organisation (vision setting, understanding internal and external environment); change management; dealing with ambiguities; political awareness (both international and domestic politics); entrepreneurship skills; decision-making; skill to manage conflict; negotiation skills, persuasiveness- persuading others, etc." (Vice President, State Bank, 2004).

However, most managers found identification of the required strategic level knowledge and capabilities (competencies) problematic and challenging. For example, the president of the state bank described how it was difficult for them:

> "I don't think the bank was able to take the inventory of its core competences and, the sources and types of knowledge at organisational level. We set up a new succession plan and are working with the management consultants in HR and Change Management Module. This is one of the areas the bank would focus - that is, identifying the existing and the required type of knowledge and competences, and addressing the gap between the two. So, having the inventory of core competences and knowledge, building up and protecting them are some of the challenging tasks ahead of us". (President, State Bank, 2004).

According to a number of directors and presidents, however, the strategic level business knowledge required include skills to scan the environment and identify threats and opportunities; knowledge of change and direction of change in the business environment; organisational awareness (knowing their business) including directions and goal setting, strategic planning and management knowledge.

The managers' identification of types of useful knowledge that are seen by them as required comfortably fit into a pragmatist approach to classifying knowledge. Know-how and embodied knowledge (mostly tacit) were considered by most managers and national level informants as critically required knowledge for Ethiopian business organisations. These informants were very worried about the wide gap between theoretical/abstract knowledge and the practical/applied knowledge and know-how of their employees. In their interpretation, what was more important is not what the employees knew what, but how they used what they knew in practice for the organization's advantage. The implication might be that these managers would have liked to acquire types of knowledge that are related to their organisational context and useful for decisions and actions. In other words, the ability of employees to use what they know to make sense of the changing environmental situations and their ability to use these emerging environmental situations to make sense of what they already know was seen as crucially important. However, managers and national level informants' analyses and secondary sources pointed to the difficulties and problems in developing these types of knowledge.

There were different conceptualizations of competence and capabilities. Core competences were seen as their key organisational strengths; only a few managers thought in terms of the ways, the processes and routines that were unique to their organizations. According to the latter types of informants, core competence lies in *effective use of the business knowledge itself* and should not be mistaken for the kinds of assets and structures in place. But the perception of most managers was akin to identifying core competence with organizational strengths as the following quote reveals.

> "Our organization's resources and capabilities involve a comfortable capital base, long years of experience in the banking business, strong public confidence, strong financial

> resources, relatively better skilled human resources, and wide branch network" (Manager, Banking Systems, 2005).

While the top-level managers' perceptions of capabilities are likely to drive their decision-making and actions (Day and Nedungadi, 1994) it will be recognized that perceived capabilities and actual capabilities may be different (Hooley et al, 1999).

7.6.2. Acquisition and Development of Organisational Capabilities

The study also investigated how managers thought about different ways of acquisition and development of these required knowledge, resources and capabilities. The analyses they provided were of high interest and pointed to different directions. These analyses included different ways of acquisitions and developments, and factors they regarded as enablers and constraints. Employees training and development programmes, purchase of new technologies (process or banking), experience sharing, hiring consultants, informal networks and government capacity building programmes were mentioned by these managers as the ways for acquiring knowledge and capabilities (Figure 7.3 provides instance of this). Managers in the state-owned tannery and garment enterprise considered partnership or alliance formation with foreign companies as a possibility to develop organisational capabilities. Prior organisational knowledge and capabilities were also useful to acquiring new knowledge and capabilities. This was the case where the state-owned bank managers used the bank's financial resources and government ties to hire consultants and the state-owned tannery to use long term supply-buyer relationships and certification of ISO 14000 to get into partnership with a foreign company in March 2005.

In most cases, the training provision tended to be conventional, formal and classroom based. The on-the-job- training, job rotations, mentoring and coaching as exercised in some of the organisations, especially in banks, had, to a certain extent, the role of transferring tacit knowledge but at the time they were limited to operational employees.

The Ethiopian managers' knowledge revealed that their organizations' history, routines, processes and the absorptive capacities of both the managers and their organizations were factors that enabled as well as constrained the acquisition and development of the required knowledge and capabilities. Managers in private business organisations reported that 'mindset' and shortage of finance were the two critical constraints that deterred the acquisition of relevant knowledge and capabilities. In contrast, in the state-owned enterprises, their connection to the government had major influence on acquisition and development of required resources and capabilities. These organisations' relationship with the government enabled their search for products market, and development of organisational capacity and strategic plans. Paradoxically, however, most of the state-owned enterprises' managers especially those in the manufacturing sector lacked discretion to acquire and allocate resources, with little experience and confidence to compete in a market based economy.

Finally, this study documented the contested and changing nature of managerial knowing and decision-making about their organisational design. In both banks, managers relatively insisted on the importance of becoming flexible, decentralizing some aspect of decision-making and reviewing organizational policies and procedures. These changes were expected from the ongoing 'bank transformation programme' and in particular, businesses process reengineering (BPR). The evolving managers' knowledge reflected an urgency to become flexible and increase efficiency in service delivery but the extent to which the emergent policies and procedure sustain their potency or constrain or enable the necessary changes in the future remain to be seen. On the other hand, the private bank managers suggested that most changes in organisational structure would occur from the middle downwards; maintaining the apex status quo and policies and procedures would be reviewed periodically to accommodate necessary adjustments in line with the organisational environment. On the other hand, centralised decision-making and control procedures were maintained in manufacturing and exporting organisations. In general, the issue of organisational design (centralization/ decentralization; insistence of current policies and procedures or tendency to become flexible; formal approaches /informality) which is central to organisational performance was the subject of much conflict, abrasion and matters of possible avoidance. Thus, senior managers in a number of organisations, particularly in banks, tended to use consultancy studies to undertake major organisational design.

To summarise, two important findings emerged from managers' knowledge of the required resources and organisational capabilities. These were:

1. Top-level managers' knowledge about the required resources and capabilities and how these might be acquired and developed was incomplete, differentiated, role/ task specific and subject to changes. Managers differed in their knowledge of the required resources and capabilities inter-organizationally and sector-wise. In the state bank, managers sought to acquire both internally and externally focused resources and capabilities that would enable their organisation to defend its market share as well as to be proactive in new services developments. The types of managers' knowledge in this organisation tended to be a mix of explicit (formal), tacit, conflictive and changing depending on the nature of strategic issues. In contrast, managers in the private bank sought resources and capabilities that they thought would enable their strategic focus of market expansion and provision of

efficient services to their customers. Managers' knowledge in these organisations tended to be more of varieties of practical and tacit (know-how) but also differentiated in certain issues (empowerment, authority). Managers' in the state tannery tended to emphasize both internal and external focused knowledge and capabilities. The knowledge they held and used tended to be a mix of formal, embodied, practical and changing recently upon partner formation. In contrast, private tannery and state garment managers had very narrow knowledge regarding the required knowledge and capabilities. While the private tannery managers emphasise internally focused resources and capabilities, managers in the state garment enterprise put emphasis on externally focused ones. The state garment enterprise managers lacked necessary resources and hence their interpretations were more aspiration than actionable.

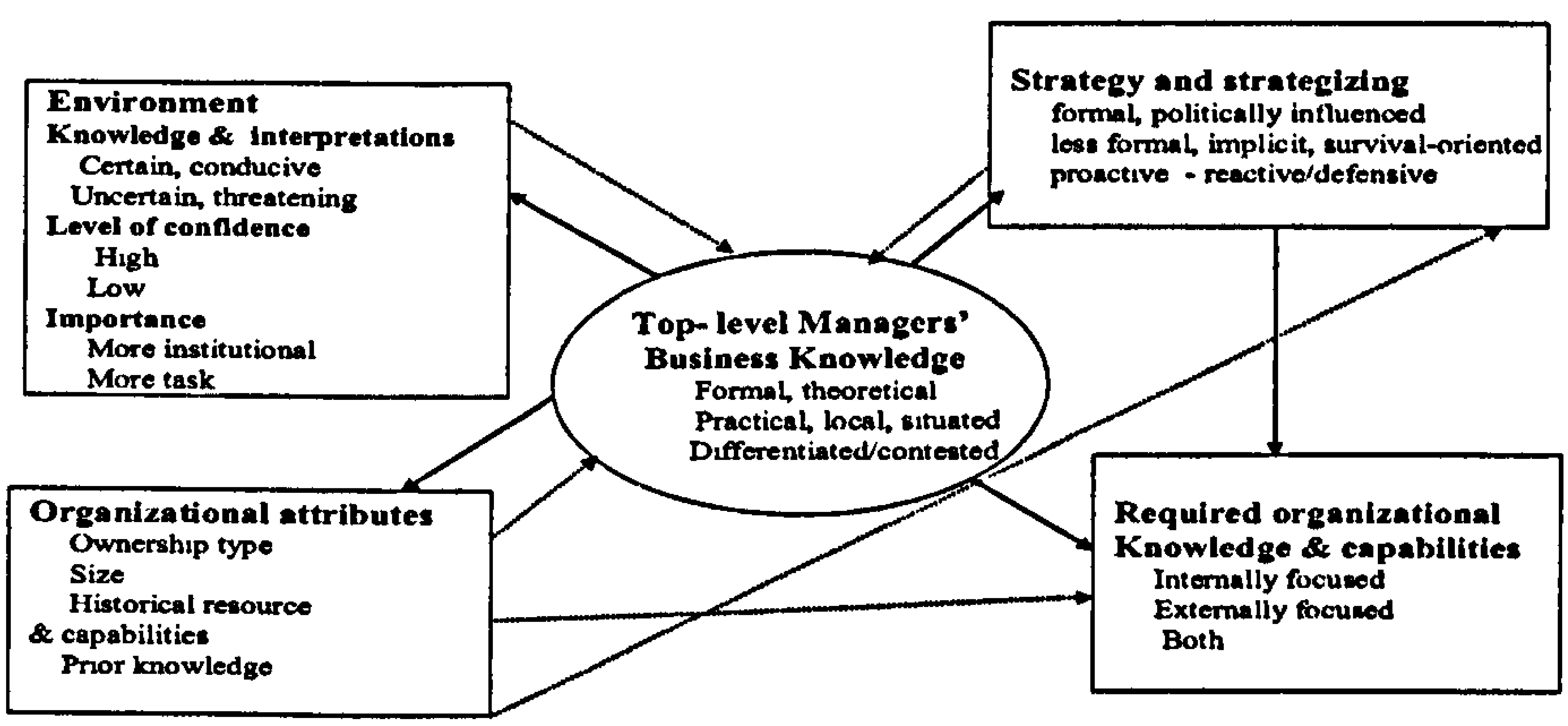
2. Conceptualising and identifying the required knowledge-based resources and capabilities were difficult and problematic for most of these managers. Only some presidents in both banks and a few senior managers in the state tannery were able to describe the nature and type of capabilities. Managers' strategic level knowledge that underpins their decision-making may be characterised as partial, contested, and situated. Moreover, managers' knowledge was found to be path-dependent and informed by the managers' historic experiences as well as significantly influenced by the prevailing surrounding contexts. Mindset, lack of finance and institutional environment influences were reported as some of constraints to acquiring and developing the required organisational resources.

7.7. Chapter Summary

This chapter presented the main findings of the study into the Ethiopian top-level managers' business knowledge, that is, their knowing of the environment, strategy and organisational capabilities. In other words, it presented the Ethiopian senior managers' theories about their organisations. The study sought to further the understanding of both scholars and practitioners alike on important issues about local enterprises and their managers strategizing practices and vital adjustments to the changing turbulent transition economy environment. The units of analysis were individual managers, case organisations and industries.

This study's main findings are summarised in figure 7.5 below and then described.

Figure 7.5. Summary of Key Findings



In summary, this study was able to produce five important findings on Ethiopian managers' business knowledge during a time of transition.

1. At a general level, Ethiopian top-level managers' knowledge was multifaceted: it was dynamic, uncertain, differentiated, politicised, and contested. Evolving forms of managers' knowledge ranged from formal to varieties of practical knowledge. The nature of managers' knowing and sensemaking that underpins their decision-making on and acting upon key organisational issues and the 'knowing' of environment were found to echo the uncertainties that defined their environment. Even though their business knowledge was significantly influenced by the surrounding contexts; it also remarkably displayed its independence reflecting these managers' historic experiences.

At the organisational level, the managers' sensemaking and knowing of environment, strategy, strategy making process and the required organisational capabilities *varied significantly* as detailed below.

2. Manager differed in their knowledge of the most important aspect and attributes of the environment and their implications for their organisations. The study found most managers in the state bank and the state tannery regarded the over all environment (both the task and institutional environments) as more conducive and propitious for their businesses. In contrast, managers in two private businesses and the state garment enterprise considered the over all environment as threatening, unpredictable and a source of significant uncertainty. These latter managers and most of the national level research participants had less confidence in and were circumspect about the trajectory of de-institutionalisation. The tendency of policy makers and government officials

to bring about a 'controlled change' and their ambivalence to fully commit to the market-orientation created suspicion on the continuity of the other market-oriented policies. Despite the private business organisations were enjoying more formal autonomy than the less-marketized state-owned firms; they found themselves in a vulnerable position because of the absence of a fair level playing field, well-defined property rights and frequently changing policies. Managers affiliated to the state-owned enterprises attached more importance to institutional environment followed by the market. Managers in private enterprises and operating in opened-up sectors gave more importance to the task environment followed by the policy environment. In addition, the banks managers saw the volatile national economy as a major threat.

3. In each and every organization, managers differed in their emerging dominant logics (judgements) about what it takes for their organisations to be successful. Managers reported that they had been pursuing (or intending to follow) clusters of strategies with core strategy differing among studied organisations. These were: the state bank - defending market share through improvements; private bank - organic growth through branch expansion and improved service delivery; state tannery- partner formation; private tannery - plant capacity expansion; and state garment – no articulated strategy. However, on the other hand, these managers had not yet developed strategic thinking and found strategic decision-making highly ambiguous and problematic. At organisational level, managers' knowledge defined the following strategy elements to be instrumental for the success of their business organisations.

a. State bank - Improving service delivery through business process reengineering and use of banking technology; human resource development and utilization; new service development and linkage with government.

b. Private bank - Providing efficient and effective customer service; branch expansion; improving and upgrading the skills and competence of HR; use of banking technology.

c. State tannery - Partnership formation; improvement in process technology, R&D; training HR; providing quality products to the customers; linkage with government.

d. Private tannery - Production capacity expansion by constructing a new modern leather processing plant; producing quality products at competitive prices and on time delivery; HR skills upgrade and hiring skilled personnel.

e. State garment - Restructuring the organisation; providing quality products at competitive prices and meeting on time delivery; develop market research and design capacity.

4. Top-level managers' knowledge about strategizing practices in their respective organisations also revealed variations in strategy initiations and development process, the key actors involved and the values or significance attached to it. The extent of this depended on the degree to which the organisations were perceived to be reliant on government or on the external market. In the state organisations, the strategizing process was politically influenced, externally driven, formal and in some cases problem driven. In contrast, in private organisations, strategizing practices, most frequently, were less formal,

incremental, survival oriented, and were not yet fully understood by managers. In the more private sector organizations, managers questioned the value of strategy-making where their companies lacked the necessary resources and capabilities, and did not know where and how to find markets. Incoherence, confusion and randomness may best characterise the ways these managers went about strategizing. As a consequence, level of managerial discretion varied from very low in the state-owned enterprises to high in private enterprises.

5. Top-level managers' knowledge of the required resources, knowledge and capabilities varied inter-organizationally and sector-wise. In the state bank, managers sought to acquire both internally and externally focused resources and capabilities that would enable their organisation to defend its market share as well to be proactive in new services development. The nature of managers' knowledge in this organisation tended to be more of formal and procedural. In contrast, managers in the private bank sought to develop more externally focused resources and capabilities to deliver their strategies of market expansion and provision of efficient services to customers. Managers' knowledge in these organisations tended to be a mix of formal and practical knowledge but also differentiated on certain issues (empowerment, authority). The state tannery managers put emphasis on acquiring both internally and externally focused knowledge and capabilities. Evolving forms of knowledge tended to be more of embodied and tacit know-how (practical) and less formal and explicit. The private tannery managers put emphasis on internally focused resources and capabilities while the state garment managers sought to acquire externally focused ones. The dominant form of knowledge in these two

organisations was practical in its nature which was local and situational. However, these managers' knowing of different kinds of resources and capabilities were loosely coupled and links to actual acquisition may be tenuous.

The above findings and their implications need further discussion and interpretation in relation to theoretical lenses, literatures and the conceptual framework informed this study. Thus, the next chapter discusses the findings and their implications, and presents this study's contributions.

CHAPTER EIGHT: DISCUSSION AND INTERPRETATIONS

8.1. Introduction

This chapter discusses the study findings and examines their implications. The key research question investigated in this study was: *"How do managers in a transition economy make sense of, and act upon, their environments and the development of plausible strategic responses?* More specifically: How and what did the Ethiopian managers regard as important aspects of the environment? How did they make judgments about plausible strategic responses? What strategizing knowledge did these managers' have, and were they responsive, active, and proactive? How and what did they seek to develop as the required knowledge and capabilities to deliver their strategic response? What were the evolving forms of managers' knowledge? This chapter explores the implications of the findings to these research questions.

The chapter has six sections. The general level findings are presented in section two below to illuminate the overall picture. This is followed in section three by the main findings and their discussion. Section four examines the patterns that reveal the differentiated nature of the top-level managers' knowing. Possible explanations about factors influencing, shaping, enabling and/or constraining the sensemaking and 'knowing' of managers as well as the study's contributions are presented in section five. Section six concludes the discussion.

8.2. General Level Finding

The study into the Ethiopian top-level managers' business knowledge revealed that at a general level this group of managers had partial, uncertain, differentiated, contested and, culturally and historically specific (situated and located) knowledge about their organisation and its environment. They have been facing extreme uncertainties in their environment of which they lacked certain knowledge as described in pages 186-87, and 191-94. The data analyses revealed that they were struggling to manage businesses in a strategic confusion amid multiple levels of influences (p: 256-58). Most managers faced the situation where goals, alternatives and strategy tools were unclear. Consequently, the decision situations were highly ambiguous, unfamiliar to them and their organizations and there is no prior experience to draw upon. As these managers try out ideas and actions to discover goal and alternatives, amidst varying and conflicting influences, the decision-making activity appeared to be politically influenced, disconnected, and survival-oriented (see, pp:222-25). So, in general the Ethiopian managers found the notions of 'market', 'strategy', 'strategic level knowledge' and 'capabilities' to be problematic. The practical meanings of these constructs had not yet been fully comprehended by them. Managers were not as transformative and radical as would have been expected during a period of an institutional flux or void.

Now if we move beneath the overall, general level, some *differences* were found at organisational level. These contrasting findings are considered below.

8.3. Summary of Major Findings at Inter- Organisational Level

The study into the sensemaking and knowing of the Ethiopian top-level managers produced five key findings at organisational level that revealed differences in how managers make sense of the shared experiences in different ways. These were:

1) Managers' knowledge of environment ranged from some managers considering it as conducive and stable to others interpreting it as unpredictable, uncertain and threatening for the operation of their businesses. These interpretations and

'knowing' of environment, in turn, led managers to having different levels of confidence and trust (high to low) in the Ethiopian government's commitment to fully market-oriented economic system. This finding is discussed in 8.3.1 below.

2) Managers' level of responsiveness to environmental situations ranged from reactive, defensive and survival oriented responses to more proactive/active ones. For most managers the notions of strategy and strategizing practices were problematic, ambiguous but also emergent. However, emerging dominant logics were useful as simplifying and filtering mechanism to the strategic responses they were making. Guided by the emerging dominant logics, managers emphasised the use of clusters of strategies, core strategy varying across organisations, to make their organisations successful and competitive. This finding is discussed in 8.3.3 below.

3) While some managers were increasingly becoming familiar with a formal, politically influenced strategy process, others did not have a well defined strategy development processes. The latter types of managers experienced less formal implicit and incremental strategy processes. The key aspects of this finding are discussed in 8.3.2 below.

4) Managers identified internally focused as well as externally focused knowledge and capabilities to deliver their responses to market and institutional pressures. However, most managers found the identification and development of knowledge-based resources and capabilities difficult and problematic. This finding is elucidated in 8.3.4 below.

5) Evolving forms of managers' knowledge ranged from more formal, explicit, in resourceful enterprises to more practical, situated and located knowledge in the less resourceful ones. This finding is discussed in 8.3.5 below.

The above differences in the managers' sensemaking and 'knowing' of environment, key organisational issues and the nature and forms of evolving knowledge are discussed below. Table 8.1 below summarises the key findings showing what polarised patterns were dominant at organisational level and their correlations with organisational attributes such as size, ownership, maturity and resources (slack) availability.

Table 8.1. Key differences in Managers' Knowledge

	Patterns	Which organization?
1	Interpretation of environment • Conducive, stable • Uncertain, threatening, unpredictable	• State enterprises, large • Private enterprise, small in size
2	Strategy and strategizing • Formal, influenced externally/politically • Less formal, incremental/ survival-oriented	• State-owned enterprises • Private, new /old
3	Strategic response features- responsiveness • Growth oriented/opportunistic • Defending/ reacting/survival-oriented	• New (private bank) + enterprises in policy encouraged businesses (tanneries) • Incumbent bank, old and those open to foreign competition
4	Required resources and capabilities • Internally focused • Externally focused • Spanning	• Old, state-owned, defenders/reactors • New, more marketized enterprise (state/private) • More marketized
5	Forms of evolving knowledge • More formal/ theoretical/technical • More practical, situated & located	• Large, state-owned, banks • Small, private, manufacturing

Each of these five patterns will now be discussed.

8.3.1. Certainty/uncertainty of Managers' Knowledge of 'Environment'

As described in 7.2 (pp: 186-206), the external environment was seen as threatening, uncertain, and unpredictable by most managers. For a minority it was understood as improving in relation to the success of their business. Key aspects of this and evidences supporting these points are explained below.

This study results showed that different managers made sense of the environment in different ways and their knowing of it was subject to changes depending on the changing roles and contexts. Although managers' knowledge of the environment displayed its path-dependence, it was also influenced by how they interpreted and enacted the environment in which their managerial practices are situated. For instance, managers operating either in policy protected or policy encouraged businesses interpreted the environment as conducive, munificent and stable. Especially most managers from the state-owned enterprises, as presented in 7.2.1 (p: 191), had views that the political/ policy environment is relatively providing an opportunity for them (with exception of the recent political instability). The state-owned bank managers' accounts suggested that flourishing micro financing institutions; an increase in the number of small and medium enterprises; the state infrastructure development projects; the establishment of a Specialized Monitoring Agency for public financial institutions; foreclosure law for banks to be opportunities to expand their banking business. This was described in table 7.2, pages 195 and 203. For managers in both tannery organisations, however, it was the high international reputation of the Ethiopian sheepskins and goatskins that was seen as providing opportunities as described in 7.2 (p: 195). The banks managers knew the competitive environment to be conducive due to the absence of new entrants to the banking industry because of increased capital ceilings and a policy barrier that prohibited the entry of foreign financial institutions. Evidences supporting this discussion were presented in page numbers 198-200.

Managers knew, to a certain extent, the dynamics of the Ethiopian government's reforms programmes, centralisation of the political control, and devolution of power and de-centralization of implementation of policies to the regional states. The two top-level managers' interpretation of environmental situations demonstrates how these managers held uncertain knowledge about the dynamism and unpredictability of the environment. This point is supported by the evidence cited in 7.2.1 (p: 193) and illustrated briefly here.

> "Rules and regulations change over time affecting current project decisions or the implementation of the approved ones" (Managing Director, Private Leather Co, 2004)

And

> "All in all forecasting and predicting the business environment is very difficult in Ethiopia: all the political and regulatory changes are unpredictable and we can't foresee what would happen next" (Vice President, PB, 2005)

Hence, managers knew that some aspects of the institutional environment were dynamically changing while others were static or slow to evolve, and these became the cause of significant uncertainty for them and their businesses, as was the case in Russia (Puffer and McCarthy 2001, Stoner-Weiss 1997).

Managers reported that recent improvements in macro-economic and policy environments were overshadowed by uncertainty and challenges coming from the micro environments. Managers raised issues related to license and registration, customs, tax, land acquisition and ownership right, property right protections by police or judicial systems etc, and said that lots of things remain constraining. The following quote from the managing director of the leather manufacturing company (cited in 7.2.1 page no. 191 and reproduced briefly below) is illustrative:

> "How would I get licenses from the ministries, how would I pay my taxes, how would I go to the court and get judgment ... These are things to be desired; and a lot remains to be done in that direction. When things come down to the grass roots level, there are still institutional settings which are not in place". (President, EMIA, 2004)

Furthermore, even at the macro level, the reported frequent changes especially, in the policy, legal and regulatory environments resulted in eroded business confidence in long-term investment. Thus, most top-level managers had less trust in the deinstitutionalization trajectory. Some issues that would help explain these managers' interpretations are discussed in 8.5 below.

This study finding added significantly to the extant empirical works done on the Ethiopian business environment (Nega and Moges, 2003; UNCTAD, 2003; EIC, 2004; EEA, 2004; World Bank, 2006). The focuses of these studies were on private sector development and foreign direct investment (FDI). Hence, the discussions and conclusions made in these studies are related to the perception of the private businesses and in some cases investor perceptions at global level. Hence, they are useful to triangulate with what the studied managers made sense of the important aspects of environment.

For instance, the Ethiopian business environment was perceived negatively in attracting foreign direct investment (FDI) (UNCTAD, 2003). Yet also as a suitable location for investment but constrained by limited purchasing power and volatile economic growth (Foreign Investment Advisory Service [FIAS]).

Despite the reported recent improvements in the investment climate (EIC, 2004; EEA, 2004) the research findings suggested that regarding *business confidence* "in majority of the cases (62%) the situation in Ethiopia discourages business, hence investment, and deteriorates competitiveness" (Nega and Moges, 2003: 16). The recent study of the World Bank (2006:25) also suggests that the "business environment remains difficult" when compared to Vietnam which shares some elements of the growth strategy that Ethiopia was following. Moreover, the report described that there is a risk that recent political developments may impede private sector development, and adversely affect private investment, including foreign direct investment (FDI). Ethiopia also compared unfavourably on most governance indicators, and in the supply of skilled labour and infrastructure services.

While the extant empirical works cited above were mostly based on survey research and tried to see the environment as objective entity out there, this study, based on managers' knowledge and framing, illuminated how managers created and enacted environment, and how the way they noticed and knew its important aspects, significantly affected their decisions and actions.

8.3.2. Formal, Politically Influenced Versus Less Formal Strategy Process

In the state-owned enterprises, managers' strategizing knowledge was highly influenced by the ongoing politics and policies. Power relation was evident in the sensemaking of these managers. In most cases changes and strategy templates were imposed from the above and these served as acts of expression of power which subsequently shaped what these managers accepted, take for granted and enacted. Evidence for this finding can be found in subsection 7.5.2 (pp: 223-24). In the state bank, managers used western management and strategic planning concepts (framework), aided by consultants, for organisational diagnosis and strategy development. In the other extreme, however, managers in the state garment were not able to articulate their business strategy and were less familiar with 'modern' management practices than other state-owned enterprises' managers in the sample. In private business organisations, the concept of 'strategy' itself was problematical and was not yet fully understood by managers. Managers, thus, engaged in less formal, survival-oriented and incremental strategy process as described in 7.5.2 (pp: 225-26). The private bank managers, however, tended to use intuitive and incremental approaches to identify strategic issues. Executive and board levels management then intensively discuss and debate on these identified strategic issues.

In the process, while some managers in a number of organisations tried actively to enact the environment, other managers were more cautious and preferred to hold a 'wait and see' attitude. Thus, the ways these managers engaged in strategizing practice were reflections of what these managers in circumstances *judged* as appropriate actions, response and behaviour to deal with complex or ambiguous situations. Thus, managers were attempting to interpret and explain sets of cues from the environments that influence their choice making behaviours.

8.3.3. Proactive to Defensive, Imitative, Strategic Responses

It was reported in 7.5.2 that top-level managers in the state-owned and privately owned enterprises varied in the level of responsiveness to environmental situations. Did these managers have a very clear understanding of the purposes of their organisations and appropriate strategy tools to achieve these? What strategizing knowledge did they have? This subsection makes discussions on these vital issues.

The closer thematic analyses of data pointed to how the interviewed managers were struggling to manage their businesses with varying level of responsiveness. It became evident that how managers' interpreted their organisational capabilities, its resources and limitations (see, p: 206-10), as well as the industry context, influenced how they responded to the environmental situations. For instance, managers in resourceful enterprises operating in policy encouraged businesses were, to a certain extent, proactive and opportunistic while those managers in enterprises lacking sufficient (without) resources and operating in opened-up sectors engaged in defensive and reactive responses. Thus, how did managers know the strategic features of the contents of their strategy?

With regard to the content of strategy, this study found that managers' presumptions and beliefs about what it takes for their organisations to be successful, i.e., their dominant logics, were varied and in consequence they pursued different strategies as shown in 7.5.1 (p: 218-21). Thus, at organisational level, what managers defined as core strategy for their respective organisations were as follows: the state bank – to defend market share through improvements; private bank - organic growth through branch expansion and improved service delivery; state tannery- market penetration through partner formation; private tannery - capacity expansion; and, state garment – no articulated strategy. Supporting evidence on this can be found on pages 220-21. Not all the managers, however, discussed whether or not these were multiple, independent, strategies or if they anticipate synergies/links among them and therefore a part of a true 'logic'. Therefore, my classification could be taken as the researcher's interpretations of managers' analyses and narratives but simultaneously surfacing hitherto uncovered insights. This means that if asked, managers might not be able to describe the core strategy as presented here. However, the key insight coming out of my study is that managers' knowledge of appropriate strategy(ies) can converge at organisational level even though some time they could not articulate it well. This study also found that the three most important supplementary strategies described by the interviewed managers were the development of human resources skills and competence, the improvement of processes and routines, and new product/service development, as illustrated in Figure 7.2 (p:221). While managers described various training and exposure programmes as strategy tools to achieving the first strategy, using process or banking technology and organisational restructuring, including business process reengineering, were considered as means for the second. New product (services) development as a strategy was emphasised by many managers but only a limited number of organisations were able to introduce a few new products and services. A limited amount of finished leather in the tannery organisations and a few new services in the government bank were aspects of new product developments.

However, the above discussion does not reveal the whole story. Managers' knowledge of 'appropriate' strategy alternatives and tools was contested as well as characterised by ambiguities and strategic confusion. This is discussed below at inter-organisational level.

The state bank managers, with the help of consultants and driven by the country's financial sector reform program, engaged in an organization-wide transformation programme. Some of the expected consequences of this ongoing strategic change were a changed organisational structure; the introduction of new products and services supported by customer friendly banking technology; and the handling of valued customers by relationship managers (Corporate Relationship Department). The bank, five years back, became the first and only bank to pioneer ATM services in the country but without adequate feasibility studies or systematic strategic analysis. The taken-for-granted assumption by the then managers was that their bank would attract more valued, wealthy customers; outperform competitors and regain its market share; decrease the branch work load and could appropriate a first mover advantage were not realised. Still, learning from the past unsuccessful strategic decisions seems none or minimal. As per the accounts of senior presidents of the bank, there were more new products in the pipeline, including local currency card, electronic purse, consumer credit, warehouse receipts, and real estate financing that needs careful business analyses because they would target entirely different set of customers. However, there were no new product development teams in place despite the fact that these envisaged new products tend to be unique with distinctive features and targeting requiring careful management at each stage of their development. More of the intended new products' likely attraction to traditional customers could be doubtful as they would be technology driven, and customers in the country were said to be less adaptable to new products (EEA, 2004). Thus, on the face of these analyses, these could be ineffective changes that result in no fundamental transformative change. The bank in the process of recovering from performance problems and confronted with ambiguity, showed signs of strategic vacillations (Hambrick and D'Aveni, 1988) and an excessive risk willingness but the success of its endeavours remained to be seen.

Similarly, the state tannery managers' knowledge of strategic analysis of alternative strategy tools was incomplete and lacked clarity. The successful implementation of the state tannery's 'market penetration' strategy through process improvements would depend on the availability of the required quality and quantity of inputs (raw hides, sheepskins and goatskins, and chemicals) and on the recruitment of leather technologists, and the number of new entrants to the industry. Of these, the first two were mentioned by interviewed tannery managers as significant sources of challenges /problems not only to the tanneries but also to the leather industry as a whole. In such situations, improving technical efficiency of the plant through investment in new process technology and hiring of process technologists might not lead to the scope and scale efficiency desired by the management.

Both the state bank and tanneries cases illustrate that the top management were doing all the right things on the surface. They claimed they were proactive as well as defending their market share based on their sensemaking of the competitive environment. Yet the changes undertaken were not informed by an adequate analysis of the enterprise's resources and capabilities, suppliers and customers even from the task environment.

The state garment managers were keen to undertake organisational restructuring starting with defensive adjustments aimed at survival under changing environmental situations. These were seen in their desire to lay off what they perceived as old and inefficient workers and to introduce a product mix based on made-to-order arrangements. While these managers succeeded in entering the US and Greek markets in a very limited scope, they were not able to undertake organisational restructuring and lay off workers due to government labour policy constraints[2]. Thus, managers were not able to engage in the deeper strategic and organizational restructuring that would have been the means to build a new, competitive business. These managers had no articulated strategy and strategizing process, and were reactive. As a result, the empirical evidence pointed to continuity rather than radical change. This finding accords with the studies of Wright et al., 1988 and Newman and Nollen, 1998.

To encapsulate the discussion so far, what managers knew, and how they came to know, influenced and guided the ways they saw, noticed, interpreted and responded to internal and external organisational issues. But it could be true also, sometimes, that the knowledge they

[2] All the managers interviewed in this enterprise raised this issue as one of the major constraints. The General Manager's description of the then situation supported this point and represented such views.

> Because the factory is state-owned, I can't say to my employees that they're 'aged' and hence fired as well as I can't hire new ones. I have no authority/power on this. The existing labour law as well as the government policy doesn't help me to execute this. I have to keep these people working even though they're inefficient and account for high overheads cost. We weren't successful in our proposal to undertake organisational restructuring (GM, State Garment, 2004).

held was fallible, was partial and not necessarily (always) useful for organisational purposes. Moreover, the discussion thus far implied that the state-owned enterprises' managers were acting based on their preconceptions about 'appropriate' strategy to deal with uncertainty. As Weick et al., (2005:306) aptly described "people don't know what is the 'appropriate action' until they take some actions and see what happens". Hence, these managers were trying to learn from their experience and action that are underpinned by their preconceptions. Power relations also shaped what these managers enacted, their identities and what they believed as 'appropriate' organisational actions in their context.

On the other hand, the private bank managers claimed that they were capable, well experienced and have had good relationships with their shareholders and customers. One of the senior presidents commented that they "have good management capability and that is why we have sustained growth and profitability every year". They have been using these relationships to enact the environment and engage in growth strategies that puts their company as prospector (proactive). The private tannery managers, on the other hand, maintained good relationships with input suppliers locally and buyers internationally and used this communication and relational capability to enact the environment and engage in non-codified strategy that kept the company going from strength to strength. The strategy feature of this organisation was more entrepreneurial than in the other cases. On a wider plane, however, a number of managers' narratives revealed the prevalence of opportunistic and survival-oriented strategies by maintaining informal relationship based on ethnic political ideology to get better services and to mitigate institutional pressures. In this case managers' situated and located knowledge was important.

In other transition economies, enterprises often put up a web of interconnected partner business organizations (Keister 2001, Peng and Heath, 1996; Peng 2003). They do so partly because they do not have the resources and capabilities to compete independently in more open markets, and partly because these networks can provide assistance in environments characterized by a weak institutional support (Peng 2003, Peng and Luo 2000). This study, however, found that Ethiopian business managers were weak in getting into cluster and engage in network strategy locally and forming partnerships with foreign companies. According to the account one of managing director "The people are not yet ready with their perception that they can work together". Possible explanations about this problem are discussed in 8.5.1.

8.3.4. Internally Focused Versus Externally Focused Resources and Capabilities

The resource based view states that an organisation's competitive performance depends on its idiosyncratic resources and capabilities such as the ability of an organization to learn and change flexibly. In reference to the 'resource- and knowledge-based views or the 'core competences' approach, at organizational level, managers' account of their organisational resources and capabilities revealed that organisations differed in their idiosyncratic resources and capabilities bases as described in 7.3 (p: 206-10). However, managers reported that these resources and capabilities were not well-developed to the required level.

One of the findings of this study showed that how managers saw their existing capabilities and future desired images of their organisations shaped their thinking about the required organisational resources and capabilities. These managers make sense of the required resources and capabilities in different ways inter-organizationally and sector-wise as described in section 7.6 (p: 227-40). Their knowledge of the required resources and capabilities ranged from internally focused resources and capabilities to externally focused ones to deliver their strategy. Evidences supporting this finding were presented in Table 7.7

(p: 229). In the state bank, managers sought to acquire both internally and externally focused resources and capabilities that would enable their organisation to defend its market share as well as to be proactive in new service developments. In contrast, managers in the private bank sought resources and capabilities that they thought would enable them their strategic focus of market expansion and provision of efficient services to their customers. Managers in the state tannery tended to emphasize more internally and less externally focused knowledge and capabilities. In contrast, the private tannery and the state garment managers had very narrow knowledge regarding the required knowledge and capabilities but emphasised internally-focused and externally-focused resources and knowledge, respectively.

The thesis also investigated how managers, as strategists, were able or not to identify the resources *inside* the enterprise which make it different and unique. Many managers from each organisations were able to identify their organisations' historical resources and in what they were good at (competent). However, in some cases, managers were not able to take the inventory of the existing stock of skills and knowledge, what and how to develop the required additional skills and competences to deliver their organisational goals. Especially identifying knowledge-based strategic assets (competences) were difficult to most of the managers, given their organisations' history, routines and experience. Because of this, with the exception of a few, most managers were unable to describe what *core competences* their organisations had and were required to develop. Most managers did not have past experiences that would allow them to develop these competences. Whatever entrepreneurial spirit might have existed in private businesses in pre-socialist era was suppressed during the central planning era. Thus, similar to Newman's (2000: 609) observation, "the managerial capability to be innovative and entrepreneurial was absent in all but a few" organizations.

This study results are consistent with the previous studies that suggest managers in enterprises that have operated in centrally planned economies generally lack the understanding of free markets, had inferior organizational and managerial capabilities (Luo, 1999), and their managers rarely have appropriate mindset and market-oriented skills (Filatotchev et al., 1996; Buck et al., 2000) to help their enterprises compete effectively in free markets. Then what did these managers consider as the possible ways to acquire and develop the required organisational knowledge and capabilities? Employees' training and development programmes, the purchase of new technologies, mimicking successful others in their organisational field, experience sharing, hiring consultants, partner formation, informal networks and capacity building programmes of the government were mentioned by interviewed managers as the ways for acquiring resources and capabilities.

Thus, many informants gave emphases to acquiring formal, explicit, knowledge and imitative (observational) learning. In this subsection, I will discuss the imitative management learning while the issue of formal, explicit knowledge will be dealt with in the following subsection (8.3.5).

Many managers in manufacturing and exporting enterprises had a great desire to have exposure locally and abroad to gain experience in how things are done and adapt what they see in their contexts. In banks, however, managers emphasised the significance of having exposure to banking practices from developed economies. Imitating and mimicking successful others were seen as essential during this transition period until they develop innovative capabilities. This point is supported by the analysis of one senior government official which was cited in subsection 6.4.3 (p: 181) and reproduced briefly here.

> "In general, enterprises in manufacturing need to *be good followers and imitators* until they develop innovative capability; be able to *introduce quality management systems*

that would reduce their cost, enhance product quality, and enter foreign market; be *able to learn from others who do better*; create linkage with research institutions and universities..."(Director, EPPSA, 2004, emphasis added).

This finding is in line with what the organisational learning theorists distinguished as observational learning (Bandura, 1977; Weiss, 1990) and encourages imitation (Huber, 1991), and what Oliver (1991) termed as mimicry response to institutional processes. Imitative processes may be of particular importance in early stages of transformation and improve the former SOE's ability to appropriate returns from its existing resources (Zahra et al., 2000). Nevertheless, observational learning often fails in turbulent environments such as transition economies, because they require adaptation of newly gained know-how to new conditions requiring complete understanding (Huber, 1991; Van de Ven and Polley, 1992). Likewise, causal ambiguity reduces the effectiveness of observation (Lippman and Rumelt, 1982).

8.3.5. Formal, Theoretical Versus Practical Knowledge

One of the key issues investigated in this study was the identification of the evolving forms of knowledge in a study context. From the data analysis, it was found that the nature of knowledge held and used by managers could be located in a continuum from formal, theoretical, to practical knowledge.

During transformation attempts existing knowledge of managers is often rendered inadequate and open to modification or replacement (Cook & Yanow, 1993). Because the setting involved the imposition of a new way of working and managing, as well as an attempt to change management style, managers were expected to have an 'appropriate' combination of theoretical and practical knowledge. These forms of knowledge are discussed below.

Formal, Explicit, Knowledge: Managers in some organisations were exposed to explicit and technical knowledge through MBA programmes, consultancy works and formal training. Given external pressures and influences, these managers, to a certain extent, regarded the adoption of 'modern management practices' and concepts as important, as the following quote demonstrates

> "We're working towards introducing and incorporating the 'best international banking practices' in our operation from around the world". I'm sure it will make a difference" (Manager, Bank Transformation, State Bank, 2004).

The adoption of western business practices and frameworks was considered useful by these managers for two purposes: first, it enhances their knowledge base to operate in a marketized and competitive environment; and second, it provides a better chance for their enterprises to satisfy the efficiency or normative imperatives they are assumed to face. For instance, the state bank managers, with the support of consultants strove to adopt 'international best practices' and undertook 'organisational transformation'. One of the senior managers echoed: "we are undertaking business process reengineering (BPR) to improve processes in operational areas and to bring in excellence to the banking services". The president of the State bank also stated that "consultancy services significantly contributed in complementing their efforts of institutional transformation". Similarly, the state tannery managers were adopting new procedures and systems from the partner foreign company that took over the management of the enterprise in 2005.

Hence, more emphasis was given to focus on the transmission and reception of formal codified knowledge because doing management tasks required certain skills (e.g. marketing and strategizing, customer servicing) that had not existed before. New management functions such as restructuring, relationship management, managing transformation, customer-orientation, etc., driven by consultancy works and pressured from the mighty international financial institutions and donor organisations, these managers tended to see the direct inscription of technical knowledge and procedures as the viable means of transforming their companies into Western-style business organizations (see, Geppert and Merkens, 1999). In such instance, knowledge acquisition was based on an implicit, sometimes explicit, understanding of the internal process of management learning as imitation.

The discussion thus far implies how sensemaking plays a central role in cognitive reorientations of managers (Gioia & Chittipeddi, 1991; Gioia et al., 1994; Gioia & Thomas, 1996; Isabella, 1990). Hence, managers' knowledge structure that defines and constitutes how to do business in a changed environment has been changing incrementally from comparison with previous experiences.

Managers' practical knowledge is used here to mean reasoning or justifications about what and how they do the management job and whether the doing of it brings desires and hopes for success of some sort. Practical knowledge thus can be taken as a reflection of the relationship between purposes and goals. As expected a priori, this study found that managers lacked prior knowledge of, and training, how to operate in a market oriented economy and hence had only a rule-based, undifferentiated outline of business management in their minds, rather than the refined understanding of it[3]. Thus, managers tended to use varieties of practical knowledge that were situated and located to run their businesses. This

[3] There were many evidences suggested by the interviewed managers and national level research participants supporting the view that the Ethiopian managers lacked previous knowledge and experience in operating in market-oriented business environment. They described that 'managers lacked sufficient experience in marketing' and in their 'exposures to the workings of the markets', 'weakness in managing enterprises along the commercial lines' and about 'challenges of the transformation of the orientations of the Ethiopian businesses from command economy to the market economy'.

observation was more evident in manufacturing and exporting enterprises than banking organisations.

Managers' situated knowledge: Ethiopian managers' work differed in the context, processes, and purposes of their practices because the context of managers was said to be situated in particular problems encountered in every day activities (cf, Hutchins, 1993; Lave, 1986). As such, managers tried to develop an understanding of the problems and tasks that arise in particular situations - for instance, the urgency to become customer–oriented; addressing performance problems; increasing efficiency - and of means-ends activities that make up their solutions (Wallace, 1983). These managers' knowledge of their practice was typically customised, connected to experience, and directed to the dynamics of particular situations (Aram & Salipante, 2003). Thus, these managers' situated knowledge was instrumental to them to deal with the specific situations encountered in particular cases and hence forms an aspect of their practical knowledge. However, managers' situated knowledge usefulness depended on to the extent to which these managers were able to change their mindset and belief systems with changing environmental situations. In other words, the situated knowledge was dynamic, fluid and could vary from situation to situation.

Local knowledge: The interviewed managers had direct experience of how things work (or not) in their circumstances. Their local knowledge had a direct bearing on practice because it was cognizant of local issues that frame these managers' thinking and drive their behaviour in a particular locale. Thus, local knowledge or located knowledge became a variety of practical knowledge. For example, one aspect of managers' local knowledge was that it enabled the identification of and access to critical resources such as land, credit, information, etc. Interviewed managers differed in the ways they came to have local knowledge and held different knowledge. Managers in state-owned enterprises used their connection to the government (resource dependence, accountability, planning, reporting, meetings, and party membership) to form and use local knowledge. A recent study's result in Ethiopia shows how this might be the case:

> "The managers of public enterprises are members of the ruling party; the managers of the party-affiliated enterprises are members of the ruling party central committee. Managers of state enterprises are board members of other state enterprises. The architects of government policies, directives, regulations and plan of actions are the same managers, board members and board of directors of the public and party-affiliated enterprises" (Teferi and Zerihun, 2001:4).

Managers in private businesses also had their version of practical knowledge. For this group of managers, identifying key resource controllers in the environment and understanding the prevailing institutional framework that might influence their decisions and actions was informed by their local knowledge. These managers' local knowledge, thus, was instrumental for them to identify and establish good relationship with local input suppliers.

In summary, the foregoing discussions on main findings show how managers knew to make distinctions within a collective domain of action (Tsoukas, 2005) and made sense of the shared experiences in different ways. Their knowing and sensemaking activities enabled them to exercise judgement on key organisational issues and to interpret institutional frameworks in which their managerial practices were situated. They held uncertain, differentiated, contested and fluid knowledge about their organisation and its environment. Their knowledge was shaped and constructed in deep-rooted social, historical and cultural fabrics (context). Managers used their knowledge as an active process of interpretation, re-interpretations, and sense making of the dynamic and extremely uncertain situations they were in drawing on their past experience, repertoire of assumptions and context. As to be shown later in 8.5, it is an active interpretive process whereby managers see the current and future direction of their organisations and themselves through the past.

The foregoing discussion on the major findings could raise two important questions about how managers' sensemaking and knowing of shared experiences were different. In other words, were there any observable emergent patterns? How were these patterns dominant and internally consistent? The next section examines how dominant were the patterns and how internally consistent they were and hence provide useful insight into the nature of managers' knowledge and sensemaking activities.

8.4. Interpreting the Patterns[4]

At the higher level of analysis, this study located a number of factors accounting for the differentiated knowledge of the Ethiopian top-level managers about the key prevailing external and internal organisational issues. The factors which emerged from the analyses were:

1. The extent to which managers and their business organisations were reliant for strategizing and resources on state or market mechanisms;
2. The degree of exposure to market influences (i.e. marketization) and whether the studied organisations were operating in policy encouraged or protected business types

[4] Here, it would be important to provide clarification on the use of patterns to understand managers' business knowledge during a time of turbulent transition. The above two dimensions to locate the forms of managers' knowledge of the environment and key organisational issues are used to illuminate in what context the managers' business knowledge is shaped and constructed. Even though the managers' knowledge is considered to have its developmental trajectory, is path dependent and hence can display independence from the objective reality facing them; the dimensions used are useful to further our understanding of how the prevailing contextual factors influence and shape the knowledge they hold and how these managers' knowledge in turn impacts on their decision-making and actions on key organisational issues and enacting the environment.

By deploying these dimensions as differentiating core analytical positions in spectrum, the following two distinctive patterns emerged from this study. These patterns are presented in tables 8.2 and 8.3 below.

8.4.1. Relative Dependence on State or Market Mechanisms

Table 8.2 below shows the patterns based on the extent to which the studied managers were reliant on state or market mechanism for strategizing and critical resources. In essence, managers' knowledge about the specific issues is located along the continuum and hence can be considered as a relative position rather than as absolute and fixed polarity. Accordingly, managers' knowledge dimensions regarding environment, level of confidence on government's commitment to a market oriented economic system, strategy process and forms of knowledge was found to be located in two polarities as discussed below.

Table 8.2. More/Less Dependence on State

Key difference dimensions	More dependent upon state for strategizing & resources	Less dependent upon state for strategizing & resources
· Environmental view	· Conducive, stable	· Uncertain, threatening and unpredictable
· Level of confidence on government's commitment to market-orientation	· Reasonably high	· Low
· Strategy process	· Formal, politically influenced, externally driven	· Less formal, incremental and survival-oriented
· Forms of knowledge	· More theoretical	· More practical
	State-owned	Private

Managers and business organisations dependent on the state for strategizing and critical resources had more positive views of the environment, reasonably high level of confidence on the political management of the transition process and government's commitment to a market- orientation. These managers considered the state supports such as overall direction setting, informational, resources and capacity building programmes as strategically important. In turn, these types of managers were subjected to a politically influenced, externally driven and formal strategic planning process. In most cases, managers were provided with organizing templates and guidance for the strategic planning process. The government reform, restructuring and capacity building programmes were instrumental and used as frames of reference (basis) for organisational transformation programmes and bases for selection of strategies in the studied state-owned organisations. For instance, the state bank managers reported that most of strategies currently pursued by their bank were derived from the country's financial sector reform programme. These managers were encouraged or otherwise provided with opportunities to use the management consultancy services, advice and studies of the World Bank and IMF as well as to participate in the strategic planning and management programmes of the government. This, in turn, led them to developing more theoretical, formal, and explicit knowledge, despite the fact that they were also adept in using the located and situated knowledge. These managers' connections to the government became crucial factor in as differentiating the ways they saw the environment and key organisational issues as well as the nature and forms of knowledge they held. Thus, there seemed a close relationship between managerial affiliation or connection to the government and their interpretations of the environment as conducive, stable and munificent, their engagement in a politically influenced, formal strategic planning process and to hold more theoretical, formal knowledge.

Managers in private and privatised enterprises depended more on market mechanisms and less on state infrastructure to acquire resources and for their business operation. Essentially managers in these organisations were forced to rely for resources on market mechanisms.

Because the environment in which these managers operate has been known only vaguely and was exposed to competition, they interpreted it as uncertain, unpredictable and threatening for the operation of businesses. These managers had low confidence in the Ethiopian government's ability to move away from a historic mode and its commitment to a fully market-oriented economic system. These interpretations, in turn, led them to have less trust and confidence on a de-institutionalization trajectory. Because of the perceived uncertainty and ambiguity, these managers were not able to set clear organisational goals and identify alternative strategy tools. Hence, the strategy process tended to be less formal, implicit and close. But managers in organisations that have sufficient resources and capabilities were able to engage in an incremental strategy process to operate in competitive environment.

Private enterprises operated under hard budget constraints. Moreover, entry and exit were not entirely regulated by markets, as the private enterprises' capacity for survival and growth was also constrained by difficulty of access to capital and raw materials controlled by the state sector. There was a tendency by the state-owned banks to offer loans and credit more on the basis of political considerations rather than economic ones. Private enterprises lacked legitimacy and the necessary political backing to enjoy reliable access to capital and thus were dependent on private – and often, informal – sources of credit. Partly because of resource constraints, private business managers were unable to access and use 'transferable' formal, technical knowledge and hence tended to use more the 'practical' knowledge that was located, situated and contextual. In Ethiopian condition, thus, it can be, more generally said that private enterprises' managers' knowledge of the environment could define it as uncertain, unpredictable and threatening, and leads them to have less confidence in the de-institutionalisation trajectory. Thus, they tended to be without an articulated strategy process, or, if they had one, such strategy process was likely to be less formal, implicit and survival-oriented.

8.4.2. The Degree of Exposure to Market Influences

The second differentiating dimension of managers' sensemaking and 'knowing', this study found, was the extent to which the organisations these managers belong to were exposed to market influences and whether they were operating in opened-up or protected businesses. Here, market is conceived in a broader term to include business environment elements that have direct bearings on the operations of the business organisations. These elements include customers/buyers, suppliers, competition (local and foreign). In other words, it includes the 'task environment' elements, as discussed in sections 2.6.1, 6.3 and, subsections 7.2.2, 7.2.3 and 7.2.5. Thus, the extent to which enterprises and managers were exposed to market influences (or pressures) is defined as the degree to which enterprises under study were exposed to foreign and local competition, demanding customers' requirements and managing supplier/buyer relationships for critical resources. In this differentiating spectrum, managers' business knowledge could vary in form depending on the extent to which these managers were exposed to market influences.

The importance of this differentiating dimension lies in its utility in illuminating how managers' sensemaking activities are located in the context in which they are triggered. Hence, managers' knowing about the important organisational issues could be shaped, enabled as well as constrained by the nature and structure of the industry, markets and institutional framework in which their organisations operate. Accordingly, the enterprises' position in this spectrum is partly determined by whether they were operating in protected or opened-up sectors/industries. Table 8.3 below shows this difference dimensions shaping top-level managers' knowledge.

Table 8.3. Relative Exposure to Market Influences

Key difference dimensions	Less exposed to market	More exposed to market
▪ Environmental view	▪ Conducive, propitious	▪ Threatening, uncertain, volatile
▪ More Importance	▪ Institutional environment	▪ Task environment
▪ Strategy	▪ Medium to long-term	▪ Short term, survival-oriented, opportunistic
▪ Resources & Capabilities	▪ Internally focused	▪ Externally focused
▪ Industry /sector	▪ Banking/financial	▪ Manufacturing and export
	Protected	**Opened-up**

In the study context, banks were the business organisations that were less exposed to market influences due to the government policy that prohibits the entry of foreign financial institutions and to very limited local competition, as described in subsection 6.3.3 (p:167-70). Banks did not have financial services offering problems as the country is acutely under banked and the demand for their services has been increasing despite stringent lending policies and procedures in place. Thus, many managers in banking organisations viewed many elements of the environment as conducive and propitious for their business operations and were optimistic about the future directions of their organisations. Hence, they have developed medium to long term views about their organizations.

In the absence of, or limited, competition and abundant actual and potential market, these managers put emphases on acquiring more internally focused resources and capabilities than externally focused ones[5]. These internally focused resources were meant to enhance

[5] This relative statement may need qualification in subtlety. Since 2005, this view has been changing to include both internally- and externally-focused resources and capabilities (see, p: 252) as these managers' knowledge defined for them that their bank should defend its market share as well as provide new services. This change in the knowledge of managers also reflected in clusters of strategies they used. On the other

competence and efficiency which would enable providing better customer service and augmenting internal operational efficiency. Hence, these managers considered the elements of the institutional environment followed by market (not competitive) as the most important aspects of the environment. At national level, less exposed enterprises faced soft budget constraints, administrative allocation of funds and materials, and limited autonomy. For them, organizational effectiveness and performance were measured externally in terms of adherence to administratively set targets (such as prompting social objectives). The key groups were officials in the supervising Ministries with whom such enterprises were in a situation of 'symbiotic interdependence,' which was the setting in which the resource dependence model is most directly applicable (Aldrich, 1999).

In contrast, and generally, business organisations in manufacturing and exporting sectors were more exposed to fierce local and foreign competition. The fieldwork documented a wide range of evidence pointing to this exigent circumstance: a significant number of manufacturing enterprises, especially those small in size were closed and most of those existing were unable to compete in opened-up market. Supporting evidence was provided in subsection 6.3.4 (p: 170-72). High market exposures were a direct consequence of trade and tariff liberalizations, and foreign exchange devaluation measures of the structural adjustment programmes. In general, managers' knowledge in manufacturing and exporting sectors defined for them the environment to be ambiguous, volatile and unpredictable. Managers lacked certain knowledge of this environment and hence were pessimistic about the future direction of their business organisations in the face of encroaching globalization. As a consequence, they tended to use more opportunistic, disconnected and survival-oriented strategies and were short-termist in their views. The private enterprises' managers

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hand, managers see more opportunities for actions coming from the institutional environment than the task environment.

questioned the value of strategy when they lacked necessary resources and did not know what to produce, where to market and what would happen next. Given the increasing competitive and market pressures they have been facing, these managers were likely to acquire resources and capabilities that are externally–focused.

Managers highly exposed to market influences saw the most important aspects of the environment to be a task environment followed by a policy environment from the institutional environment as described in section 7.2 (p:190-200). These managers interpreted the environment as uncertain, threatening and unpredictable; their strategic responses were reactive, short-termist, opportunistic and survival-oriented; and where capable, they sought to acquire externally focused resources and capabilities.

In summary, the above two polarised patterns provided fresh insight into the nature and forms of top-level managers' knowledge, that is, the knowing of environment and key organisational issues during a period of transition. The position of enterprises in these spectrums of polarised patterns was in part determined by the type of ownership, the degree of exposure to market influences and whether they were or not operating in policy protected or encouraged business types. There were substantial variations within each ownership type, and it is the variation in institutional setting, rather than ownership type *per se*, that is the key determinant of the ways these managers knew important environmental and organisational issues. On the other hand, however, these patterns do not clearly show how managers' knowledge can be influenced by their historic experience and this will be dealt in the next section.

The above discussions on patterns help to further our understanding of how managers' sensemaking is triggered by the uncertainty coming from the surrounding contexts and how their accounts of the situations facilitated the devising of what they thought as plausible actions, strategies and ways of acquiring the required capabilities. The task of the next section then will be to present the implications and explanations of the study findings.

8.5 Explaining the Findings and Patterns

This section attempts to provide explanations for and implications of the study findings and emerged patterns. It thus seeks possible determinants of the differences and patterns of the Ethiopian top-level managers' 'knowing' and sensemaking and the implications of these on theory and practice. These include the general interpretive mode of managers; prevailing institutional framework and path dependence (implanted Marxist precepts, targeted development policies, resource dependence); the degree of exposure to market influence and the perceived level of managerial discretion.

8.5.1. Managers' General Interpretive Orientation

Literatures on the interpretation of environment suggest that managers respond primarily to what they perceive (Miles, et al., 1974) and strategic actions depend upon interpretation of the environment (Schneider and De Meyer, 1991). Moreover, this strand of literature acknowledges managers' interpretations to be subjected to influences of multiple levels (Hambrick and Mason, 1984; Miller, 1993). While, agreeing to these suggestions, this thesis research adds one important contribution to this strand of literature. In this study context, the managerial/ organisational actions were dependent on what these managers thought as *important* aspects of the environment that they regarded as having due impacts on their businesses. The implication of this might be that managers define their categories much differently from scholars (Ford and Hegarty, 1984). For instance, the terms such as 'opportunity' and 'threats' are not polar opposites and instead share many attributes, such as 'high importance' (Dutton and Jackson 1987; Stubbart, 1989:333) and this might be the case in the interpretive frame of the Ethiopian managers. Rather than the degree of change in or hostility of the environment, the ways managers' knowledge define and prioritise the important aspects of the environment was a main driving factor of these managers' understanding, sensemaking and consequential actions. Hence, as discussed in 7.2., managers' knowledge regarding the environment focused not on a general environment but on *specific aspects/elements* of that environment which they thought *as important for and impacting on*, positively or negatively, their businesses. The implication is that managers' knowing differs in details reflecting the *situation* they are *in* and being *of* that situation. As such these managers were able to describe and analyse the narrow environment that they thought as affecting their line of business operation while leaving aside the big picture.

At organizational level, this study found that, for Ethiopian top-level managers, the most important aspects of the environment include market, competitive, regulatory, politics and policy environments. This finding is consistent with May et al.'s (2000) study of environmental scanning behaviour of Russian managers. The Russian managers ranked the sectors that are newest to the Russian environment as highest in strategic uncertainty (customer/market, economic and competition), irrespective of the sector's classification in either the task or general environment category. Yet, the findings that perceived strategic uncertainty across the sectors do not appear to prompt executives to scan more frequently in the form suggested by Daft et al.'s (1988). Their results indicate that among the Russian executives, rate of change and complexity, are not only insufficient but are also not necessary for predicting scanning behaviour. In fact, "importance alone, moderated by perceptions of source accessibility, is the superior predictor of scanning frequency" (May et al. 2000:419).

The finding that the Ethiopian top-level managers shared similar dominant logic and beliefs at organisational level regarding how to make their organisations successful is consistent with previous work in cognitive approach and institutional theory (Meyer and Rowan, 1977; Porac et al, 1989; Reger and Huff, 1993; Daniels et al, 1994). These managers come to share similar beliefs, schema and assumptions as a consequence of selection and socialization processes, observation and other social and sensemaking processes (Hambrick and Mason, 1984, Hodgkinson and Johnson, 1994, Prahalad and Bettis, 1986). However, this study contributes in a slightly different way to this strand of literature. The Ethiopian managers' study showed that not only can managers' knowledge converge at organisational level but also managers guided by the emergent dominant logic (strategic knowledge) can engage in enacting clusters of strategies. In a nutshell, examinations of managers' knowledge revealed that managers were actively trying to combine multiple strategies to achieve desired outcomes, and this may represent managerial attempts to bridge multiple streams of knowledge.

Most managers also had a great desire to learn through exposure to new ideas internally and abroad. Imitative management learning is often explained with reference to institutionalist arguments (e.g. DiMaggio and Powell 1983; Meyer and Rowan, 1977) that emphasize the need for managers to legitimate their decisions and actions to external and internal stakeholders. This situation implies that these managers' sensemaking efforts were susceptible to the influence of external actors. Ethiopian managers in ambiguously changing environments thus face a dilemma since their own survival depended on an image of managerial competence and knowledge (cf. Soulsby and Clark 1998). It is clear that, in these circumstances, 'imitation' is actually a very complex social accomplishment associated, for example, with impression management, and not a simple structural process.

Moreover, the nature of managerial claims to 'have learned' Western practices may be often misleading. The assessment of one key informant was revealing: "People are good at theoretical rather than practical knowledge", and went on to question the utility of formal management training in transforming traditional management practices: "whether an employee is a graduate of Harvard or Oxford, business management in this country is at a rudimentary level" (Director, EPPSA, 2004). Hence, such learning may amount to the acquisition and competent use of Western management *discourses*, leaving changes to more market economic *practices* either unrealized or significantly delayed (e.g. Clark and Soulsby 1999; Vamosi 2001).

The discussion thus far implies that managers' competence and skillful practices are provisional—because they are always to be achieved. Managers' sensemaking and presumptions shaped their beliefs regarding what it takes for their organisations to be successful by means of pursing clusters of strategies. But these managers seemed to have poor understanding of the trade-offs between alternative strategies. They were unable to produce skilled performance expected of them given various contextual constraints. The following section discusses how managers' sensemaking and knowing were achieved amid these contextual constraints or enablers.

8.5.2. Prevailing Institutional Framework & Path Dependence

The Ethiopian managers' sensemaking and knowing processes could be explained with reference to the prevailing institutional framework and path dependence. This is because managers are socialised into 'expected sensemaking activities and their organisation behaviour is shaped by broad cognitive, normative, and regulatory forces that drive from and are enforced by powerful actors' in the environment (Weick et al, 2005:417). Three of such forces are discussed below: 1) the influence of and issues linked to implanted Marxist precepts; 2) the institutional framework, especially the targeted development policies; and 3) resource dependence.

Path Dependence and the Influence of Marxist Precepts

During the socialist era (1974-91) there was no competition and managers gained their information about demand and supply from the government's central planning body. Moreover, the Ethiopian enterprises also typically experienced little competition from foreign producers or cheap imports because of restricted import activities. Managers in the state-owned enterprises were used to accomplishing state imposed ambiguous objectives such as meeting the planned output quota, creating additional employment or serving the interests of vertically integrated enterprises even at the cost of subsidy. As a result, managers felt forced to set inconsistent targets, which, in the context of inadequate performance monitoring and governance structure, increase managerial discretion or dilute managerial incentives (Estrin and Perotin, 1991; Kornai, 1980). Extreme regulation was designed to provide a high degree of demand certainty for enterprise managers. Thus, the environment of business appeared to be stable and predictable.

Lack of sufficient managerial and other staffs' skills and competence was prevalent. The emphasis on production activities, associated with 'meeting the plan' moved management focus away from issues of cost and quality management; a problem exacerbated by the lack of resources for investment in modern production technology.

As discussed in 6.2.1, since 1991 Ethiopia as a country has been making a cautious, contentious and gradual move from the planned command economic system to the market oriented one. As a result, the change in government in 1991 did not bring with it a change in precepts (perceptions) that informed the then influential actors in the environment – policy and politics architects of the system.

This present study conducted in 2004 & 2005 found that political, policy, market and competitive situations were less known by business managers than would have been expected. Most managers had a low level of confidence in the government's commitment to fully market oriented economic system. The government was seen by these managers as ambivalent in its policy directions on de-regulation, privatization, and liberalization. Moreover, undertaking institutional reforms or establishing new institutional frameworks appropriate for the market economy have been very arduous tasks for the government. As a result many institutional settings essential for the operation of the market economic systems were not yet in place.

There had been dominant views that party affiliated business organisations have been receiving preferential treatments as well as created the business climate for 'unfair competition' (see, p: 200). These views bore double interpretations. First, it meant that the government was not up to its promise of 'creating an invigorating business environment' that would help the emergence of the vibrant private sector, and second, the flourishing of the democratic system was questioned.

A recent study suggests that party affiliated organisations in Ethiopia have a preferential access to strategic resources, impose invisible entry barriers to new private businesses, and use institutions to their advantage. This report goes on eloquently describing the state of affairs:

> "Public enterprises particularly party-affiliated ones push law enforcement institutions to invoke laws/regulations/directives, which were not practiced before if they lose the game...Police were found reluctant to take action on illegal trade practices by party-

> affiliated enterprises or kinship connected thereto, despite available evidences. The venue of court did not guarantee justice on time in such cases. Unfair level playing field haunts the private sector, as the result (Teferi and Zerihun, 2001:5)

These situations created suspicion on the continuity of the other market-oriented policies, despite the government's evident success in adapting to some of the stabilization and liberalization policies (see, p: 192-94, 251-54). Thus, managers in private enterprises had less confidence in the government's commitment to a market-orientation and its ability to move away from a historic mode. Some managers thus labelled the transition process as about "bringing a controlled change' and seeking the "benefits of capitalism without capitalists". In their view, "still the government and party play predominant roles in the economy'. Evidence trails of this can be found in subsection 6.2.1 (pp: 150-53).

The effects of path dependence were reflected in managers lacking prior knowledge and experience in operating in market oriented economic system (see, p: 179 and 201). Many of the interviewed Ethiopian managers have lived through three different regimes of feudo-bourgeoisie, socialist and current quasi market–oriented economic systems. They had knowledge about how the private enterprises operated along with the state enterprises; how the private businesses were banned during the socialist era and how private ownership of businesses has been reviving during this transition period. Thus, managers' knowledge about the environment and how to manage business organisations were rooted in their past experiences and these formed the backcloth for the interpretations they made.

Institutional flux has been influencing managers' strategic decisions (Henisz and Delios 2002, Henisz and Zelner 2001) because of the political and economic costs of operating in the environment. When institutions change in unpredictable ways or when some of its essential elements are missing, managers of enterprises operating in this environment are likely to focus on short-term decisions because of the inability to value long-term investments. Long-term investments are less likely, and actions to obtain needed resources in the short term are emphasized, as managers seek to mitigate the potential hazards (Henisz and Delios 2002). Managers' knowledge of these environmental situations influenced them to engage in opportunistic and survival-oriented responses, and to focus on short-term gains. The results of this study may explain the conclusion of a recent study: "Traders in Addis Ababa are restricted to quick-return, short gestation period, low risk and small capital requirement activities whose inter-linkage and externalities are minimal" (Teferi & Zerihun, 2001:58).

The possible consequences of the above discussed issues culminated on what these managers referred to as "a deep-seated mistrust between the Ethiopian business community and the government". Business community became more suspicious about the government rhetoric on the role of the private sector in the national economic development. This issue has clear interconnection with current political and power structure and the governance system in the country. The account of one study reflects such perceptions:

> "Often the development of a strong business class is suspiciously seen as a political rival than a partner in development. Governments who seize power through a revolution, military coup or through armed struggle on ethnic, religious or any other sectarian grounds often have a little [trust]on the business community. As a result, the form of governance reflecting state-business relation would be one of the mistrust, biased, less supportive, and cost imposing" (Nega and Moges, 2003:9).

In summary, the legacy of socialism and embedded Marxist precepts, and the government's view of the role of the state in development, the study results showed, had a major bearing on the business management practices and the ways the Ethiopian top-level managers saw their internal and external environmental situations.

Targeted Development Policies

Previous empirical studies show government policy makers have the ability to alter the size of markets through government purchase; to affect the structure of markets through entry and exit barriers and antitrust regulations; to alter the cost structure of the enterprises through various types of legislation pertaining to multiple factors, such as employment practices and pollution standards (Gale and Buchholz, 1987); and to affect the demand for products and services by charging excise taxes and imposing regulations that affect consumption patterns (Hillman and Hitt, 1999:826)

In this study context, also the prevailing institutional framework, especially the state's development policy, could help to explain in what context the Ethiopian managers were making sense of and acting upon on what they made sense of. These managers were sensitive and 'knew' about, in unnecessarily constrained ways, which actions might be acceptable, supportable or need to be avoided in prevailing Ethiopian environmental situation (North, 1990; Powell & DiMaggio, 1991; Scott, 1992; Aldrich & Fiol, 1994; Hillman & Keim, 1995). For instance, all the managers in organisations studied have had knowledge of what types of businesses are encouraged to flourish and saw these as providing opportunity for actions.

Managers in small organisations that lacked critical resources and capabilities considered the environment as threatening and uncertain although they had a chance to benefit from the export incentives and a quota-free access to the USA and European markets. Because of this, for instance, managers in the state garment were less responsive, reactive, and were not able to develop externally focused resources and capabilities. On the other hand, managers in the large state tannery with slack resources were found to be proactive as well as cautious and engaged in market penetration strategy. Thus, how managers interpreted their existing organisational resources and capabilities influenced the ways they responded (proactively to reactively) to a set of cues from the environment.

Thus, as Haggard (1990) suggests, Ethiopian business organisations' access to critical resources has been very sensitive to the kinds of policies the Ethiopian government implements to promote economic development and legitimate its power. Therefore, institutional arrangements, as reflected in government legislation, development policies, the nature of property rights, determine the boundaries and paths for acceptable action. As a result, differences in strategic actions across organisations were partly consequences of *managers' knowledge of variations* in the existence, saliency, and intensity of particular institutional arrangements.

Resource Dependence

Despite evident changes introduced to make each and every enterprise manage itself and dismantling enterprise's chain of vertical linkages, still managers in state-owned enterprises depend heavily on the government for critical resources such as personnel, working and investment capital, information and market search. Thus, the polarised patterns regarding managers' knowledge can be explained by using the resource dependence theory, as articulated by Pfeffer and Salancik (1978), which characterizes organizations as dependent for survival and success on resources that must be acquired from the external environment. The key task is to establish effective mechanisms for the acquisition of resources. That mandates a number of tasks. First, organizations need to assess which collectivities in the environment are important and what they need from them (Pfeffer and Salancik, 1978: 84–88). Then they need to manage their dependence relations with those resource providers. Most simply, they may comply with resource providers' demands. Alternatively they may balance, co-opt important elements, or merge with key resource providers via the particularistic network of the enterprise's managers. Thus, managers allocate less time to being competitive in a marketplace.

The lack of strategic factor/product markets which would have been the basis for competitive performance and profitability has severely limited private business organisations' access to critical resources. In a shortage economy in which state and collective compete for strategic raw materials, private business organisations may be forced out of business for lack of raw materials, despite strong market demand for their products. Nee (1992) reported similar situations regarding the characteristic features of marketized private enterprises in China. Given the insular nature of financial and money market in Ethiopia, access to the strategic resources, such as long-term finance for investment has been extremely difficult.

8.5.3. Degree of Exposure to Market Influences

In Ethiopia enterprises' exposure to market influences varied widely. Enterprises in financial services, telecommunication, utility etc., were policy protected (pp: 150, 168) but other enterprises in manufacturing and export were highly exposed to market influences (for instance, see, pp: 170-72). There were also many enterprises characterized by the institutional baggage of excess labour, outdated process and production technology. The case of the state garment manufacturer is an instance of this. On the other hand, managers in privately owned enterprises, while varying on the level of marketization, were highly dependent on market mechanism to acquire resources and for better performance and competitiveness. Thus, the variations in managers knowing of the important aspects and attributes of the environment and key organizational issues was partly influenced by the perceived level of exposure to market influences.

At the general level, the Ethiopian managers seemed to 'like' and at the same time 'fear' the free market spirit (cf, Vlachoutsicos and Lawrence, 1990). Historically, Ethiopia has never experienced a fully functioning market economy and the same holds true also for its managers. The deinstitutionalisation - erosion of old values and these being replaced with new and emergent values, norms, and routines- these managers were wary about what would fully liberalized market economy be like and how they would be able to do business in such a changed environment. Given, in most cases, their inability to compete in a current quasi- market, less liberalized economy, they were pessimistic about the future direction of their business organisations. Managers' knowledge of operating in a more marketized setting prioritises for them the importance of sales and profit for survival and growth. They knew that capital, inputs, and human resources were to be acquired through market channels at market prices. These managers had significant autonomy in respect of the product and market domains they occupied, and the key providers of resources were the customers from whom revenues were derived followed by suppliers of materials, finance, and technology. Hence, this type of managers gave more importance to the task environment elements.

For enterprises' managers operating in a more marketized setting the co-option of officials through close connections still has value, corresponding to the 'relational' approach to corporate political strategy in market economies, identified by Hillman and Hitt (1999). However, as Peng and Luo (2000) also found, network assets were becoming less important determinants of performance as they became less effective means of ameliorating resource dependence. Instead, survival depended upon selling products at a balance of price and quality that will provide positive net revenues (Guthrie, 1998). Attracting revenue from customers was the key requirement and resource dependence was best mitigated by using 'strategic choice' to secure those revenues. While the resource dependence approach makes a key contribution by highlighting the differences between less and more marketized situations, the strategies it prescribes are more appropriate in the former than the latter. Enterprises in more marketized environments are no longer in a particularistic situation and hence their strategizing needs to take a different form.

The manager's immediate task in the new market oriented environment includes not only production and staffing issues but also strategic issues regarding market, competition, strategy, organisational capabilities and broader organisational awareness issues. These were reflected in managers' evolving knowledge as shown below:

> "To be able to operate in a competitive environment we consider increasing our production capacity, improving product quality, and satisfying our customers as important issues" (General Manager, State Garment, 2004)
>
> And
>
> "Filtering the environment for information on global market, systems and procedures that would enable competitiveness should form an important management task". (Director, EPPESA, 2004).

Thus, managers were feeling the need to change their knowledge base that underpins their decision-making to make their organisations successful in a changed environment.

From the institutional-based view of strategy, however, this study found that Ethiopian business managers were weak in getting into clusters and engaging in network strategy locally and forming partnerships with foreign companies during this transition period. The volatile economic situation, traditional business management practices and mindsets of business operatives may account mainly for this quagmire. The supporting evidences were presented on pages 163, 175-78, and 201-02). The unpredictable economic situations made it difficult to form even simple long-term relationships and networks. Previous research suggests that economic instability undermines and weakens incentives for long-term, cooperative business relationships and hinders creation of efficient private institutional arrangements (Biggs and Shah, 2006). A shock prone Ethiopian environment made it more difficult to predict partner's gains and undermined the effectiveness of repeated interaction incentives. In stable policy and economic conditions, contracts and business relationships have a predictable value. However, unforeseen shocks change all of this. Relational contracts were thus much harder to sustain in a shock-prone environment, because it was hard to predict the behaviour of the business partner and to value the relationship. In such an environment "tight, ethnically-based, business networks thrive" (Biggs and Shah, 2006:4) which, to a certain extent, was the case in Ethiopia also.

Second, the prevalence of traditional business management practices; the business culture that does not admire business success (see, p: 152 last bullet point); and the people's lack of readiness in their minds that they can work together (p: 177) were the factors hindering the potential advantages that would have been gained from networking, forming business associations and business clustering. There were many managers who were felt frustrated about this state of affairs. This discussion is supported by the evidence cited in subsection 6.4.1 (p: 177) and illustrated again here:

> "Over the years, *we've been kept separate from each other*, and I think it becomes an *impediment to getting into clusters, sharing information and experience*. Even what has been happened in the last ten years kept us fragmented: association and dissociation effects ..... Maybe *now, we are more suspicious of each other than before.* (President, EMIA).

The above viewpoints were well documented and supported by the analyses of the interviewed experts, government officials and representatives of the business associations as presented in 6.4.1.

8.5.4. Perceived Level of Managerial Discretion[6]

Why were many of managers in state-owned enterprises less responsive, reactive and risk averse? Two factors that seemed to affect managers' perceived level of discretions were the ways these managers were appointed and the continued government restructuring of managers' roles. These are discussed below.

First, a particularistic approach to managerial appointments was prevalent. In other words, managers secure their positions and associated benefits on the basis of who they are: their loyalty to party structure and belongingness to the influential actors in the environment. Thus, management and managerial roles in the state-owned organisations were/are highly politicised and contaminated. Thus, managers' legitimacy is closely linked to their loyalty to and compliance with the political system. Their position in the political system meant that it was difficult for managers to introduce and implement new methods or systems other than cascaded from or endorsed by the relevant supervisory authority or ministries. For instance, the state garment managers were unsuccessful in implementing the proposed organisational restructuring aimed at laying off what they perceived as old and inefficient

[6] This subsection discussion heavily draws on the informal discussion with many research participants and, partly on my fieldwork observations and my past experience as the manager and civil servant. Managers in Ethiopia, due to political connection and nature of their appointment to managerial posts, tend to be reluctant to raise and discuss formally the issue of managerial discretion in their organisations. Instead, they focus on describing important organisational issues in reference to administrative and, state rules and regulations, and become evasive in their responses if asked some sensitive issues that they think might affect their job security and personal interests.

workers. The prevailing formal institutions made managers less responsive, risk averse and less transformative.

Second, the government's continued reorganization and constant reshuffling of roles that left managers and employees unsure of what would happen next might be one source of uncertainty to state-owned enterprise managers. To borrow Bate's (1994) phrase it is 'all change' again, and a whole new set of roles and relationships would have to be learned. The focus was not to bring in a radical, transformative changes but a change in design. This situation created the normal insecurity, and managers developed a tendency not to be involved in risk taking decisions and activities. Hence, managers became more precautious than creative and responsive in their roles. Similar findings were reported regarding Chinese managers in state-owned enterprises: they share a common concern for job security and consequently they tend to avoid making proactive and risk-taking decisions when faced with uncertain environments (Adler et al., 1992, Tan, 2001).

The foregoing discussion suggests that the government intervenes in the management of enterprises during the period of institutional change. The transition from central planning to a market-based economy carried with it an array of restructuring and privatization episodes, in which the state intervened to pursue changing political agendas, to accomplish social goals, and to protect 'strategic' companies from market forces. At the extreme, state-owned enterprises' managers found it very important to selectively interpret signals coming from the policy, political and regulatory environments at the expense of interpreting signal from market and competitive environments. Thus, ensuring their legitimacy by adherence to party and policy influences, coalition building intra-organizationally and accumulate their political power were the ways to ensure their legitimacy and accomplish managerial roles and functions. Hence, managerial discretion was constrained and resource dependence was relatively high, creating pressures for managers to leverage their relationships with influential actors in the environment (cf, Roth and Kostova, 2003).

Politically influenced and externally driven strategy processes meant that the government was likely to exercise manipulation strategy through different influences, pressures and control mechanisms. This situation suggests that the construction of organisational reality was in some significant measure likely to be influence-based (Gioia, et al, 1994). The government authorities assign board members to oversee the activities of the public enterprises. In return, for instance, the state bank and the state tannery managers were trying to build their legitimacy by compliance and to a certain extent by compromise strategies and the supports they get from the government. However, in unusual ways, these managers were meticulously using their institutional link with the government to demonstrate their organisations' legitimacy, worthiness and acceptability to other external constituents with whom they do businesses (Benson, 1975).

In other regards, however, these managers could be viewed also as powerful actors if we take into account the political dimension of strategic action (Child, 1997) and sensegiving (Gioia and Chittipeddi, 1991). As is true elsewhere, some of the Ethiopian managers have their own interests that they seek to realize in internal coalitions and external networks of power. In making strategic choices, constrained and enabled through their internal and external situations, senior managers are 'practitioners of structure' (Whittington 2002: 131); whose local social logics shape the strategic management process. For instance, a number of managers in state-owned case study organisations have a chain of work and ideological relationships with higher government officials. This access or connectedness is based on the stake of the state as owner of the enterprise and the enterprise's historical contacts prior and during a time of transition. These relationships with powerful institutional actors provided them with both accountability as well as power in their positions that would affect the way they 'knew' and responded to changes in their external environment. These managers were to some extent better informed of the (likely) changes in the macro and policy environments ahead of other managers in the private sector organizations. They might also have power to influence the policy directions to their organisation's benefit and could also use their power to gather support to their chosen strategic actions, such as 'bank-wide transformation' in the state bank. The actions of powerful external parties were critical for all the enterprises under study, but more so in the state bank, where the two top executive management teams were summarily removed and replaced in the last six years.

From the sensemaking perspective, the discussions thus far convey important implications about managers' identity in the studied organisations. It appeared that 'who these managers think they were (identity) as organizational actors shaped what they enacted and how they interpreted', which affected their images (what outsiders think they are). This interpretation highlights that sensemaking is incomplete unless there is sensegiving. This is demonstrated in this study when sample managers tried to make sense of changes and the implications of those changes on their organisations and then engaged in actions that meant to gain support from various stakeholders to their chosen plausible courses of actions.

8.6 Chapter Conclusion

This thesis examined the Ethiopian top-level managers' knowledge bases that underpin their thinking and decision-making on key organisational issues during a time of transition. The key question it investigated was: "*How do managers in a transition economy make sense of, and act upon, their environments and the development of plausible strategic* *responses?* Primarily by using sensemaking and knowing lenses, this thesis contributed to a better understanding of the processes by which managers in Ethiopia know how to make sense of, and act upon, the 'differences that make a difference'. It showed how managers think and act and make sense of shared experiences in different ways. Conclusions from this study are drawn at two levels: general level conclusions on the nature and forms of managers' knowledge and organisational bases of differences of the managers' knowing.

At a general level, the Ethiopian managers' knowledge about their businesses was found to be highly emergent, uncertain, differentiated, incomplete and shaped and constructed in deep-rooted social, historical and cultural fabrics (context); and it is not simply a reflection of the current environmental situations and 'facts' they have been facing. In fact managers' knowing is an active process of interpretation, re-interpretation, and sense making of the dynamic and extremely uncertain situations they were in, drawing on their past experience, repertoire of assumptions and frame of reference. In short, it was an active interpretive process by which managers saw the current and future direction of their organisations and themselves (identity, image and future desired image) through the past. The knowledge they held and their sensemaking processes determined and defined for them how they saw and responded to the environmental situations and shaped their worldviews. Managers' accounts suggested the business environment to be extremely uncertain and ambiguous. Thus, managers found decision-making under such extreme uncertainty problematic and had a great deal of difficulty learning to manage according to the values of markets and capitalism (Newman, 2000; Pearce & Branyiczki, 1993). Moreover, managers defined their organisational resources and capabilities to be underdeveloped, their capability to engage in strategic decisions to be limited and the articulated alternatives to be less known. These situations resulted in "over reliance on existing routines, strategic confusion, and inappropriate mimetic changes (Newman, 2000:610) and observational (imitative) learning (Bandura, 1977; Weiss, 1990).

But, at another level, this study revealed contrasts between managers' knowledge across different cases reflecting the combinations of active managerial agency and multiple influences they face. The following key conclusions at organisational level show how different managers make sense of their shared experiences in different ways across the cases.

1. Managers affiliated or connected to the government were more likely to interpret the environment as conducive, stable and munificent; to engage in a politically influenced, formal, strategic planning process; and, to rely more on formal (procedural) knowledge than managers' in private businesses.

2. Because organisation-environment context has been extremely uncertain and dynamic, managers in private enterprises and dependent on market mechanisms for strategizing and resources are more likely to interpret the environment as uncertain, unpredictable; to engage in less formal, implicit and survival oriented strategy process; and to rely more on varieties of practical knowledge that is local and situated.

3. Managers operating in the state-owned, policy protected or encouraged business enterprises are more likely to give high importance to the institutional environment elements and less to the task environment aspects. Thus, they focused more on developing internally focused resources and capabilities. This group of managers were optimistic about the future directions of their organisations. However, managers' levels of responsiveness to environmental

cues appeared to be mediated by the extent to which they have or have not developed resource and capabilities

4. Managers in private enterprises and who operated in opened-up (liberalized) sectors were more likely to give high importance to the task environment (market, competition, regulatory) followed by policy/politics and to develop externally focused resources and capabilities. However, managerial responsiveness to environmental situations depended on the extent to which they had developed resources and capabilities. Thus, managers in private enterprises with developed resources and capabilities were more likely to engage in proactive responses while other managers with underdeveloped resources were more likely to be less responsive, reactive and imitative in their response to environmental situations.

In summary, different ownership types had idiosyncratic institutional advantages and disadvantages. Thus, variations in managerial strategic responses and what they sought to develop as the required organisational resources and capabilities, to more extent, were associated with ownership types, the extent to which they were reliant on state or market for strategizing and resources, the level of exposure to market influences and the prevailing institutional framework that determined paths of acceptable actions. In other words, the degree of managerial discretion and latitude for strategic choice varied among ownership types due to different constraints in external and internal environment (Meyer and Rowan, 1977; Miles and Snow, 1978).

The study also identified the general interpretive mode of managers, the prevailing institutional framework and path dependence, and the perceived level of managerial discretion as shaping and influencing managers' sensemaking activities. In this fluid, and in some aspects, dynamically changing environment, the institutional context did not provide appropriate organizing templates, models for action, and known sources of legitimacy (Greenwood and Hinings, 1993). As a result, in certain cases managers failed to produce accounts that would have facilitated collective organisational actions.

This thesis contributes to the ongoing debates on how top-level managers' judgements on key organisational issues are based upon their sensemaking, knowing and forms of knowledge and how these could be reflected on their decision and actions. By demonstrating that managers may hold different forms of knowledge (from formal to practical) it attempted to advance our understanding of the multifaceted and the dual nature of organisational knowledge as compared to taxonomic, formistic thinking about knowledge (Tsoukas, 1996). This study relates the organisational practices to the institutional context in which those practices are situated. Moreover, it illuminates the importance of context and the political nature of managing and managers' knowledge. The use of multiple theoretical lenses and micro-macroscopic approaches to data gathering would facilitate the transferability of the study findings to and help to make judgement about other managers and organisations in similar contexts.

On a wider plane also, this thesis represents a serious attempt to span the cultural divide between the western debates on knowledge and knowing, on the one hand, and the Ethiopian business practice, on the other. Hence, it adds to the existing literature and represents a worthwhile step into a new territory.

CHAPTER NINE: CONCLUSIONS

9.1 Introduction

The point of departure of this thesis was 'Business Knowledge', which is a concept that derived from the UK Economic and Social Research Council's programme to investigate the 'Evolution of Business Knowledge'. But whatever the merits of Business Knowledge as a tool for conceptual analysis, it has *not* evolved to the point where it is viable as a way of making sense of what a sample of Ethiopia's top-level managers *do* in practice (as explained in Chapter 1). Accordingly, this thesis focussed on the *active process of knowing*. Specifically, it has been concerned with what Ethiopia's top-level managers 'needed to know' in order to *do business*. And it has paid particular attention to the processes by which they made sense of, and acted upon, changes in the institutional 'rules of the game' (North, 1990). *Uncertainty* means that managers have to use their experience to make sense of a confused or partial picture.

Mindful of difficulties associated with concrete interpretations of the abstract noun 'knowledge', my focus was on the 'process of knowing'. Hence, 'sensemaking' and 'knowing' became primary 'tools' in a micro-macro perspective on the way in which individual managers thought and acted within a turbulent environment. When the institutions that enable and constrain practice are in flux, yesterday can be an unreliable guide to tomorrow. Making sense of top-level managers' capacity to think and act relied on an ability to appreciate the institutional context in which they were thinking and acting.

While Western management models can offer useful insights into what 'ought to happen' in Western contexts, what managers 'need to know' to 'get things done' in Ethiopia relies on an appreciation of Ethiopian institutions and the way in which those institutions are changing. Whereas much of Western management and business theory tries to perfect 'universal' models that will work in any context, my study of Ethiopian management processes highlights the role of local institutions in shaping the scope for local action that 'makes a difference'. Instead of looking at *either* the macro level *or* the micro level, it is important to consider the nature of 'nested' relationships that situate micro-level practices within the macro-level context. Ethiopia is an ancient civilization and (notwithstanding turbulence associated with the present transition to a market economy) deeply embedded expectations are embedded in its social fabric. These expectations influence individual thoughts and actions and it would be unfortunate if they were overlooked in the name of 'objective' representations of Business Knowledge.

This chapter presents the conclusions of my research, together with comments about the thesis's potential contribution to different scholarly debates and suggestions for further work. It is organised as follows: conclusions and contributions on central themes are presented in section two and three, respectively. Section four presents practical managerial implications. Limitations and directions for further work are presented in section five.

9.2 Conclusions on Central Themes

9.2.1 The Dimensions of Diversity

Ethiopian top-level managers in my case study organisations were exposed to a variety of pressures and influences. Some were challenged by increasing domestic and international competition, whilst others were shielded by protectionist policies. All sought to make sense of changing political, policy and regulatory situations. The world as the top-level managers saw it was continually reshaped by what they learned in the course of their individual experiences.

At an organisational level, four key contrasting conclusions emerged from this study. These conclusions reflect the combination of active managerial agency and environmental factors that variously enabled and constrained their capacity to 'do things' in a manner that 'made sense'.

1) Managers who had close connections with the state, which shielded them from market mechanisms, were more likely to interpret their environment as conducive, stable and munificent. Political factors were likely to play a significant role in their strategic planning. They needed to know about constrains and opportunities that might arise from their connections with the government. Evidence and discussions supporting this conclusion can be found on pages 157, 183, 192, 205, 221-24, 241-44, 250, 253-54, 263-64 and 269-70.

2) Managers in the private enterprises studied were subjected to highly competitive pressures and market-rational factors were associated with considerable *uncertainty*. Their strategy was often a matter of 'muddling through' amid unpredictable shifts in circumstances: 'organic' flexibility played a vital role in shaping and reshaping the sense that they made of confused and partial pictures of what was happening. Evidence supporting this conclusion can be found on pages 157-58, 182-83, 192-94, 205-06, 224-25, 242-46, 250-54, 265-67 and 271.

3) Managers operating in policy-protected and/or state-encouraged businesses were likely to interpret and explain cues from the environment as conducive and to be optimistic about the future directions of their business. They could make reliable predictions about what might happen next. This group of managers made a set of distinctions tied to their operating environment. They provided

more positive accounts of the institutional than task environment elements in accounting for their organisational success. They had learned how to abstract stable patterns from events in their experience and were protected from market fluctuations. Moreover, variation in strategic response (active to reactive) and capabilities resulted from how managers interpreted their current organisational resources and capabilities (capable to less capable) and ownership types. Supporting evidence and discussions of this conclusion can be found on pages 184, 190, 194-98, 199-200, 223-24, 242, 256-58 and 274-75.

4) Managers in privately owned enterprises operating in opened-up (liberalized), sectors and exposed to market pressures prioritised and gave more importance to the task environment (market, competition, regulatory). They developed externally focused resources and capabilities. Moreover, managerial strategic choice varied from active to passive/reactive depending on how they saw their current organisational resources and capabilities (whether capable or not). Evidence corroborating this conclusion can be found on pages 194-98, 200, 209-10, 243-44 and 275.

A number of particular contextual factors appear to have influenced how managers in Ethiopia made sense of, and acted upon, the 'differences that make difference'. Ongoing transformation of the institutional setting involved imposition of a new way of managing organisations (at least rhetorically), according to values and norms that accompany market-oriented business activities. Managers engaged in sensemaking amid multiple levels of influences. These perceived influences included the extent to which they were reliant on state or market mechanism for strategizing and resources; the degree to which they were exposed to market (task) environment influences; and whether or not they were operating in policy protected or encouraged business activities. Ownership types, organizational size (availability of slack resources) and existing organisational capabilities influenced strategic or other ways in which these managers responded to pressures related to market, institutions and resource dependency.

The salient conclusions from this study thus advance a better understanding for scholars and practitioners of the nature of top-level managers' knowing, that is: (a) It determines and underpins managers' thinking and decision-making on key organisational issues and environment enactment; (b) Managers' knowledge and knowing capabilities could be unnecessarily restricted and subject to multiple levels of influences from managers' historic experiences, normative and cognitive factors; (c) managers engage in an active interpretive process to understand, make sense of and enact their situations using their process of knowing.

I will turn now to discuss the contributions and implications of the study findings in the next section.

9.3. Contributions and Implications on Central Themes

This thesis makes five distinctive contributions to central themes/theories and one to research methodology. These are: sensemaking and knowing, the nature and forms of managers' knowledge; institutional theory; cognitive and enactment; strategic management and general management; and methodology.

9.3.1. Sensemaking and Knowing

This work illuminates interesting links between sensemaking and the process of knowing. It demonstrates that Ethiopian managers' sensemaking activities involved active *learning* in which they constructed their experience in ways that helped them to 'get things done'. Sensemaking points towards a way of learning in which people arrange their experience in ways that reduce uncertainty. The capacity to appreciate what might happen next in a reliable way suggests that an individual has made sense of his or her environment in ways that appear to work—even if he or she is unable to express that knowledge in words. In this respect, sensemaking and knowing are akin to 'being able'. People know how to do things, even if they cannot explain what they know—as Michael Polanyi (1966: 4) famously observed: '*we can know more than we can tell*'.

The significance of sensemaking and knowing stems from their value as labels for what people can do in practice. Rather than try to *objectify* what a top-level manager knows – which is something that the manager would struggle to do – we can recognise that the person has *learned* how to do such and such a thing. He or she knows how to make sense of his or her environment in a way that 'somehow' guides appropriate thoughts and actions. Thus, sensemaking accounts would facilitate managers' to enact and devise ways of dealing with uncertain environments in different ways.

Rather than focus on the abstract concept of Business Knowledge, it might be more helpful to use sensemaking and knowing as tools for interpreting the processes by which managerial practice is situated in specific contexts. What matters is what 'works' in practice.

9.3.2. Nature and Forms of Managers' Knowledge

Primarily, this thesis contributes to the ongoing debates on how top-level managers' judgements on key organisational issues are based upon their knowing and forms of knowledge; and how these are reflected in their decision-making process on key organisational issues. Based on managers' perspectives, this work identified, the forms of knowledge were found to be practical, located, situated, tacit and formal, theoretical and explicit. As such it raises questions about the predominately cognitivist assumptions and taxonomic approach to knowledge and its 'management', and acknowledge the political, social and contextual influences on managers' knowing and practice (Blackler, 1995, Moss, 2001, Orlikowski, 2002; Tsoukas, 1996).

9.3.3. Institutional Theory

Three fundamental tenets of the institutional theory were relevant to this study, namely: (1) strategic choice is constrained and bounded (North, 1990, DiMaggio and Powell, 1991); (2) many emerging competitive advantages in emerging economies are based on network relationships and close business-government ties (Peng & Heath, 1996;Peng, 2000, 2003); and (3) there is convergence on common templates that presumably embrace assumptions and codified knowledge about the nature of, for example, competition or other important environmental aspects (Meyer and Rowan, 1977, Lant and Baum, 1995). This study contributes to this strand of theory in three ways.

First, in support of it, this study into Ethiopian top-level managers' knowing and sensemaking found that the prevailing Ethiopian institutional arrangement created constraints (e.g. entry barriers to financial services, 'unfair' level playing field, underdeveloped property-based legal framework, etc) and generated opportunities for actions (e.g., export incentives, targeted development policies). Moreover, managers characterised the Ethiopian transition process as gradual, coupled with incremental institutional changes that maintained some rules (subscription to Marxist precepts) while transforming others (frequently changing policies, regulations and rules). These managers' accounts illuminated the politicised feature of the business environment as was the cases of China and Russia. Thus, these managers' accounts demonstrated how prevailing institutional arrangements shaped and influenced the boundaries and paths to acceptable actions and choice-making behaviours.

Second, in contrast to the assumptions of institutional theory that managers' knowledge convergence on common templates or models of actions, finding of this study showed that this might not be the case in a period of institutional flux and void. For instance, the key characteristics of the Ethiopian transition were that they were not sufficiently accompanied by a fundamental change in the norms, values, and assumptions underlying market-oriented business activities. This situation resulted in managers' having less confidence /trust in a deinstitutionalization trajectory. An ambiguous de-institutionalization trajectory, in turn, made it difficult for business managers to make judgements on the appropriate structures, strategy, and the required capabilities. Thus, strategic confusion, mimetic changes and reliance on existing routines were prevalent in most case study organisations. From the sensemaking perspective, this implies that managers were unable to construct meaningful accounts that would facilitate collective actions.

Third, while this study results shows the importance of business-state relationship in gaining access to critical resources and the ways managers engaged in strategizing processes and practices, Ethiopian managers were found to be weak in network based strategy. This finding has implication for the institutional-based view of strategy that has gained currency in most transition economies. It adds subtlety to this perspective in that an institutional based view of strategy can take a variety of forms and saliency depending on historical and cultural context. In particular, this study showed that in periods of institutional flux and shock-prone environments managers might not be able to engage in network-based strategy. Instead, they may opt to use different strategies such as co-opting influential officials and hiring people who have established relationships with people in different government offices.

9.3.4 Cognitive, Enactment, Processual Approaches

A cognitive approach to strategy suggests that managers' respond primarily to what they perceive (Miles et al, 1974), strategic actions depend upon interpretation of environment (Schneider and de Meyer, 1991) and managers' interpretations are subject to influence at multiple levels (Hambrick & Mason, 1984; Miller, 1993). The implication of this for business knowledge is that managers in different organisations should see environmental aspects differently. In other words, different managers in different sorts of organisations make sense of shared experiences in various ways. While the findings of this study are consistent with this in terms of managers differing in their interpretation of the aspects of the environment and had simplified representations of the world depending on their current roles and organisational factors, it also adds some subtlety to the nature of managerial knowing of the environment. That is, in the context of this study managers' environmental interpretive frame focused not on a general environment but on *specific aspects/elements* of that environment which they thought of *as important for and impacting on* their businesses. These aspects included, for instance, industry specific targeted development policies and incentives structures, globalisation, 'unfair' and 'unhealthy' competition and market supportive institutional voids. Rather than the degree of change in or hostility of the environment, managers' knowledge defined what were considered the *important and politicised* aspects of the environment: these became the main driving factors behind these managers' selective understanding, sensemaking and consequential action.

From an enacted environment and strategic choice approach, managers' knowledge of their business implies that environment - organisation context can not be determined objectively but is enacted by managers. One of the main contributions of this study, thus, is the recognition and demonstration that environment-organisation environment is dynamic and uncertain, and that, through sensemaking and enacting managers can shape the environment in which they operate and can engage, more or less, in making strategic choices to respond to task and institutional environmental pressures. Thus, top-level managers' knowing and engaging in practices do matter. This work demonstrates the importance of a series of iterative actions and enacting in making sense of uncertain and turbulent environmental situations. Then, the strategy in use is a constitutive of key element in the institution's enacted environment and facilitates top-level managers' interpretive focus.

9.3.5. General and Strategic Management

This study results also carry implications for received thinking, frameworks and concepts in general and strategic management.

- The judgments these managers were making about the appropriate ways of responding to institutional pressures or institutional voids or the ways they enacted (passively or actively) were not well planned, deliberate or 'rational'. For instance, one of the essential foundations of strategic management is the idea that managers can (should) act intentionally to reach planned goals (Schendel and Hofer, 1979:14). However, most of the organisational issues that ultimately bear on their businesses were not generated with the use of conventional SWOT and industry framework analysis or based on thorough analysis of organisational capabilities and resources. Having an articulated, well planned, strategy was not a primary condition for enterprise' better performance in some of the organisations studied (e.g. private tannery). Though what managers made sense of and presumed clusters of strategies were shaping what it took for their organisations to become successful they seemed to have a poor understanding of the trade-offs between alternative strategies. In many cases, changes undertaken were not informed by the thorough knowledge or analysis of existing organisational resources and capabilities, markets and competitive situations.

- This study thus shed light on how strategizing practices could be politically influenced, environment 'sensitive' and how managers' knowledge and consequential actions can shape and create a need for change. These results support the literature on transition economies that suggest managerial response to environmental situations can be highly constrained by various political, policies, socio-economic factors (Elenkov, 1997). The study also reveals how managers' dominant logic, that is a variant of strategic level knowledge, could determine and influence the use of clusters of strategies (Porac et al. 2002); but these managers had not yet experienced or known the trade-offs between alternative strategies. This study provides further evidence that managers' assumptions and beliefs colour their understanding of the external world and the ways they respond to it. It also raises questions about the utility of rational, normative, strategic management assumptions that portrait managers as rational actors, environments as objective entities waiting to be discovered, and strategies as a result of deliberate planning.

- Management has been viewed as the rational design of organizational structure in order to achieve a formal and explicitly articulated strategy (Chandler, 1962).

Following such a perspective, many discourses within management theory often appear to 'locate' managers outside of their organizations in the sense that they encourage mechanical views of organizing that rely upon abstract representations of knowledge. Such views have presumed the primacy of managerial knowledge and that the activities of management largely comprise ensuring that organizations achieve a good level of fit with their environment through the efficient and effective allocation of resources (Tsoukas, 1996). This study illuminates as well as complements such a view. In complementing, it provided insight into how management could be viewed as a dynamic, participatory and interactive process of sensemaking (Weick, 1995) as managers try to find meaning in the actions that their organizations have performed and develop understandings of their organizations' knowledge and capabilities (Mintzberg and Waters, 1985).

9.3.5 Methodological

This study is informed by a pluralist research methodology. The use of multiple theoretical perspectives, the literatures on transition economies, as well as macro-microscopic approaches for data collection to investigate managers' thinking and acting in a transition economy context could be taken as its contribution. This approach is considered to be useful to enhance the transferability study the findings of this, to make judgement about other managers and organisations in similar contexts and to critically see some of the well-received thinking on general and strategy management.

Overall, managers' sensemaking and knowing are situated and context-bound. The findings of this study relate the processes by which managers know how to make sense of and to act in the institutional setting in which their organisational practices are situated. It contributes to different scholarly debates by illuminating how managers' knowing of their organisations and business environment resides primarily in their managerial practices drawing on their past accumulated experiences and the ongoing sensemaking.

This thesis attempts to span the cultural divide between, on the one hand, Anglo-centric debates about knowledge and knowing, and, on the other, the Ethiopian business practice. Hence, it offers a refreshing alternative to the idea that management should be as 'scientific as possible' by illuminating the possibilities that different people make sense of shared experiences in different ways. In doing so, it raises questions about the utility of received thinking about management in various social and cultural contexts.

9.4. Practical Managerial and Policy Implications

9.4.1. Practical Managerial Implications

This study into Ethiopian managers' business knowledge has important implications for managerial practices both in a transition economy context and on a wider plane. This is partly because the study was based on what these managers 'knew' and 'framed' as strategically important issues for the success of their business organisations. The study sought to increase managerial understanding and knowledge about the nature of their knowledge work and how their knowledge base was underpinned by their belief systems, assumptions, and the dominant logics that informed and guided consequential action. Thus, this research gives the managers involved in business management an understanding of:

1) how the combinations of personal, organisational and contextual factors shape, enable and /or constrain both their ways of thinking and their underlying assumptions of doing business in turbulent environment. In addition, it shows

the ways they came to know and understand, shape how they enact their environment;

2) the potential importance and/or limitations of using multiple approaches to strategy and strategizing processes;

3) The importance of using situated, located and context specific 'practical' knowledge as well as relevant formal and codified knowledge as it fits to the situations.

These main practical managerial implications are discussed below.

First, one of the potential problems is that managers are likely to act according to their own perceptions of the environment in which they operate. For instance, it was evident from the managers' responses that they were more or less interacting with the environment. But in most cases, these managers were reactive, less responsive and careful in interpreting information selectively coming from the institutional environment at the expense of information coming from the competitive environment. This implies that where the institutional framework did not provide appropriate organising template, models of actions, new values and norms were slow to evolve. As a result, managers were not transformative, nor were they engaging in radical strategic change. So, for any radical change to take place in their organisations, managers may need to: 1) engage in managerial learning that enables the redefinition of what managers do and the outcome of so doing; and 2) positively change their mindsets, perceptions and beliefs so that the *general interpretive orientation* emerging and *positive expectations* may trigger thinking and assumptions about the appropriate strategies and actions for organisational success (Sutcliffe and Weber, 2003). Thus, this study can assist managers to derive important lessons regarding

- the importance of engaging in double-loop rather than observational and imitative learning;
- how the ways they think, believe, and assume play major roles in influencing their decisions and managerial practices; and
- how managerial knowing and practices are mutually constitutive.

Second, while strategizing, the findings of this study suggest that managers need to be more enacting and engage in practices to find out possible ways of managing their businesses effectively. So, the study points to the significance of having a thorough understanding of political, policy, social and cultural factors and institutionalised values, norms and routines rather than being espoused with certain approaches to strategy.

Furthermore, managers' understanding of the current (evolving) institutional arrangements may be helpful to identify emerging and acceptable opportunities for action, and to use other institutionally informed strategies to cope with emerging institutional pressures. This, on the other hand, puts limits on the ways in which these managers go on acquiring and using new knowledge - that is, it is likely that managers would find it more valuable to selectively interpret signals coming from the institutional environment, rather than those signals coming from competitive and market environments. Hence the ways in which managers 'know' prioritises and gives importance to the institutional environment may be at the cost of foregoing broader knowledge that could be gained from sensemaking about the task environment as well.

Third, the finding of this study implies that managers may hold many forms of epistemologically rooted knowledge types. The implication of this is that managers need to develop capability to share, transfer and use the knowledge they hold. Managers need to understand that some of their important roles include: a) facilitating the creation of common knowledge sharing space taking into account that knowledge is both distributed and individual at the same time; b) making judgments about the ways in which, and mechanisms of acquisition, development and use of situated, local and practical knowledge; c) making use of 'transferable' formal and technical knowledge that fits into a specific cultural context; and d) understanding that managers' knowledge about key internal and external organisational environments and issues can vary across management levels, functions and roles intraorganisationally and between organisations. Managers thereby need to be adept in using differentiated, contested and provisional knowledge. Linked to this is the manager's ability to evaluate the values and significance of particular business concepts, frameworks and, other technical and explicit knowledge to determine how they may be adapted for the local context. The claim that managers had 'learned' western practices, concepts and frameworks and could engage in 'intelligent' discourse may not mean that they had a full grasp of and ability to use these in practice.

9.4.2. Policy Implications

This study also carries implications in the areas of policy making particularly in a transition economy context. This study's main findings revealed the environment facing the Ethiopian managers had a number of challenging features, including momentous unpredictable changes and a high degree of politicisation. Moreover, this study also found that the norms, values, and assumptions underlying market-oriented business activities were yet to develop and this situation resulted in managers having low trust in the deinstitutionalization trajectory.

This study suggests the following points as matters of policy: a) aligning the micro environment with macro policy environment to ensure policy implementation and execution; b) creating a level playing field for business organisations; c) aligning the educational system with the skills required on the ground; and d) establishing market supporting institutional frameworks. Thus, this thesis work could be informative in highlighting the concerns of business organisations on the above and related issues.

9.5. Limitations and Direction for Further Research

The previous sections have identified the contributions and implications of this thesis. The limitation of this study and suggestions for future research are now considered. As the research was conducted under various constraints, it is not free from certain caveats and these needed to be acknowledged.

As a researcher using qualitative methods, I need to acknowledge my reflective and interactive role in the research process. Moreover, I, being part of the research context, am not free from my own preconceptions and may have introduced some biases during data collection, analysis and interpretation. This could be seen as a problem with interpretive methods as the audience may not share the same premises, and hence this is fully acknowledged.

The findings are based primarily on interview responses provided by the respondents and assume that the respondents' account of the situation represents 'reality' *as they perceived it*. However, an unknown degree of bias and misinterpretation is inevitable in this process. Moreover, I adopt the view that an enquiry into judgement must treat the meaning of the data as problematic (Spender, 1989). To minimise such biases and misinterpretation, I used secondary sources and national level informants' interviews to triangulate and increase the credibility, dependability and conformability of this thesis findings. This is in line with Guba and Lincoln (2003: 200-01) suggestion that *"there are many opportunities for the* *naturalistic investigator to utilise quantitative data – probably more than appreciated*' (emphasis in original). In other words, to complement the qualitative case studies, a macro-microscopic approach was used to grasp the transition period and the nature, challenges and status of business organisations at national level during a time of transition. Highly knowledgeable and experienced government officials were interviewed, as well as business associations' representatives, researchers and academia. The information and data from these informants and secondary sources were instrumental in increasing the authenticity and credibility of the research process and the likely transferability of the study's findings to other Ethiopian business organisations. The purposive sampling approach used does not allow the generalizations of this study results but these results can be considered as 'tentative propositions' for further empirical studies. This does not mean that the results of this study cannot help in making judgements about other situations (Schofield, 2002).

Another possible limitation of this study is that the reported findings and discussions are based on informants' accounts of the studied themes and hence reflect a minute portion of their knowledge. Thus, this work on Ethiopian managers' sensemaking doesn't give a complete account of the *personal knowledge* and exclusive content of knowledge structure of these managers. It reveals only a part of that stock, that part which the dynamics of heuristics and relational intent allowed and was elicited in my research relationship with these managers during the study period. Hence, it is not the totality of their knowledge and I acknowledge that my data is indicative, not exhaustive. Thus, this research calls for further active engagement in area of managers' strategic level knowledge using a variety of research methods and approaches.

It is also important to note the constraints I encountered during my data collection processes. The second round of fieldwork was highly disrupted due to social and political unrest of November 1st in relation to the disputed May 2005 national election. The political unrest and the tense security situations that followed it forced many public and private business offices to close and disrupted transport and communication services for more than a week. Thus, it was difficult to contact and fix appointments with many senior managers and presidents for at least two weeks following this unrest. Because of this, the period of data collection took longer than expected. However, initial network contacts and rapport established with managers during the first phase fieldwork in 2004 facilitated this second round access in the immediate aftermath of this political unrest.

9.5.1. Issues for Further Research

Three important issues need further research to enhance fundamental understanding of managers' business knowledge in a transition economy environment, and to a certain extent on the wider plane. These issues/ themes include: (1) the link between a dominant logic and the use of multiple strategies; 2) the essential forms and features of different strategy types where there is an institutional void or where the de-institutionalization trajectory is ambiguous and does not provide managers with an organising template – for instance, the nature and essential characteristics of a survival-oriented strategy; and, 3) the nature of management learning, formal knowledge and knowledge -in - practice

First, one of the finding of this study was that managers, guided by their emerging dominant logic, were adept in pursuing clusters of strategies. However, these managers did not discern whether these were multiple, independent strategies or if they expected synergies between them. The conventional approach to strategy (see, Porter, 1980) does not support the use of multiple strategies and instead prescribes the use of one strategy at a time. By contrast, from the dominant logic perspective (see, Prahalad and Bettis, 1986;

Porac et al., 2002), organisations could follow multiple strategies based on their dominant logic. The results of this study also do not permit any conclusive support for or rejection of these issues as strategic confusion was observed in the studied organisations. So, the relevance and appropriateness of clusters of strategies in a transition economy context need further research to enhance scholarly, as well as practitioner, understanding of this vital issue.

Second, this study into Ethiopian managers' knowledge about their organisations did not reveal explicitly how and to what extent the institutional-based strategy that has received prominence in other transition economies, is becoming real. Despite this, results point to the prevalent role of informal institutional constraints in shaping and informing the behaviour and actions of managers. Thus, further research is required to understand the nature, characteristics and prevalence of such informal institutional constraints in guiding business activities. Even though it might be true that some private business owners may have partner enterprises (e.g. the private tannery enterprise), the number of such enterprises in Ethiopia is very limited. Thus, most Ethiopian managers oscillated from acting opportunistically to having no explicit business strategy. It might be true that most of Ethiopian managers, especially those in the private sector, were likely to pursue survival–oriented strategies to cope up with both institutional and task environments pressures. Thus, further work seems necessary to fully understand the essential features and limitations of these types of strategies during a time of institutional flux.

The third key issue relates to the ways these managers acquire different forms of knowledge and how they use it in practice. One aspect of this might be studying how managers' knowledge–of –management (formal knowledge) is relevant and useful to their knowledge-in–practice (practical knowledge). The key issue to be investigated here would be whether, and to what extent, authoritative knowledge drawn from consultants, formal education systems or research institutions is relevant for practising managers in their day-to–day activities.

On a wider plane, too, there are important ongoing debates at the heart of the strategic education process about the extent to which managers actually engage in with what the business schools teach them to do. For example, when teaching strategic planning, a degree of knowledge on the part of the manager including a basic understanding of the key elements of market and competitive situations is assumed. The empirical work in this study demonstrates that managers did not yet develop their ability in strategic thinking and analysis. One of the implications of this might be, if we agree that what managers actually think and believe are important, then this may point out deficiencies in what they have been taught. Were managers under study undertaking full strategic analysis, for example, before making strategic choices? Were they engage in transformative and radical change? This study uncovered this was not the case, and this may explain why incoherent, disconnected and survival oriented strategies were identified and pursued. So the above discussion lead to two further important issues for future research: 1) the importance of identifying the need for business education, whilst opening up questions about whether what they will be taught might be appropriate for a transition economy; and 2) investigating how the ways managers acquire new knowledge influences the nature of knowledge these managers hold, as well as examining to what extent and in what ways managers may be able to use their knowledge- of- management in knowledge-in–practice.

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Annexes

Annex1: Condensed Interview Questionnaire

BACKGROUND

1) Would you please tell me your name, educational background, current position and in what duties and responsibility you are involved in your organisation?

BUSINESS/EXTERNAL/ ENVIRONMENT

2) What do you think are the key changes (challenges) in the external environment that have been affecting your industry/organisation? Which of these changes in your external environment do you think are threats or opportunities for your organisation doing its business and why?

3) What are the source of information and knowledge regarding changes in business/external environment and which of these sources do you think provide relevant information/knowledge for your business organisation?

BUSINESS STRATEGY

4) Would you please describe me the objectives and business strategy of your organisation?
5) Would you please tell me the strategy making process in your organisation?

6) What do you think your organisation should do to become....? (probing question for general terms/concepts)

BUSINESS KNOWLEDGE

7) How do you describe the 'business knowledge' that is crucial for your organisation to do its business? What are appropriate /useful types of business knowledge?

8) What do you consider as role and main tasks of manager's regarding the acquisition, share, application, and development of knowledge within your organisation?

9) How do you see the atmosphere of knowledge sharing in your organisation? What do you think are the main impediments to knowledge creation, transfer and sharing in your organisation? How does your organisation overcome these impediments?

10) In what ways does your organisations acquires and develops the required knowledge? What factors facilitate or constrain the development of the required knowledge?

CAPABILTIES

11) In what ways do you think is your organisation good at coping challenges and uncertainties of the business environment? What are its core competence or capability and gaps in developing these capabilities and competence?
12) What do you think as the required capabilities to implement the strategy (strategies) you mentioned earlier?
13) Would you please describe the ways your organisation acquires and develops the required organisational *capabilities?*

PERFORMANCE

14) How does your organisation assess its performance, what yardsticks does it use for measuring organisational performance, and how do you see the effectiveness of these measurements?

FUTURE DEVELOPMENTS

15) What sort organisation do you think is needed to successfully meeting your organisation's business strategy?

16) What do you think as appropriate business knowledge strategies for your organisations and what types of business knowledge do you think as crucial for organisation to become competitive and improve its performance?

17) What do think would be major challenges and uncertainties in formulating business strategy and acquiring and developing appropriate business knowledge and capabilities in your organisation?

18) How do you like to see your organisation in five years time?

Annex2: Second Round Fieldwork Guiding Discussion Points

A) Environment

1. What do you see as the most important aspects of the current business environment?

2. What do you regard as the main opportunities and threats?

B) Developing Strategic Response

4. To what extent does your organization have an agreed strategy (for coping with/responding to the key features of the business environment)? What forms does this take?

5. How is business strategy formulated? By whom? When and where? Who are the key players in its construction, development and change?

6. What are the essential features of the content of the strategy? (What is this strategy?)

7. How entrepreneurial and creative is the management team in responding to the challenges of the environment? What explains the responsiveness or lack of responsiveness?

C) Developing Business Organizational Capabilities

8. What kind of organizational structure and form and processes do you need in order to implement that strategy? Why? (Does your organisation currently have the appropriate capabilities?)

9. What resources and capabilities (including business knowledge) are required to deliver the strategy?

10. What are the most critical types of knowledge that are required?

11. How do you acquire and develop the required resources and capabilities? What constrains/facilitates the acquisition or the development of these resources and capabilities

Annex3: Research Context Interview Schedule
(For experts in government and policy arena, industry and businesses)

1) Would you please tell me your name, your current position and major duties and responsibilities you are involved in your organisation?

2) Would please describe me your understanding of the meaning of 'transition to a market economy'?

3) How do you see the mode and pace of the Ethiopian transition to a market economy as compared to other countries in transition from planned to market economy? Do you think the existence of any similarities/differences in transition mode and pace and what do you think what accounts for these differences/similarities?

4) What do you think the major challenges /uncertainties for Ethiopian business organisations during a time of transition? What are the major threats as well as opportunities?

5) What do you think are the major impacts of the Ethiopian transition process to the incumbent as well as post-transition established firms? Does the transition have equal impact on both types of firms?

6) Could you describe the macro- economic policy environment in place for development of business organisations? How do you do describe the current business environment?

7) Which policies do you think are more suitable for and encouraging business organisations and which are not?

8) Which of policy changes do you think have significant impacts in bringing changes in the ways business organisations operate and organise themselves, and why?

9) What is your opinion on the status of Ethiopian business organisations in acquiring essential business information and knowledge to become competitive?

10) What business knowledge and capabilities do you think are important for business organisations in Ethiopia?

11) How do you think of the ability of the Ethiopian business organisations and their managers to scan their environment and seize opportunities by developing essential business knowledge and capabilities?

12) In which ways do you think Ethiopian business organisations can acquire and develop business knowledge and capabilities?

13) What do you think are the major constraints/barriers to acquiring and developing the required resources, knowledge and capabilities? What are the ways out?

14) What do you think would be major challenges/uncertainties in Ethiopian Business environment in coming five to ten years? How do business organisations cope up these challenges?

Annex 4: List of Abbreviations

AACC	Addis Ababa Chamber of Commerce
AGOA	African Growth Opportunity Act
CSA	Central Statistical Authority
EBA	Every Thing But Arms
ECC	Ethiopia Chamber of Commerce
EIC	Ethiopian Investment Commission
EEA	Ethiopian Economic Association
EEPA	Ethiopian Export Promotion Agency
EEPRI	Ethiopian Economic Policy Research Institute
EMIA	Ethiopia Manufacturing Industries Association
EPPESA	Ethiopia Privatization and Public Enterprises Supervisory Authority
EPRDF	Ethiopian People's Revolutionary Democratic Front
ETA	Ethiopia Tannery Association
FSRP	Financial Sector Reform Programme
IMF	International Monetary Fund
MoCB	Ministry of Capacity Building
MoST	Minister of State for Trade
MOTI	Ministry of Trade and Industry
NBE	National Bank of Ethiopia
UNCTAD	United Nations Conference on Trade and Development