

**INTEGRATING SUSTAINABILITY INTO STRATEGIC  
DECISION MAKING IN THE SOUTH AFRICAN  
AUTOMOTIVE SECTOR**

**Dissertation submitted in partial fulfilment of the requirements for the degree of**

**MASTER OF BUSINESS ADMINISTRATION**

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**RHODES BUSINESS SCHOOL**

**by**

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## **ABSTRACT**

Sustainability has become a major topic for businesses, policy makers, government, and researchers. With the growing awareness of climate change, environmental and social problems, attention has turned to how businesses impact the environment, society, and economy. Sustainability, therefore, requires the integration of environmental and social issues into strategic decision making. Many organizations consider sustainability as an important issue for the business. However, some companies are struggling to combine business success and the success of other stakeholders, particularly those representing the interests of the environment and society. The purpose of this case study is to explore how sustainability is integrated into strategic decision making within some companies in the South African automotive industry.

This study followed a qualitative approach, and semi-structured interviews were conducted with ten senior managers in the automotive sector in South Africa. The study used an inductive thematic analysis approach to analyse the data, and five main themes were generated: (1) Business profitability, (2) Organization culture, (3) Rationality, (4) Compliance, and (5) Corporate social responsibility (CSR). The findings of the study indicated that strategic decisions made considered business profitability first and foremost above environment and society. There is evidence that businesses engage in some sustainability activities, but this was related to the business objective to be profitable and to meet compliance requirements. The findings of the study also indicated that a rational decision-making approach was used predominantly, compared to intuitive and political approaches. This was due to the cautious approach of maintaining profit-making as a primary business objective.

In terms of recommendations, this study recommends that automotive companies in South Africa integrate sustainability considerations into organizational/or business strategy to enable the industry to create shared value for the environment, society and economy. Integrating sustainability into business strategy will align business practices with sustainability goals and therefore allowing the automotive industry to have a positive impact in the society and environment which in turn will lead to improved financial performance.

## Declaration

I, Tuelo Ivan Makaudi declare that the Dissertation entitled, Integrating Sustainability into Strategic Decision Making in the South African Automotive Sector, which I hereby submit for the degree, Master of Business Administration at Rhodes University, is my own work. I also declare that this thesis/dissertation has not previously been submitted by me for a degree at this or any other tertiary institution and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



November 2023

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Tuelo Ivan Makaudi

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# CHAPTER 1

## Introduction and project overview

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### 1.1 Introduction and background

In recent times, concerns have been raised about the impact of business activities on the environment and society (Cioca, Ivascu, Turi, Artene & Găman, 2019). Diminishing natural resources, climate change, and pollution have put considerable attention to how business operate today (Garza, 2013). According to Haleem et al. (2022), global concerns about environmental, economic, and social challenges has resulted in forceful voices from different stakeholders of businesses to find solutions and address business impact on the environment, society and economy. It is therefore becoming increasingly imperative for businesses to embark on a transition from activities that impact the environment and society to sustainable business practices that address the socio-ecological challenges facing the world today. The need for industrial activities to change to sustainable practices received impetus in 1987 with the publication of the World Commission on Environment and Development (WCED) report which emphasized that different industries must incorporate sustainable-conscious initiatives into their business practices (Masoumi, et al.,2019). The term “sustainable development” emerged from the Brundtland report of the WCED, where sustainable development is described as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987; Du Pisani, 2006).

Baumgartner & Rauter (2017) assert that sustainable development refers to economic, environmental, and social development that meets the needs of the present and does not prevent future generations from fulfilling their needs. As a result of WCED report, policy makers and academics have discussed and proposed potential solutions for a more sustainable society inclusive of social, environmental, and economic dimensions of sustainability from both a short-term and long-term perspective (Lozano, 2008; Fobbe, 2021). Ozili (2022) postulates that sustainability is the driving force that guides a development process towards achieving a level of development that is sustainable. From a business perspective, sustainability is described as a business approach that creates long-term value by embracing opportunities and managing

risks in three domains: economic, environmental, and social (Bonn & Fisher, 2011). Like most other industries, the automotive industry is also under pressure from its stakeholders to improve its business practices to more sustainable business practices (Jasiński et al., 2021). According to Strike et al. (2006) the automotive industry is pollution intensive. It is an industry that makes use of iron ore for steel production, aluminium, and petroleum for plastic, animal hides for interior lining and leather seats, copper for starter motors, wood for interior panels and rubber for tyres, all of which are resources that are directly extracted from the environment and involve the use of heavy machinery which may not be environmentally friendly (Mutumi & Simatele, 2017; Strike et al., 2006). Calabrese et al. (2019) argues that companies need to integrate sustainability to their long-term strategic vision to demonstrate their commitment to sustainability and ensure that their business activities have no negative impact to the environment and society.

## **1.2 Background to the study**

Increasing internal and external stakeholder pressure has forced businesses to evolve into responsible organizations by adapting their business strategy into a more integrative business strategy that creates value for all stakeholders. Integrating sustainability into business practice requires strategic attention from any organization today and this involves sustainability considerations in the entire business model of the organization (Bhanot et al., 2020). Even though stakeholder pressure is considered one of the most important determinants that influence the adoption of sustainable management practices, there is no clear evidence if it is positively related to adoption of sustainability practices in the automotive sector (Haleem et al., 2022).

This study adopted stakeholder theory, an integrative approach that seeks to investigate whether the three dimensions of sustainability are considered in strategic decision-making process in the automotive sector in South Africa. An integrative approach focuses on the organization and its relationship with various stakeholders in the business environment where shared value for all stakeholders is promoted (Freeman & McVea, 2001; Haleem et al., 2022). Freeman (1984) describes a stakeholder as an individual or a set of individuals who are affected by the business and its social undertakings. In other words, a stakeholder approach implies that a company is responsible in its management not only for the sake of its shareholders but also for other individuals and/or groups who have stakes in the shares and decisions of the organisation (Lozano, 2005). According to Freeman & McVea (2005), irrespective of what the

business main goal is, the legitimate interest of those individuals or groups who are affected by the business activity must be considered.

### **1.3 Problem Statement**

Sustainability has become critical part of major organizations whether due to government regulations, societal pressure, environmental regulations, or pressure from the stakeholders (Epstein & Buhovac, 2010). Sustainability considerations in business has therefore become an important topic both in the present and in the future, and automotive companies are now also facing the challenge on how to integrate sustainable development into their business models (Garreti & Taisch, 2012). The automotive industry is facing pressure from policy makers, government regulations and other stakeholders, especially due to its high ecological and social footprint, and the implications for climate change, air pollution and resource depletion (Mayyas et al., 2012; Jasinski, et al., 2021). Amongst the various economic sectors, the automotive industry is one of the industries that contributes to climate change because greenhouse gases (GHG) emission is generated in the production and consumption of motorized vehicles (Pallaro et al., 2015). According to Engert et al. (2016) decisions related to sustainability integration into business are normally taken at a strategic level where decisions about organization vision, strategy and culture are taken. Strategic decision making is one of the most important functions of management in business and plays an important role in the business achieving its success and survival (Papulova & Gazova, 2016). A strategic approach to organization commitment to sustainability is imperative to ensure that organization's activities are aligned with the core business and strategy of the organization (Porter & Kramer, 2006; Calabrese et al., 2019). A key question investigated in this study is whether the automotive sector in South Africa is adapting to its stakeholders demands or considering its different stakeholders in their strategic decision-making process.

Sukitsch et al., (2015) argues that implementing sustainability practices can have long term success for the business and that it is important for companies to ensure implementation of sustainability practices are aligned with the company's corporate strategy. Le Breton-Miller and Miller (2016) assert that business practices are deemed sustainable when they contribute to the enduring health of the firm, society, and the environment, and benefit all the stakeholders of an enterprise (Carroll & Buchholtz, 2014).

Alshehhi et al. (2018) argue that firms are now expected to go beyond just prioritizing short term profitability and encompass the responsibility of creating shared value for all stakeholders.

That is, businesses are also expected to develop corporate strategies that take care of the social aspect of the business and its environmental impact (Busse, 2016). According to (Jansson et al., 2015) firms differ in how they adopt sustainability practices. In some cases, a business will adopt sustainability practices due to external pressures, and on the other hand some businesses adopt sustainability practices due to long term management commitment. Baumgartner (2014) sees choosing a suitable sustainability strategy unique to each organization as a challenge due to market changes, consumer changes and policy changes. It also means each company must be careful when incorporating sustainability practices due to unique specific business circumstances (Engert & Baumgartner, 2016). Furthermore, decision makers in organizations are increasingly aware of the need to respond to environmental, social, and economic issues and create shared value for all stakeholders (Hristov & Chirico, 2019).

#### **1.4 Research objectives**

This research aims to analyse whether sustainability is considered and integrated into the strategic decision-making process of senior managers in the automotive sector, and if so, then to examine how these strategic decisions are taken.

Specific objectives of the study include:

- To describe how strategic decisions are made by strategic leaders in SA manufacturing companies.
- Determine if environmental, economic, and social sustainability has been considered by senior managers of SA automotive companies in their strategic decision making.
- Analyse how these decisions were taken by examining the role and influence of rational, intuitive, and political decision-making processes.

#### **1.5 Research methodology**

This study applied a qualitative research methodology, and in addition adopted a post-positivist paradigm. Aspers & Corte (2019, p.155) define qualitative research methodology as “an iterative process in which improved understanding to the scientific community is achieved by making new significant distinctions resulting from getting closer to the phenomenon studied”. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them (Denzin & Lincoln, 2005).

Semi-structured interviews were conducted and ten (10) senior managers were interviewed. DeJonckheere & Vaughn (2019) asserts that the purpose of using semi-structured interviews for data collection is to gather information from key informants who have personal experiences, attitudes, perceptions, and beliefs related to the topic of interest and in this case senior managers were able to share their personal experiences regarding integration of sustainability in strategic decision making in their respective organizations in the automotive sector.

## **1.6 Key concepts**

Below are the concepts adopted for the purposes of this study:

*Sustainability* is defined as “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well” (Dyllick & Hockerts, 2002, p.131).

*Strategic decision* is defined as “one that is important, in terms of the actions taken, the resources committed, or the precedents set” (Mintzberg et al.,1976, p. 126). Strategic decisions are “infrequent decisions made by the top leaders of an organisation that critically affect organizational health and survival” (Eden & Ackermann, 1998, p.17).

*Strategic decision-making process* is defined “as a set of traits, such as rational, comprehensive, and political, or as a series of tasks that includes receiving information, creating alternatives, and selecting among them” (Shepherd & Rudd, 2014, p.340).

*Stakeholders* is defined as “any group or individual who can affect or be affected by an organisation’s objectives, policies, and subsequent actions” (Freeman, 1984, p.46).

*Rational decision-making process* is defined as “the extent to which the decision-making process involves the collection of information relevant to the decision and the reliance upon analysis of this information in making the choice” (Dean & Sharfman, 1993, p.589).

*Intuitive decision-making process* is defined as “an unintentional, difficult to express, affectively charged process of cognition or evaluation of a decision-making situation based on knowledge and experience” (Sadler-Smith, 2008, p.31)

*Political decision-making* is defined as “decisions emerging from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail” (Elbanna and Child, 2007, p.434).

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## **1.7 Outline of the study**

This study comprises of six chapters as depicted below:

Chapter 1 presents the introduction and context. The chapter also presents the problem statement, research objectives, research methodology. Lastly, the chapter introduced the key terms and definitions.

Chapter 2 provides a literature overview on sustainability, strategic decision making, and strategic decision-making approaches.

Chapter 3 outlines the design of the study, the research goals and research paradigm. The chapter also describes the research participants, data gathering method and ethical considerations.

Chapter 4 presents findings from the research interviews done with the senior managers in the automotive sector. The chapter also provides discussions regarding the findings from the interviews.

Chapter 5 presents a discussion of the research findings.

Chapter 6 concludes the study and makes recommendations for practice and future research.

# CHAPTER 2

## Literature Review

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### 2.1 Introduction

This chapter reviews literature regarding integration of sustainability in strategic decision making. The chapter starts with a literature review of sustainability, followed by the integration of sustainability in strategic decision making. Literature on strategic decision-making approaches are also reviewed.

### 2.2 Sustainability

The term sustainability received increased global attention after the Brundtland report in 1987 (Negri et al., 2021), according to the Brundtland report sustainability is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p.24). Dyllick & Hockerts (2002, p.131) modified the definition to contextualize sustainability within business and defined sustainability as “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well”. Krajnc and Glavič (2005, p.280) define sustainability as “the development of environment friendly products by the non-polluting process and minimum use of energy and resources while keeping society and employee welfare in mind”. Stoddart (2011) on the other hand defines sustainability as the efficient and equitable distribution of resources intra-generationally and inter-generationally with the operation of socio-economic activities within the confines of a finite ecosystem. Furthermore, some authors and academics have generally defined sustainability to include three dimensions of the environment, society and the economy and define sustainability as a business approach that creates long-term value by embracing opportunities and managing risks in three domains: economic, environmental and social (Galbreath, 2009; Bonn & Fisher, 2011; Milne & Gray, 2013; Engert et al., 2016).

In defining sustainability within the context of these three dimensions, Crane & Matten (2007, p.23) define sustainability as long-term maintenance of systems according to environmental, economic and social considerations”, while Ong et al (2015, p.108) define sustainability

according to the three dimensions as “living and working by using methods that meet and integrate existing environmental, economic, and social needs without compromising the wellbeing of future generations”. According to Schrettle et al (2014), there is no broad consensus regarding the definition of sustainability in the context of business or organization, but they continue by stating that sustainability integration must achieve a balance among economic, environmental, and social dimensions. Rodríguez-Olalla and Avilés-Palacios (2017) consider sustainability in a business environment as multi-dimensional and a phenomenon also maintains that sustainability must achieve a balance between economic, environment and social dimensions.

On the other hand, Rodríguez-Olalla and Avilés-Palacios (2017) stress that companies that formulate an integrated sustainability strategy should formulate a strategy that creates shared value across all the dimensions of sustainability.

According to Kleine and Von Hauff (2009) these dimensions offer a practical approach to integrating sustainability into strategic management. Cairns et al. (2016) further highlight the importance of practical methods to support strategic planners in addressing the expectations and perceptions of stakeholders with different sustainability demands. Sharma and Henriques (2005) argue that due to a variety of environmental, social and economic stakes involved, company’s corporate sustainability strategy should go beyond organizational boundaries and take cognizance of perspectives from a wide range of external and internal stakeholders. According to Wolf (2014) there is increasing pressure from different stakeholders for companies to address global concerns related to environmental and social challenges. Hillman & Keim (2001) suggests that managing pressures from stakeholders can give business good standing with the stakeholders and can lead to competitive advantage for the businesses. Many theoretical contributions to the subject of sustainability and strategic management lack practical instruments with regard to the practical integration of sustainability into strategic management (Calabrese et al., 2019). This is supported by a thorough literature review of the theme of embedding sustainability into strategic management conducted by Engert et al (2016), who concluded by proposing future research should focus more on how sustainability is practically integrated into strategic decision making in organizations.

### **2.3 Strategic Decision Making and Sustainability**

Integrating sustainability into the business environment is an area of research that has been growing over the last few years (Mathivathanan et al., 2018; Kitsios et al., 2020), and many

authors have argued that integrating sustainability into strategic decision making has become key to organizations remaining competitive over a long period of time (Bonn & Fisher, 2011). According to Bonn and Fisher (2011), companies are starting to adopt sustainability and have embraced the responsibility to integrate sustainability into their business activities. However, Engert et al. (2016) pointed out that a significant number of companies incorporate sustainability at an operational level and not at all levels of the organization. To incorporate sustainability at all levels of the business, researchers have argued that sustainability should also be integrated at the strategic level of the organization (Galbreath 2013; Engert et al., 2016; Calabrese et al., 2019; Kitsios et al., 2020). This represents not only another level but the total sum of the organization's mission, goals, plans, capabilities, and actions (Galpin et al., 2015; Galpin & Hebard, 2018; Singh & Walsh, 2022). Existing researchers posit that integrating sustainability at a strategic level in the organization represents the strategic position of the organization in relation to commitment towards sustainability (Bonn & Fisher, 2011; Kitsios et al., 2020). Ashrafi et al. (2018) argue that integrating sustainability into the company's strategy is imperative for each business to be socially, environmentally, and financially sustainable to survive now and in the future.

According to Mintzberg et al. (1976), strategic decision can be defined as "one which is important, in terms of the actions taken, the resources committed, or the precedents set. They are nonprogrammable decisions that involve commitment of substantial resources at the level of total enterprise (Porter, 1980; Ghemmawat, 1991; Wally & Baum, 1994). Dean and Sharfman (1996, p.380) describe strategic decisions as "committing substantial resources, setting precedents, and creating waves of lesser decisions". They are inherently risky and have great impact on the future of the organization (Shafie et al., 2017). Strategic decision making is one of the most important functions of management in business and plays an important role in the business achieving its success and survival (Papulova & Gazova, 2016). They are also those infrequent decisions made by top leaders of an organization (Eisenhardt & Zbaracki, 1992). Elbanna (2006) asserts that strategic decision making is the responsibility of top management. Elbanna and Child (2007) advocate that the formulation and implementation of strategic decisions have long been central managerial activities in all types of organizations, and scholars have assigned the role of strategic decision making to top management in organizations (Elbanna, 2006; Haider & Mariotti, 2016).

One important consideration is what makes a decision a strategic one. According to Steen (2013), strategic decisions are typically: (a) complex, as they involve many elements and

interaction, (b) surrounded by novelty and uncertainty because firms make decisions for which there are no clear precedents and outcomes cannot be confidently predicted; (c) ambiguous, as conditions and factors can be interpreted in multiple (d) irreversible, and (e) high stakes. Awudu & Zhang (2012) differentiate strategic decisions from operational decisions arguing that strategic decisions are long term compared to operational decisions which are medium or short term and are made on a small scale. While operational decisions are short term in nature, strategic decisions are long term, have significant impact on an organization's ability to create and capture value, involve the allocation of resources and costly to reverse commitments (Nickerson & Argyres, 2018).

According to Alhawamdeh & Alsmairat (2019), strategic decision making is a specific type of decision making that is important in terms of the actions, opportunities, crises, and problems that lead to decision activity, while Acciarini et al (2020) identifies strategic decisions as step by step, that are sequential and with an impact at all levels of an organization. Strategic decision making is an intentional goal-driven process of selecting one of several available alternatives (Iederan, Curşeu & Vermeulen, 2009), that are risky and hard to reverse (Papulova & Gazova, 2016). According to Elbanna (2006), strategic decisions are associated with different trade-offs and risks, they are interrelated to other decisions in the organization, and they set precedents for subsequent ones. These decisions, whether a single strategic decision or one poorly made strategic decision, can lead to downfall of the company and enormous economic losses due to their magnitude and importance to an organization (Mueller et al., 2007). As Möller and McCaffrey (2021) noted, decision makers need to cope with uncertainty and complex situations when making strategic decisions, and this is through sensing the environment, deploying organizational structures, and reconfiguring resources and capabilities in an effort to harmonize the organization with external influences. Harrison (1996) notes that when implemented correctly, strategic decision making offers the organization an opportunity to reposition and realign itself to be a better fit. Conversely, if strategic decision making is not implemented correctly, it can lead to huge economic losses, and eventually lead to the demise of the organization (Mueller et al., 2007; Alhawamdeh & Alsmairat, 2019).

While all strategic decisions are relatively significant, some are even more critically significant, as they are key to the survival of the company (Child, Elbanna & Rodrigues, 2010). According to Acciarini et al. (2020, p.630), the definition of strategic decision-making is “committing resources and competencies needed to achieve strategic goals, influence organizational direction and structure. From this perspective, strategic decision making becomes critical for

the automotive sector, due to the resources committed and the consequences thereof (Das & Teng, 1999). For this reason, the case study investigates how strategic decisions are made in the automotive sector, and whether sustainability was integrated into those strategic decisions.

It is, however, important to note that context plays a key role in how strategic decisions are made. Scholars have argued that strategic decision making occurs within context (Sharfman & Dean, 1997) and according to Elbanna (2011), how strategic decisions are made cannot be understood unless the context is understood. Shepherd and Rudd (2014) argue that research regarding the strategic decision-making process has not advanced significantly and maybe give an inaccurate picture without considering the context within which strategic decision-making process is made. Strategic decisions are embedded in both the inner context (e.g. psychological, structural, cultural, and political factors) and the outer context of the organisation (e.g. competitive factors) (Pettigrew, 1992; Elbanna, 2006). Elbanna et al (2020) describe these contextual factors as a set of characteristics, which include top management, the decision-specific environment, and the organization. Top management characteristics describe the characteristics of the decision makers on an individual or collective basis and the dynamics between them and the decision-specific characteristics of strategic decision-making refer to the characteristics of the decision (Elbanna et al., 2020). Shepherd and Rudd (2014) argues that the internal environment relates to culture and structure of the organization, while the external environment is characterized by uncertainty and competition (Atuahene-Gima & Li, 2004; Elbanna et al., 2020). Most automotive companies in South Africa are international companies, and therefore the activities and culture of these international automotive companies has a significant impact on the strategic posture and activity of the local subsidiary (Hayton et al., 2002; Herrmann & Datta, 2002; Dimitratos et al., 2011). Dimitratos et al. (2011) argue that not much research has been conducted regarding the strategic decision-making process within the local subsidiary of international firms.

## **2.4 Strategic Decision-Making Process**

According to Elbanna and Child (2007), the strategic decision process deals with the process of making the strategic decision, its implementation and the factors that affect the process. Research into strategic decision making has often been categorized into two categories namely “Content Research” and “Process Research” (Elbanna, 2006). Content research deals with a firm’s strategy, portfolio management and mergers, while process research on the other hand, focuses on the process by which a strategic decision is made and implemented and the factors

influencing those decisions (Elbanna, 2006). For the purpose of this study, the focus will be on “Process Research”, with the aim of investigating how the strategic decision-making process is done in the automotive industry with regards to integration of sustainability into decisions made.

According to Montibeller and Franco (2010) strategic decision-making process has attracted the interest of researchers for decades. Researchers have extensively outlined the importance of strategic decision-making process, how it aids the development of intermediate transformation mechanism that allows organizations to convert their efforts into favourable outcomes (Manoupolous et al., 2021). The strategic decision-making process is critical and management scholars believe that the process used to make strategic decisions affects the quality of the decisions made and the outcomes thereof (Paprika, 2008). The main characteristics of strategic decision-making process are high levels of uncertainty, long-term outcomes, engagement of major stakeholders in negotiations, and potential synergies between alternative choices (Montibeller & Franco, 2010).

Walter et al. (2012) describe strategic decision-making process as those processes followed by managers to reach important decisions that involve the arrangement and configuration of resources (Dean & Sharfman, 1996). As noted by Papadakis and Barwise (2002), strategic decision-making process research usually describes the decision-making process as a set of dimensions and characteristics, where rationality, politicization and intuition are the dominant references (Manolopoulos et al., 2022).

#### **2.4.1 Rational Decision-Making Process**

Rational decision-making process has received a central place in strategic decision-making theory and is a dimension that has been extensively studied by researchers in strategic management literature (Papadakis & Barwise, 1997; Kolbe et al., 2019). According to Malewska (2019), rational decision-making process occurs when strategic decisions taken follow a process based on gathered facts, it is a step by step, systematic, rule-based type of decision-making process (Hodgkinson & Healey, 2011). Dean & Sharfman (1993, p. 587) define rational decision-making approach as “the extent to which the decision-making process involves the collection of information relevant to the decision and the reliance upon analysis of this information in making the choice”. Managers who prefer a rational approach to decision making follow a step-by-step decision making process which includes identifying and formulating the problem, thoroughly assessing pertinent information, generating a set of

alternatives, evaluating the costs and benefits of these alternatives, and ultimately making a logical choice based on conscious deliberation (Calabretta et al., 2017, Elbanna, 2006). According to Kolbe et al. (2020), the rational decision-making process looks at how problems can be divided into structured decisions problems based on the assumption that problems can and should be handled through analysis and thinking about alternative options, and their possible outcomes, before actually making a decision. Kaufmann et al. (2012) notes that the rational decision-making approach aids decision makers to establish relevant decision criteria, identify a set of alternatives, and evaluate the individual alternatives objectively. According to Elbanna & Child (2007), decision makers may tend to use a rational decision making approach when they are making decisions crucial to the organization and there is empirical support to this argument with finding that decision makers act more rationally when decisions imply important consequences (Papadakis et al., 1998; Elbanna & Child, 2007). However, Dane & Pratt (2007) notes that rational decision making approach is slow, time consuming, effortful and that is due to its systematic and structured nature which makes it an interesting decision making process in the automotive sector given the fast paced nature of the automotive industry.

#### **2.4.2 Intuitive Decision-Making Process**

Hogarth (2001) defines intuitive decision-making process as responses “reached with little apparent effort and typically without conscious awareness” and which “involve little or no conscious deliberation”. While contrasting rational decision-making approach to intuitive decision-making approach, Elbanna (2006) noted the lack of applied research into intuitive decision-making approach compared to the rational approach. However, over the past few years research into the intuitive decision-making approach has been increasingly undertaken in the field of management studies and this is due to the fact that modern managers are forced to act and make decisions in complex, sometimes even extreme, environments (Malewska, 2019). An intuitive decision-making process differs from rational decision making in that it is faster and does not follow a linear, logical reasoning process that can be thoroughly reconstructed and explained (Barnard, 1968; Calabretta et al., 2017). It can stem from insufficient information, where adequate information is normally a prerequisite for rational decision making (Westcott & Ranzoni, 1963). The decision makers who use intuitive decision-making approach normally have deep conviction that their decisions are correct (Bas et al., 2019). Hallo and Nguyen (2020) find this intuitive approach useful in situations where there is a need for

rapid assessment and a shortage of information. The intuitive approach to decision making is based on overall knowledge, experience, and available information (Khatri & Ng, 2000). Dane and Pratt (2007, p. 33) describes the intuitive approach as “affectively charged judgments that arise through rapid, nonconscious, and holistic associations”. According to Calabretta et al. (2017), intuitive decision-making approach allow decision makers to consciously recognize a problem through the perception of relevant cues and patterns, non-consciously activate all the cognitive schemas associated with the problem. Moreover, the intuitive decision-making process is accompanied by a feeling of certitude and the perception that one’s intuitions are correct, and this certitude becomes progressively less random as the decision maker’s domain-specific expertise increases (Calabretta et al., 2017). From this perspective, the intuitive decision-making process allows the decision makers to express their gut feelings, even in the absence of a good reasoning for the feeling and would also tolerate increased emotionality during the process (Eling, Griffin & Langerak, 2014). Given that not all strategic decisions are equally important, decision makers may deal with these decisions in a different way (Elbanna & Child, 2007).

### **2.4.3 Political Decision-Making Process**

Elbanna (2006) identified the origin of political decision-making dimension from the political science literature in the 1950s, when various authors developed a perspective that the conflicting goals and interests of people affect decision making in government. An organization may have employees who share the same objective of the organization, but have conflicting preferences and interests, which arises from different individual expectations of the future, or positions held in the organization, leading to conflict (Elbanna, 2006). Political behaviour occurs when decision makers try to advance their individual interests and goals with the exertion of power (Elbanna & Child, 2007). According to Papadakis et al. (1998) the political decision-making approach has often been associated with frequent interruptions, discontinuities, and resistance, where managers attempt to influence decision making to satisfy their personal interest rather than the interest of the organization (Thanos et al., 2017). A number of researchers have reported negative effects of political decision-making process on organizations due to the behaviour to satisfy individual agendas rather than that of the organization (Elbanna et al., 2015; Elbanna & Child, 2007; Eisenhardt et al., 2009). This consequently undermines effectiveness and speed in decision-making, since it distorts or

constrains the flow of accurate information that is required for effective strategic decision-making (Dean & Sharfan, 1996). Elbanna (2006) explains that even though different strategic decision makers in an organization have a common objective, a conflict is created due to personal interests and expectations that each decision maker has. Das and Teng (1999) notes that the decision makers hold different and conflicting goals in organizations and that decision making becomes a political process. Researchers do acknowledge that a political decision-making approach is part of how organizations operate, and how strategic decisions are made (Child & Tsai, 2005).

## **2.5 Research on Strategic Decision-Making Approaches**

Strategic decision-making process has been of interest in strategic management research, the insights gained from strategic decision-making research can improve the effectiveness of strategic decision made by decision makers, which in-turn will contribute to the success of the organization (Manolopoulos et al., 2022). In view of the above, literature regarding the strategic decision-making process as viewed by researchers is critical as it deals with the growth and survival of the organization. Thus, the study of the process by which decision are made remains important (Shafie et al., 2017). According to Elbanna (2020), strategic decision-making process refers to the process by which a strategic decision is formulated and implemented (Elbanna, 2006). Strategic decision formulation refers to the way that the decision comes about, the decision outcomes refer to the intended and unintended consequences of the strategic decision-making process (Elbanna, 2020). Scholars in strategic management describe strategic decision-making as risky and ill structured. Strategic decision making is described as a process consisting of a sequence of steps, phases or routes (Alhawamdeh & Alsmairat, 2019). However, Sharfman & Dean (1997) argues that context influences how strategic decisions are made and that these decisions occurs within certain context. Elbanna et al (2020) conducted a study looking at contextual factors impacting on strategic decision-making process and highlighted four factors namely, (1) environmental context, (2) organizational context, (3) nature of strategic decision and (4) top management characteristics. In his argument, Elbanna et al. (2020) posits that these four contextual factors do have direct influence in the strategic decision-making process and the outcomes thereof. Based on their in-depth study they pointed to the results indicated a direct impact of the four contextual factors in the strategic decision-making process.

As Vermeulen & Curseurseu (2010) puts it, decision making in all organizations is a strategic activity that is about setting out specific courses of action to reach strategic goals and the process that leads to achievement of strategic goals in the strategic decision-making process. Strategic decision-making research has often described these processes as a set of dimensions or approaches where rationality, politicization and intuition are the dominant approaches (Manolopoulos et al., 2022). Studies in the past also highlighted the link between strategic decision-making process and organizational outcome or performance. These outcomes are the consequences of intended and unintended strategic decision-making processes (Alhawamdeh & Alsmairat, 2019; Elbanna, 2018; Elbanna et al., 2020). Scholars have also debated the impact of the dimensions or approach in strategic decision making and how these approaches affect organizational performance and outcome, but empirical studies are either limited or contradictory as far as the relationship between organizations performance and various strategic decision-making approaches (i.e. rational, intuitive and political) are concerned (Shafie et al., 2017; Elbanna et al., 2020; Manolopoulos et al., 2022). There appears to be a gap in literature in terms of the impact of strategic decision-making process on organizational outcomes, particularly in automotive sector.

In view of the above, literature broader research conducted on strategic decision-making processes is referred to and is important, as it deals with the growth and survival of the organization (Shafie et al., 2017). According to Calabretta et al. (2017), the rational approach in strategic management theory has been considered the approach to use, as far as strategic decision-making approaches are concerned. However, Malewska (2011) argues that in a complex or turbulent environment, decision makers will not just rely on a rational decision-making approach but also rely on their intuitive abilities to make a decision. Researchers provide opposing views in terms of which approach is best to follow in turbulent or complex environments, with some suggesting a rational approach and others an intuitive one (Sayegh et al., 2004; Sweeney, 2008; Mishra et al., 2015; García-Carbonell et al., 2021). In a study conducted by García-Carbonell et al. (2021), it was acknowledged that a procedural rational approach has been linked to efficient strategic decision-making processes, but they also argue that this should not be generalized to every situation and point out that the rational approach can be combined with intuitive approach to yield efficiency (Calabretta et al., 2017; García-Carbonell et al., 2021). Research in strategic management has long focused on rational decision-making approach but there is increasing acceptance that other decision-making approaches can also lead to effective decision making (Salas et al., 2010).

### **2.5.1 Research on making decisions**

A decision is an important step of selection or choice of one action from several alternative options, the decision-making process involves defining the problem, identify limiting factors, considering alternatives, selecting the best alternative, implementing the decision, establishing a control and evaluating system (Huczynski & Buchanan, 2007). According to Abumandil & Hassan (2016), the ability of the decision maker to choose the best alternative for achieving the set goal depends largely on the quality of information available to the decision maker (Dean & Sharfman, 1996). Negulescu and Doval (2014) conducted a qualitative study to investigate the opinion of Romanian managers about the quality of decisions they are making in different domains. The study surveyed 207 companies from different industries (production, transportation, constructions, commerce, and services). Findings revealed that managers consider the organization's strategic objectives when making a decision. The study also revealed that managers acknowledged the quality of decisions is influenced by the quantity of information at their disposal. Another study conducted by Abumandil and Hassan (2016) aimed at investigating how information quality affects bank managers decision making, data was collected from 146 bank managers via online survey form. The findings revealed that accuracy, relevancy, completeness, and interpretability of information had significant effect on bank managers decision making effectiveness. Tomilova-Yaremchuk et al. (2019) argues that making any decision, regardless the type or the classification criterion, it is necessary to possess complete and quality information, which orients the head to select the optimal solution among the alternative options proposed.

However, according to Intezari (2016), decision making effectiveness is not always dependent on data or information quality, but also experience, judgment, intelligence, cognition, values, and beliefs contribute to how effective decisions are made (Liew, 2013). Hallo et al. (2020) postulate that the decision-making process is a cognitive process which results in a choice being made. These processes can be rational or less rational, and may be driven by explicit knowledge, implicit knowledge or by one's own belief systems. The current business environment is ever changing, fast moving and complex, characterized by ambiguity and uncertainty, this makes decision making very challenging, relying only on data and information can lead to businesses not achieving its strategic objectives (Intezari, 2016; Hallo et al., 2020).

Reale et al. (2023) argue that effective decision-making in crisis events is challenging due to time pressure and uncertainty. The decision making usually happens under different conditions

and decision makers are confronted with more complex and unstructured problems under the risk and uncertainty conditions (Müller, 2021). Hallo et al. (2020) conducted a qualitative study to understand the behaviour of managers in making important decisions in complex situations. The study used questionnaires to collect data from 44 managers and the study found out that it was the human aspects of decision-making that were the most challenging, and therefore such decisions need to be treated with particular care and attention.

Sumar and Karlsson (2022) explored how top management take strategic decisions during economic turbulence. They used a qualitative research method with an inductive approach. The findings from the study indicated that top managers rely on and use aspects, such as experience, gut feeling, and protocols, to take strategic decisions and make meaning of them. According to Tohidi & Jabbari (2012), decisions are made based on conscious rationality, subconscious emotional influences, and instincts, these approaches are used in decision making process to identify and select a course of action from among several available alternatives. Drucker (1967) argues that effective decisions are made through a systematic process, with clearly defined elements and in a distinct sequence of steps, but management decision theory shows that decision making is also the result of a dynamic interaction of complex factors, human factor (decision maker), environment in which decision is made (organizational setting), meaning decision making process is not always as a result of systematic or rational approach (McKenna & Martin-Smith, 2005; Baum & Wally, 2003, Sulich et al., 2021).

Decision making has been studied across a range of domains, including banking, health, manufacturing industries to name a few, literature regarding decision making process in different domains indicates that no single decision-making approach is best across all situations (Simon, 1990; Elbanna & Fadol, 2016; Luan et al., 2019; Hallo et al., 2020). According to Haris (2012), indicators of effective decision making can be measured by: achieving the objectives of the impact of decision making, determination of correct alternatives as part of decision making; availability of adequate information to make decision and objectives achieved.

### **2.5.2 Research on strategic decision-making approaches**

According to Manolopoulos et al. (2022), strategic decision making is characterized by uncertainty, ambiguity, and lack of structure in the decisions, and the way in which decisions are taken. Consequently, the outcomes are highly dependent on organizational, situational, and individual factors (Matzler et al., 2014). In the strategic management literature, strategic

decision making is considered as a prevalent rational process, analytical and step-by-step (Eisenhardt & Zbaracki, 1992). However, Calabretta et al. (2017) argue effective strategic decision making may require an integrative use of more than just a rational approach, but both rational and intuitive approaches. Accordingly, several recent research studies into strategic decision-making process suggests that rational decision-making approach can be combined with intuitive and political decision-making approach (Elbanna, 2006; Stanczyk et al., 2015; Calabretta et al., 2017, Kolbe et al., 2020).

### **2.5.2.1 The intuitive decision-making approach**

Research regarding the role of an intuitive decision-making approach in strategic management research has been of interest to the scholars (Sadler-Smith, 2016). However, much of research on intuitive decision-making approach initially focused on the shortcomings of an intuitive approach, due to beliefs that more analytical or rational approach give better results (Dane et al., 2012; Julmi, 2019; Hallo & Nguyen, 2022). There has been a recent shift in research to study the effectiveness of intuitive approaches in decision making (Dane et al., 2012; Julmi, 2019).

Seminal research conducted by Khatri & Ng (2000) amongst senior managers in the banking, computer and utilities industries found out that an intuitive decision-making approach was positively associated with organizational performance in unstable conditions but had a negative association in stable ones. Furthermore, their findings indicated that senior managers in the computer industry utilized intuition to a much greater extent than those in the banking and utilities industries. Elbanna & Fadol (2016) conducted two phased empirical research, the first phase was exploratory, and second phase involved hypothesis testing. The aim of the study was to determine the contextual determinants of intuitive decision-making approach. For the first phase of the study, 36 managers from 36 firms were interviewed using semi-structured interviews. The target population in the second phase was limited to Egyptian private manufacturing firms. A total of 169 usable questionnaire responses were collected. The findings from the study indicated that the characteristics specific to the firm and to the environment appear to be more significant to intuition than the nature of the decision being made. In addition, the impact of the contextual variables varied.

In another study using sample size of 234 Hungarian companies, Szanto (2022) studied the relationship between decision-making approaches used and corporate performance. Six different sectors (manufacturing; construction; trade and car repair; transport and storage;

tourism and hospitality; and information and communication) were represented. Top management from each of the companies completed questionnaires on decision making approaches, company performance, and attitudes toward change. The results of the study indicated that decision-making based on past experience and intuition are generally associated with better business results and better operational performance in terms of cost-effectiveness. The results also revealed that companies that are more prepared for change and have greater capacity to manage change more effectively use an intuitive decision-making approach than those that are less responsive.

### **2.5.2.2 Rational Decision-Making Approach**

Scholarly interest in rational decision-making approach stems from the effect it has in strategic decision-making outcome and organizational performance (Ansoff, 1965; Goll & Rasheed, 1997). Rational decision-making approach refers to analytical, systematic, step by step approach which includes identifying and formulating the problem, thoroughly assessing pertinent information, generating a set of alternatives (Elbanna, 2006; Hodgkinson & Healey, 2011). According to Simon (1978), rationality is a relative concept and depends on a set of factors including the problem itself. These factors also include environmental characteristics, firm characteristics, and organizational factors (Elbanna and Child 2007b). Some research in the past highlighted environmental and organization characteristics as key determinant of the appropriateness of rational decision-making approach (Goll & Rasheed, 1997). According to Fredrickson and Iaquinto (1989) comprehensiveness in unstable environments is likely to fail due to lack of data and the ability of the organization to gather and process information. However, some studies argue that less rationale or comprehensiveness could speed up strategic decisions, the reason being consideration of fewer alternatives, obtaining limited information and limited analysis would lead to quick decisions (Mintzberg, 1973). Elbanna and Child (2007) conducted exploratory study with the target population limited to Egyptian private manufacturing firms, and the findings suggested that the rationality of strategic decision-making processes is shaped by environmental variables. Evidence from the interviews conducted also revealed that variances influenced by environmental variables could also be because of cultural aspects within Egyptian industry. A multiple respondent approach survey approach was used for this study. Hernandez & Ortega (2019) conducted a descriptive qualitative study to study the relationship between rationality and decision making, the study revealed that when firms lack perfect information or data, they make decisions that are not optimal.

### **2.5.2.3 Political decision-making approach.**

Kapoutsis and Thanos (2018) postulate that the dominant view about organizational politics in management literature is that they are ubiquitous but morally questionable and damaging to the individuals or organizations who believe that success is determined by their job-related effort and competence alone (Gotsis & Kortezi, 2010; Landells & Albrecht, 2017). However, Kulikowska-Pawlak and Zatoński (2022) argue that an increasing number of researchers support the view that organizational politics are not inherently negative, but rather view this approach as a type of activities and efforts used to overcome opposition or resistance, resolve competing interests, and balance various goals (Vigoda-Gadot & Talmud, 2006; Smith et al., 2009; Vigoda-Gadot & Vashdi, 2012; Lampaki & Papadakis, 2018). Literature has traditionally linked a political approach with adverse behaviours and outcomes. Research on the strategy formulation process accuses organisational politics of wasting time and resources, distracting attention, and restricting the information flow between decision makers (Chang et al., 2009; Lê & Jarzabkowski, 2015; Lampaki & Papadakis, 2018).

In an effort to understand the relationship between perceptions of organizational politics and key outcomes, Miller et al (2008) conducted a study using meta-analysis on 79 independent samples from 59 published and unpublished studies involving 25,059 individual participants. The results from the study indicated strong negative relationships between perceptions of organizational politics and job satisfaction, and between organizational commitment. There were also moderately positive relationships between perceptions of organizational politics and the outcomes of job stress and turnover intentions, and a non-significant relationship between perceptions of organizational politics and in-role job performance.

A qualitative study by Landells & Albrecht (2017) found out that perceptions of organizational politics were interpreted according to four levels: reactive, reluctant, strategic, and integrated. The four levels captured how individuals defined, described, and perceived outcomes of organizational politics. The aim of the study was to understand how employees perceive organizational politics in contemporary organizational contexts, and to identify whether organizational politics is described in both positive and negative term. The study used a sample size of 14 employees across three organization, and data collection was done through in-depth interviews.

In a survey, Lampaki and Papadakis (2018) studied relationship organization politics and the implementation of strategic decisions. The study drew on a sample of 228 middle managers

from 114 private Greek firms across various industries, and with more than 100 employees each. The results from the study indicated that when the climate is negatively charged, implementation of strategic decisions suffers, whereas when it is positively charged, strategic decisions implementation success is high (Romi, 2022). However, Kulikowska-Pawlak & Zatoński (2022) postulate that the political decision-making approach, like most organizational phenomena, is influenced by organizational context, and hypothesised that there was a positive relationship between strategic political management and organizational politics.

### **2.5.3 Combining rational and intuitive decision-making approaches**

According to Thanos (2022), rational and intuitive decision-making approach are important dimensions of the strategic decision process. In the past some studies view intuition and rational approaches differently but do accept that both approaches can be effective under certain circumstances and that combining them empowers decision makers to make effective decision making in complex environments (Sinclair et al., 2009; Hallo & Nguyen, 2021). According to Dane and Pratt (2007), research studies suggests that intuitive decision-making approach may be integral to successful completion of tasks that involve high complexities and that research further suggest further suggests that the need for intuition may be especially acute in organizations embedded in turbulent environments (Khatri & Ng, 2000; Dane & Pratt, 2007).

## **2.6 Chapter Summary**

The review of strategic decision-making process literature revealed that there is no one best approach when it comes to making strategic decisions. Research in strategic decision-making reveals that decision makers can use more than one approach to strategic decision making and that reliance on one approach will not necessarily lead to the best decision outcomes under all circumstances (Eisenhardt, 1997; Elbanna, 2006; Shepherd & Rudd, 2014; Tabesh & Vera, 2020). According to García-Carbonell et al. (2020), literature provides opposing views as far as which approach is best to use. A study done by Papulova & Gazova (2016) highlights the fact that different or unique business environment can have an influence on which approach is best to use and their study also revealed that strategic decision-making approaches differs at small, medium, and large organizations. Literature also reveals contextual factors can have impact in decision making approaches in an organization, these contextual factors being environmental context, organizational context, nature of strategic decision and top

management characteristics (Papadakis & Barwise, 2002; Shepherd & Rudd, 2014; Elbanna et al., 2020).

Given the scarcity of research in this area, this study investigates how the rational, intuitive and political approaches impact strategic decision-making process in the automotive sector in South Africa and how these approaches influence the integration of sustainability considerations in strategic decision making.

# CHAPTER 3

## Research Methodology

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### 3.1 Introduction

This chapter explains the research methodology adopted to conduct this research. Furthermore, this chapter also describes various stages of the research, which include how the participants were selected, how data was collected and the data analysis process. The chapter also discusses the aspects of credibility, transferability, dependability, and confirmability of the research.

### 3.2 Research Paradigm

Creswell (2003) describe research paradigm as beliefs shared by scientists, a set of agreements about how problems are to be understood, how we view the world and thus go about conducting research. Willis (2007) defines a research paradigm as a “comprehensive belief system, worldview or framework that guides research and practice in a field”. Research paradigms are set of beliefs about the way in which particular problems exists and a set of agreements of how such problems can be investigated (Fraser & Robinson, 2004).

This research adopted a post-positivist paradigm. According to Fisher (1998), post-positivism recognizes that people approach questions of truth from multiple perspectives and that these perspectives are historically influenced, are comparable, philosophical and experientially framed. Creswell & Tashakkori (2007) contend that post-positivist social realities must be understood from the perspective of the subject as opposed to that of the researcher and those realities must be understood in totality and not in isolation. Crossan (2003) asserts that post-positivism acknowledges the complex relationships between viewpoints, individual actions, environment, and socio-cultural issues. The goal of post-positivism is to get multiple perspectives through multiple methods, thereby revealing the world as known by the participants (Lach, 2014). In view of the above, post positivism paradigm was adopted to get multiple perspective from senior managers in the automotive section with regards to the strategic decision-making process, how they go about making strategic decisions and if they consider sustainability in their decision making.

### **3.3 Research design**

This study used a qualitative research methodology, Flick (2009) describes qualitative research as a naturalistic, interpretative approach, concerned with exploring phenomena from the interior. According to Busetto et al. (2020, p.10), qualitative research can be defined as “the study of the nature of phenomena and is especially appropriate for answering questions of why something is (not) observed, assessing complex multi-component interventions, and focussing on intervention improvement”. Aspers and Corte (2019, p.140) describes a qualitative research methodology as “an iterative process in which improved understanding to the scientific community is achieved by making new significant distinctions resulting from getting closer to the phenomenon studied”. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them (Denzin & Lincoln, 2005). Domegan and Fleming (2007) contend that qualitative research aims to explore and discover issues about the problem on hand, because very little is known about the problem. It is an approach that allows the researcher to examine people’s experiences in detail through a specific set of research methods such as in-depth interviews, it is designed to help researchers understand people, social and cultural context within which they live in (Myers, 2009). In view of the above, a qualitative research method was chosen by the researcher to investigate how strategic decisions are made in the automotive sector in South Africa by drawing on the experiences of senior management in the automotive on how they go about making strategic decision making, and how sustainability is considered in their decision-making process.

### **3.4 Case Study**

Baskarada (2014) argues that the case study method is the most widely used method in academia for researchers interested in qualitative research. For the purpose of this study, a case study approach was employed. According to Crowe et al. (2011), a case study is an approach that allows in-depth, multi-faceted explorations of complex issues in their real-life settings, and that it is useful when it is applied where there is a need to obtain an in-depth appreciation of an issue, event, or phenomenon of interest, in its natural real-life context. Yin (1984, p.23) defines a qualitative case study “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. On the other hand, Merriam (1988, p.277) defines a qualitative case study as “an intensive, holistic description and analysis of a single instance, phenomenon, or social unit”. Crowe et al.(2011) contends

that a qualitative case study approach lends itself well to capturing information on more explanatory ‘how’, ‘what’ and ‘why’ questions. According to Takahashi & Araujo (2020), a case study may be descriptive, exploratory, explanatory. It can also be classified as single or multiple (Yin, 2014); or intrinsic, instrumental, or collective (Stake, 2003). This study adopted an exploratory case study, and it answers the question ‘how’ strategic decisions are made, and how the sustainability is considered in strategic decision-making process.

### **3.5 Data Collection**

According to Smith (1987), when it comes to qualitative research, the researcher collects data about the phenomenon under study and works on them in some way, organizes them, and hold them up against ideas, hypotheses, and categorical definitions as a way of testing them. Qualitative data collection methods commonly acquire data through interpersonal contact, and usually through interviews or through observations (Babbie, 2014). Interviews are regarded as the main method of qualitative data collection, and these interviews could be either unstructured, semi-structure or structured (Schneider et al., 2016). For the purpose of this study, semi-structured interviews were employed as the technique used to collect data. This was done through open-ended questions to allow for broader exploration of the interviewee’s experience.

Semi-structured interviews are in-depth, where the respondents answer pre-set open-ended questions. In-depth interviews are utilized extensively as an interviewing format with an individual or sometimes even with a group (Jamshed, 2014). Qualitative semi structured interviews are normally conducted in a natural setting and considered a popular way of gathering research data, because it is perceived as having a natural conversation (Griffiee, 2005).

Semi-structured interviews were conducted and ten (10) senior managers were interviewed. DeJonckheere & Vaughn (2019) asserts that the purpose of using semi-structured interviews for data collection is to gather information from key informants who have personal experiences, attitudes, perceptions, and beliefs related to the topic of interest and in this case senior managers were able to share their personal experiences regarding integration of sustainability in strategic decision making in their respective organizations in the automotive sector.

### **3.6 Sampling**

According to Cresswell & Plano (2011) sampling involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest. Sandelowski (1996) asserts that qualitative research samples tend to be small to support the depth of case-oriented analysis that is fundamental to this mode of inquiry. For the purpose of this study, a sample size of ten (10) senior managers in the automotive industry in South Africa was chosen.

Sampling in qualitative research is known as non-probability sampling and there are four main types of non-probability sampling namely 1) convenience sampling, 2) purposive sampling, 3) snowball sampling and 4) theoretical sampling (Lopez & Whitehead, 2013). Purposive sampling was used when selecting the participants and involves a deliberate choice of participants due to the qualities they possess (Etikan et al., 2016). According to Cresswell & Clark (2011) purposive sampling involves identification and selection of individuals or groups of proficient and well-informed individuals with a phenomenon of interest.

### **3.7 Data Analysis**

According to Huberman & Miles (2002) qualitative data analysis is about detection, and therefore, allowing the researcher to define, categorize, explain, explore and theorize about the collected data. Sari & Bogdan (1992) describe data analysis in qualitative research as the process of systematically searching and arranging the interview transcripts, observation notes, or other non-textual materials that the researcher accumulates to increase the understanding of the phenomenon. Flick (2013) posits that qualitative data analysis aims to describe a phenomenon in some or greater detail, comparing several cases on what they have in common or on the differences between them develop a theory of the phenomenon under study from the analysis of empirical material. Inductive thematic data analysis was employed in this research.

The data collected was analysed using thematic analysis because it allows the researcher to be able to draw an interpretation from the data collected (Alhojailan, 2012). According to Braun and Clarke (2006), inductive thematic analysis is data driven, and is a process of coding the data without trying to fit it into a pre-existing coding frame or the researcher's analytic preconceptions. The inductive approach also involves coding data and collating all the potentially relevant coded data extracts into themes (Braun & Clarke, 2006). A theme is defined as an abstract entity that brings meaning and identity to a recurrent experience and its variant manifestations. As such, a theme captures and unifies the nature or basis of the experience into

a meaningful whole (DeSantis & Ugarriza, 2000, p.362). Thematic inductive analysis was used in this study whereby themes were linked to the data and did not attempt to fit with an existing coding frame or the researcher's pre-existing ideas (Braun & Clarke, 2006).

Thomas (2006) describes the aims of inductive data analysis as 1) condensing raw textual data into a brief, summary format, 2) establishing clear links between the evaluation or research objectives and the summary findings derived from the raw data, and 3) developing a framework of the underlying structure of experiences or processes that are evident in the raw data.

### **3.8 Research procedure**

The research was conducted by first requesting permission to conduct research from the respective companies where the ten participants work. This request was done through sending a letter via email. In addition to the letter requesting permission to conduct research, the questionnaire document was also attached to the letters for the senior managers to prepare for the one-on-one interviews. The ten participants willingly agreed to participate in the research by granting permission to conduct research.

Secondly, one-on-one interviews were conducted with senior managers selected for the research. The criteria used to select the participants was the level of seniority in terms of management level of the managers working in the automotive industry. Only senior managers were selected to participate in the research. At the beginning of the interviews, the senior managers were reminded to maintain anonymity and reminded of their right to withdraw from the research at any time. The interview questions were open-ended to allow the researcher to have a deeper exploration of the senior managers' views regarding integrating sustainability into strategic decision making and the approaches used in strategic decision making. The duration of the interviews was between 45 to 60 minutes. Furthermore, interviews were recorded, and the recordings saved and secured as digital copies in compliance to the ethical requirements.

### **3.9 Quality assurance**

Adherence to quality criteria is essential in qualitative research, this study used the four criteria namely: credibility, transferability, dependability, and confirmability (Nowell et al., 2017; Tobin & Begley, 2004).

*Credibility* in qualitative research is considered one of the most important criteria in ensuring quality assurance because it reveals the truth about the study. In other words, credibility of the

research findings is determined by whether they offer a credible conceptual interpretation of data derived from the participants original data (Denzin & Lincoln, 2017).

*Transferability* refers to the degree to which the results of qualitative research can be generalized or transferred to other contexts or settings (Trochim, 2006). Cope (2014) asserts that transferability criteria is met when individuals who are not involved in the study find the results meaningful, and readers can associate the results with their own unique experiences.

*Dependability* refers to research process is logical, traceable, and clearly documented (Tobin & Begley, 2004). A clear process for this research study is sufficiently described from the start to the end in terms of how the research was conducted.

*Confirmability* refers to the interpretation process that is not based on the researcher particular preferences and viewpoints, but an interpretation process that is grounded in data (Korstjens & Moser, 2018). The senior managers quotes are included in chapter 4 to demonstrate confirmability.

### **3.10 Ethical Considerations**

According to Žukauskas et al. (2018), ethical considerations are not just a mere formality required by researchers, but a significant part of research driven by trust in researchers, data protection, anonymity, and confidentiality, and the ability to build trust-based relationship with the respondents and retain it. It is therefore researcher's ethical responsibility to respect and be honest with the participants affected by the study and protecting their rights and welfare (Gravetter & Forzano, 2009). For the purpose of this study, an ethics application for human subjects was submitted to Rhodes University's Human Research Ethic Committee for approval and ethics application was obtained from the ethics committee.

In addition to ethics approval, gatekeeper permission and written consent was obtained from the participants before conducting interviews. Denzin & Lincoln (2011) describes "informed consent" as the cornerstone of ethical, and fundamental satisfying ethical research principles of respect, beneficence, and justice (Faden & Beauchamp, 1986). One of the important elements about "informed consent" is that it needs to be voluntary (Klitzman, 2013). Informed consent forms were provided to the senior managers to attain their consent to participate in this research.

### **3.11 Summary**

This chapter outlined the qualitative research methodology that was adopted and how the study was conducted. A case study approach was employed for this study, and data collected using semi-structured interviews. An inductive approach to thematic analysis was used to analyse the interview data. Furthermore, quality assurance criteria were detailed, and the ethical considerations adopted for this study.

# CHAPTER 4

## Findings

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### 4.1 Introduction

This chapter presents and discuss the findings from the interviews conducted with senior managers in the automotive sector in South Africa. The findings are presented in line with the objectives of the case study. An inductive thematic analysis approach was used to analyze data collected from the participants. There were five main themes identified as part of the thematic analysis process. The aim of this study is to analyse whether sustainability is considered and integrated into the strategic decision-making by senior managers in the automotive sector, and if so then to examine how these strategic decisions are taken.

### 4.2 Main themes

As part of inductive thematic analysis, five main themes were identified which were: 1.) Sustainability, 2.) Strategic decisions, 3.) Rational decision-making approach, 4.) Intuitive decision-making approach, 5.) Political decision-making approach. These themes comprised of subthemes as highlighted in table 4.1.

Table 4.1: Overview of themes and subthemes

Themes	Subthemes
1. Sustainability	<ul style="list-style-type: none"><li>• Compliance</li><li>• Corporate social responsibility</li></ul>
2. Strategic decisions	<ul style="list-style-type: none"><li>• Stakeholder consideration</li><li>• Strategic objectives</li><li>• Financial goals</li></ul>
3. Rational decision-making approach	<ul style="list-style-type: none"><li>• Business financial targets</li><li>• Customer requirements</li></ul>
4. Intuitive decision-making approach	<ul style="list-style-type: none"><li>• Work experience</li><li>• Organizational culture</li></ul>
5. Political decision-making approach	<ul style="list-style-type: none"><li>• Stakeholder interest</li></ul>

### 4.2.1 Theme 1: Sustainability

Although all senior managers had little understanding of sustainability, there were activities highlighted that forms part of sustainability initiatives. The initiatives highlighted by the senior managers was because of the need for the companies to comply with standards like ISO 14001 & ISO 45001 relevant to the automotive industry, the initiatives also included corporate social responsibility. The findings from the participants highlighted the industry compliance standards, the first one was the obligation to Environmental Management System (EMS) as required by ISO 14001, the ISO 14001 is an international standard that requires companies to improve on their environmental performance by eliminating business practices that are harmful to the environment. The second standard that was a common consideration from the interviews was ISO 45001 which deals with occupational health & safety in the workplace. The ISO 45001 standard requires companies to ensure the safety of its employees and for the employer to provide safe working environment for the workers.

**4.2.1.1 Compliance:** Compliance to regulations specific to the automotive sector is beneficial to the companies. Automotive industry has standards and regulations to adhere to, and the respondents highlighted that being compliant to automotive regulations is critical to attract and maintain customers.

*“To improve our environmental performance, we have an internal program in the company to hand over our plastic scrapped parts to a waste management contractor who collect scrap and waste from our company on a daily basis so for to ensure we don’t dispose off waste to landfills....” [Plant Manager (Plant)]*

*“To ensure that we sustain a safe working environment, I had to strategically develop a program in the organization to ensure workers always and consistently wear PPE, and consistently adhere to safe work practices in each workstation as prescribed for that specific workstation. The program introduced included rewarding employees for their contribution in creating a safe working environment, and adhering to practices that preserve the well-being of the employees and environment....” [Senior Manager (Health & Safety)].*

*“In keeping up with creating safe working environment, we decided to invest in glue product that emits less fumes in the production process than the one currently used, this was to ensure that long term we use products that preserves the well-being of the employees and environment....” [Senior Manager (Quality)].*

**4.2.1.2 Corporate social responsibility (CSR):** Some companies in the automotive industry have corporate social responsibility initiatives to enhance the image of the company and to contribute positively to the society.

*“We offer internship, training and development for students, we pursue these objectives as a company to boost our BBBEE score, our customer requires the organization to reach a specific BBBEE score as an automotive component supplier...” [Senior Manager(Human Resources)].*

*“The company has yearly event whereby the organization visits the homeless and offer clothes and food to the disadvantaged. This also includes spending a day with the homeless and offering them food, these initiatives are strategic because they improve the reputation of the company and increase chances of retaining our customers because the company adds value to the communities....” [Senior Manager (Purchasing)].*

The findings revealed that some of the companies in the automotive companies do engage in corporate social responsibility initiatives, the respondents highlighted the benefits of CSR which are, good reputation for the company, retentions of suppliers & customers and retention of the workforce because the organizations strive to add value to the communities. The CSR initiatives highlighted by the respondents embraces one of sustainability pillars which is social/society. This social pillar of sustainability speaks about creating shared value for communities.

## **4.2.2 Theme 2: Strategic decisions**

All the senior managers response was the same in terms of what they consider and how they go about making strategic decisions in the organization, three main considerations appeared from all the respondents, which is stakeholder consideration, strategic objectives of the organization and business financial targets.

**4.2.2.1 Stakeholder consideration:** The senior managers in the automotive sector had common process when it comes to how they go about making strategic decisions, and that is stakeholder consideration. In other words, they consider the stakeholders who will be affected by the strategic decision made. The stakeholders mentioned by the senior managers differs according to the strategic decisions to be made and which stakeholder is affected. For example, strategic decisions related to production affect different type of stakeholders, as seen by operations senior manager:

*“When I make strategic decisions, I consider and consult the workforce, trade unions and various customers involved....” [Senior Manager (operations)]*

*“For product engineering, I consult global change management senior engineering managers to align global customer strategy and adopt the global product change requirements, and then implement it in South Africa. Additionally, I involve local colleagues to involve all stakeholder in the strategic decisions taken globally for different plants involved....” [Senior Manager (Product Engineering)]*

What was clear from the participants response was stakeholder consideration was key to strategic decision making when in terms of how the senior managers go about making those decisions. Product engineering stakeholders and operations stakeholders differed but stakeholder engagement was common from the senior managers when it comes to how they go about making strategic decisions.

**4.2.1.2 Strategic objectives:** Organizational strategy another subtheme that was mentioned by the senior managers. Strategic objectives of the organization were at the centre of strategic decision making for their respective organizations. Most automotive companies in South Africa adopt a build-to-print strategy which basically mean, adopting a global strategy and implementing the same global strategy in South Africa. In essence, as much as some strategic decisions are taken globally for all plants, senior managers at different plants locally must adopt the strategic decision and implement it locally. One senior manager who is responsible for engineering changes responded to the build-to-print strategy as follows:

*“Build-to-print strategy is a strategic direction of the company that allows the individual plants to adopt overall global strategy and implement it in different plants....” [Senior Manager (Engineering)]*

It was also notable from the respondents that they consider organizations strategy and goals when making strategic decision. The overall organization strategy influences how they make strategic decisions.

*“Before making strategic decisions, I consider organization short & long terms strategic goals and objectives to inform my decision-making process....” [Plant Manager (Plant)]*

*“Our company is a components supplier to OEMs, our strategic decisions consider BBBEE target for the company, there is a level that we aim to reach because OEMs consider the*

*supplier BBBEE score when it comes to issuing business in the future. We also use the same criteria for our sub-suppliers in terms of our strategic objectives....” [Senior Manager (Purchasing)].*

Overall response from all senior managers interviewed confirmed that they consider stakeholders and the overall organization strategic goals when making strategic decisions.

**4.2.1.3 Business financial targets:** The senior managers all mentioned business profitability as the main consideration when it comes to how they go about making strategic decisions in the automotive industry.

*“The main purpose for the company is to be profitable, therefore profit becomes the main consideration in making strategic decision....” [Plant Manager (Plant)]*

According to the responses from the ten senior managers, stakeholder engagement is important when it comes to making strategic decision, so was the strategic objectives of the organization but financial targets appeared the most important from all the participants. Business does exist to make profit and that was clear from the interviews with the senior managers in the automotive industry.

### **4.2.3 Theme 3: Rational decision-making approach**

The rational decision-making approach involves a series of analytical steps to review relevant facts, observations, and possible outcomes before choosing a particular course of action (Uzonwanne, 2016). Strategic decisions are critical for the organizations and are normally the responsibility of senior managers. The response from the senior managers interviews were telling in terms of the importance of a rational decision-making approach in strategic decision making. Most of the respondents used a rational decision-making approach due to the nature of strategic decision making. Two main subthemes emerged from the rational decision-making approach, namely financial returns and customer requirements.

**4.2.3.1 Financial returns:** Feedback from the senior managers interviews revealed that rational decision-making approach was used for strategic decisions made by senior managers involving the company finances. Financial returns for the company are central to the survival of any business and senior managers highlighted the importance of rationality in making strategic decisions for business profitability.

*“Before we make strategic decisions involving any business initiatives whether issuing programs for waste management or internal management of waste, we look at the financials and see how it will cost the company and then adjust. Financial analyses are important for the company to remain profitable....” [Senior Manager (Finance)].*

*“Sending production operators on short time is based on the careful analysis and consideration of sales reduction. This approach enables the company to better manage financial losses due to non-production days....” [Senior Manager (Operations)].*

*“I was given KPI’s to reduce costs in the manufacturing, processing and assembly departments. The main KPI was headcount reduction, meaning reducing the work staff wherever possible. Process engineers conducted process improvement analysis and conducted time studies to improve and cut costs. An in-depth analysis was carried out to make sure costs were reduced and at the same time maintain the productivity in the shopfloor....” [Senior Manager (Operations)].*

*“During the process audit in the manufacturing shopfloor, we uncovered a process that was harmful to the employees due to the fumes that comes out during glue application. The audit was done to see if the process meets the safety standards and the report indicated the need to change the type of glue used, the product engineers conducted an investigation to determine which glue needs to be used and at the same time maintain quality standards after manufacturing process....” [Senior Manager (Quality)]*

It was evident from the senior managers responses that a rational approach is fundamental to strategic decision making. The findings from the interviews reveals that senior managers are careful not to make mistakes because strategic decisions shape the direction of the organization.

**4.2.3.2 Customer requirements:** In addition to rational approach in strategic decisions in terms of business financial returns, findings from the senior managers interviews also indicated that rationality is commonly used by the decision makers when it comes to addressing customer requirements.

*“When we planned the transition from coal powered energy, we had to justify the change to our general managers in terms of the new direction according to the customer requirements. The data we used included monitoring energy consumption by different machines and how the transition will be managed to ensure machine reliability during the transition phase....” [Senior Manager (Procurement)].*

*“Our procurement of machines for the customer programs included historical data from previous programs in terms of the reliability of the machines. Together with engineering specialist we use the downtime data, and Overall Equipment Effectiveness (OEE) from the machine development by equipment maker and then we buy reliable equipment. We also use the information that is related to spare parts availability. The decision to procure new machines is always well informed by data....” [Senior Manager (Programs)].*

#### **4.2.4 Theme 4: Intuitive decision-making approach**

An intuitive decision-making approach has emerged as one of the important approaches in strategic management over the years. Senior managers often need to make decisions under challenging circumstances with time pressures, constraints, a great deal of uncertainty, highly visible and high-stakes outcomes. An intuitive approach in strategic decision making was evident in some strategic decisions made by the senior managers in the automotive industry.

**4.2.4.1 Environmental uncertainty:** The senior managers highlighted environmental uncertainty as one of the influences using an intuitive approach to strategic decision making. These decisions had economic and environmental implications which in a long term had an impact in the organization.

*“When we received message from the supplier regarding non-availability of micro-chips electrical components used for the cockpit production, I decided to consult unions and production managers to make a decision to implement short time layoff due to uncertainty of when the electrical components will be available....” [Plant Manager (Plant)].*

*“When our equipment had a major breakdown, we needed a specific spare part to have the machine up and running to avoid stopping the customer and incur penalties in a form of fines. We didn’t follow our normal analytical procurement procedures to get spare parts in plant due to time constraints, I used my gut feeling to select one supplier based on my conversation with two different suppliers to make sure we get the spare part in plant as soon as possible.... [Senior Manager (Technical)].*

A senior project manager also noted the importance of an intuitive approach in strategic decision making, past experience with regards to project management informed some of the strategic decisions made in the project.

**4.2.4.2 Tacit knowledge:** An intuitive decision-making approach. One senior manager explained the difficulty regarding introducing and implementing new strategies in the shopfloor.

*“Understanding the resistance from our employees regarding new ways of working in production, when we implement cost saving projects in the shopfloor, operators often display an attitude of resistance. However, we use our past knowledge in terms of how to get buy-in from the operators by incentivising cost saving initiatives. The teams or operators who successfully implement continuous improvement cost saving activities, receive vouchers for a specific amount. That encourages operators to do more....” [Senior Manager (Operations)].*

*“When we restructured the organization as senior management, we used our past and current experience to strategically structure the plant by moving certain employees to other departments due to what we see would benefit the company to achieve its strategic objectives. We also considered the cultural behaviour of the organization regarding how certain employees perform their tasks and how culture influenced their productivity....” [Plant Manager (Plant)].*

The respondents feedback indicated that intuitive decision-making approach is an important element to making strategic decisions, another important finding from the respondents was the impact of organizational culture in making strategic decisions.

#### **4.2.5 Theme 5: Political decision-making approach**

According to Elbanna (2018) a political decision-making approach in strategic decision-making focuses on the ways in which individuals involved in the decision-making process can affect it either through the power they possess or through other measures they take to exert influence such as bargaining.

**4.2.5.1 Stakeholder interest:** There were strategic decisions made by senior managers that adopted a political approach to achieve organizational goals. Political behaviour occurs because decision makers have different interest and power, which can lead to conflicting interest being resolved to please different stakeholders.

*“In certain management appointment, we have to consider certain individuals in order please the trade unions, at the same time align organization strategic objectives to achieve balance to make sure all stakeholders are satisfied with the decision....” [Plant Manager (Plant)].*

*“Allocation of bursaries for the development of employees tends to cause unhappiness amongst the other staff members. As an organization we have an allocated budget for bursaries in a business calendar year, obviously not everyone will get the opportunity to be developed as they would have wished. Some departments like engineering, have the skills we need the most, but we also now need to please some departments with skills we don’t need so much. It ends up becoming political in the organization hence the need to use a political decision-making approach to achieve a strategic objective....” [Senior Manager (Human resources)].*

As alluded to by Shepherd et al. (2020) strategic decisions driven by political behaviour are also likely to be motivated by the interests of one, or a small number of executives, rather than what is more beneficial for the organization. The findings from the senior managers interviews provided insight into how political approach can affect strategic decision making to please different stakeholders. What was also notable from the findings regarding strategic decisions making, was that stakeholders can be internal or external. For example, external stakeholders are also considered in strategic decisions made.

*“When we planned the transition from coal powered energy, we had to justify the change to our general managers in terms of the new direction according to the customer requirements. The data we used included monitoring energy consumption by different machines and how the transition will be managed to ensure machine reliability during the transition phase....” [Senior Manager (Procurement)].*

The essence of the political approach in strategic decision making, is the process by which conflicts are resolved amongst different stakeholders with competing preferences and interests.

### **4.3 Chapter summary**

The aim of the interviews with the ten participants was to investigate if sustainability is considered in strategic decision making in the automotive industry in South Africa and if so, to examine how these strategic decisions are taken. The Findings indicate that the concept of sustainability is still not a well-known concept. All ten of the participants did not understand what sustainability is in terms of sustainability in three pillars, and what shared value means for all three pillars. Sustainability for the organisation means creating shared value for all stakeholders meaning environment, society, and economy in the context of business. However,

there are some practices in the automotive industry that would be considered sustainable practices in line with sustainability concept. Environmental consideration, employee wellness, and corporate social responsibility are some of the practices that are in line with sustainability. The senior managers also highlighted how they go about making strategic decisions in the respective companies and the approaches adopted for different types of decisions, including rational, intuitive, and political decision-making.

# CHAPTER 5

## Discussion

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### **5.1 Introduction**

The aim of this chapter is to discuss the findings of the thematic analysis, in light of the literature relevant to the topic of integrating sustainability into strategic decision-making. There are five main themes identified in the previous chapter, which were: Strategic decisions, rational approach, intuitive approach, political approach, and sustainability. Each of these is discussed in turn.

### **5.2 Discussion of themes**

#### **5.2.1 Strategic decisions**

According to Tabesh & Vera (2020), strategic decisions are those decisions that are comprised of important, non-frequent, and interdependent choices that influence firms' long-term profitability and survival. Strategic decisions are risky, large-scale and involves identification, evaluation, and selection of the best strategy that increases the likelihood of achieving business goals (Papulova & Gazova, 2016). Elbanna & Younies (2008) asserts that strategic decisions are also shaped by the environment and the automotive business environment also has an influence in how strategic decisions are made.

In terms of how senior managers make strategic decisions in the automotive industry, three subthemes emerged which are stakeholder consideration, strategic objectives of the organization and business financial targets. All ten senior managers highlighted the importance of considering stakeholders when making strategic decisions. It was also notable that the stakeholders who were considered in strategic decision making included not only internal stakeholders but also external stakeholders. Internal stakeholders included management, employees and shop stewards. The external stakeholders identified in the interviews include government, suppliers, communities, and customers. The stakeholders differ according to the strategic decision made and are those stakeholders most affected by the decision to be made. According to Hristov & Appolloni (2022), stakeholder consideration at a strategic level represents one of the key dimensions that impacts a firm's long term financial performance.

The senior managers also highlighted the organization's strategic objectives as a key consideration when making strategic decisions. Lampel (2018) asserts that strategic decision-making takes place within a context defined by the organization's strategy. Strategy is a management plan for growing the business, attract and pleasing customers, and achieving targeted objectives (Tan et al., 2012). Literature in strategic management indicate that companies with a strategy have got much more chance of success compared to those without a strategy (Gupta, 2011). All the senior managers postulated that organizational strategy influenced strategic decisions made in the automotive sector. Organizational strategy, also called competitive strategy differs according to industry/market segments and each company develops a competitive business strategy unique to that industry to create competitive advantage over other competitors (Friesenbichler & Reinstaller, 2022; Farida & Setiawan, 2022). Some of the strategies mentioned by the senior managers were manufacturing cost reduction, zero defect parts, continuous improvement, productivity improvement, and consistent quality supply. Therefore, the strategic decisions made by the senior managers took into consideration strategies developed by the organizations.

Financial goals also emerged as one of the main considerations in terms of how strategic decisions are made. Senior managers highlighted the achievement of the organization's financial goals as a critical element of how they go about making strategic decisions in the automotive industry. Findings from the senior managers indicated that strategic decisions made, also had to align with the financial goals of the company to be able to record financial gains instead of financial losses reported in any given financial year. Financial goal achievement was a key KPI for the senior managers interviewed, and this financial KPI's informed their strategic decision making to ensure they reach the financial goals or targets set by the board and shareholders. The common financial goal that emerged from the senior managers interview was keeping manufacturing/operations cost to the lowest and improving profitability, the costs mentioned were labour cost, scrap cost, re-manufacturing cost and maintenance cost. According to Atikiya et al. (2015), firms that operate at low cost achieve their financial goals because of lowering the cost of manufacturing to earn higher profits.

### **5.2.2 Rational decision-making approach**

The rational decision-making approach emerged as the approach mostly used regarding business profitability according to the findings from the interviews. Rationality is a strategic decision-making approach aimed at making rational decisions that best match the objectives of

the organization, thoroughly assessing pertinent information, generating a set of alternatives, evaluating the costs and benefits of these alternatives, and ultimately making a logical choice based on conscious deliberation (Elbanna, 2006; Calabretta et al., 2017). Senior managers revealed that they use a rational decision-making approach more in strategic decisions that involve financial considerations of the business. The managers highlighted the rational approach as an approach that is most likely to lead to an effective outcome of a strategic decision due to careful, systematic nature of the approach, and they mainly use this approach to position the company to be more profitable and not incurring financial losses. Furthermore, respondents noted the risk level associated with rationality in strategic decision-making. According to the respondents, the risk level of a rational approach is low because the decision maker searches exhaustively for all relevant available alternatives, analyses the pertinent options by comparing the present options with other available options and then ultimately selecting the best optimal alternative (Jankelová & Puhovichová, 2020). According to rational decision-making theory, the decision maker is assumed to take account of available information, the probabilities of events, and potential costs and benefits in determining preferences and acts consistently in choosing the self-determined best choice of action (Blume and Easley 2008; Uzonwanne, 2016; Jankelová & Puhovichová, 2020).

The senior managers also pointed out the importance of meeting customer requirements in making strategic decisions. They use data and feedback from the customer to make strategic decisions that meet the customer requirements. According to Bonsu et al. (2023), strategic management and customer satisfaction cannot be separated for profit making companies. Strategic decisions assist in developing strategic direction in terms of what the company wants to achieve in the future. Senior managers revealed that they use a rational decision-making approach for developing strategy that ensures they meet the customer requirements. Managers mentioned that satisfying the customer was crucial for securing future business as well. The findings from the senior managers revealed that some of the requirements from customers included investment in the programs that will benefit the company in the long term. One senior manager revealed that their customer was embarking on a strategy that will allow component suppliers to switch to renewable energy as a long-term sustainable strategy. The program to switch to renewable solar system meant the company needed to invest in renewable energy, too. Customer satisfaction literature indicates that companies that develop a strategy aligned with customer requirements remain competitive over a long period of time and gives companies a competitive advantage in a specific market segment and over rivals in the same business

(Olsen et al., 2014; Striteska & Jelinkova, 2015). Furthermore, the senior managers revealed they use data analysis from customer reports, such as quality or on-time delivery reports. The senior managers indicated that reports are analysed and informed some of the strategic decisions taken to meet customer requirements.

### **5.2.3 Intuitive decision-making approach**

The findings from the senior managers revealed that an intuitive decision-making approach was strategically used in some of the strategic decisions made in their firms. It was noted by some senior managers that experience at workplace led to the use of an intuitive approach in some decisions. One of the main characteristics of an intuitive decision-making approach are work experience and intuition, which enables the decision maker to use years of experience in the industry to make strategic decisions (Khatri and Ng, 2000). Interviewees noted that intuition is tightly linked to learning as well, because their past workplace experiences allowed them to subconsciously apply lessons learned in a strategic decision-making process. According to Khatri and Ng (2000), an intuitive decision-making approach is not a guessing process, but it is rather a reasoning process that the manager has developed through years of experience in problem solving.

The senior managers also highlighted organizational culture as one of the determinants of using an intuitive decision-making approach when making strategic decisions. According to Robbins and Judge (2013) organizational culture is a system held by shared meanings held by all stakeholders of an organization. It can be used strategically by top management to achieve productivity and effectiveness (Awadh & Saad, 2013). Malewska (2015) postulates that the extent to which intuition is used also depends on an effective organizational culture within an organization. The participants' feedback revealed that the culture of the organization impacts how they go about making strategic decision, and most of the respondents admitted to using intuitive decision-making approach when the culture of the organization is considered in making strategic decisions. One respondent revealed that when they implemented a continuous improvement strategy in the shopfloor, they considered the cultural dimension of the organization and decided to incentivise the workforce to ensure they supported the strategic direction the company. The approach used was intuitive because the manager noted that past experience and knowledge of the organization influenced the decision to incentivise the workforce.

#### **5.2.4 Political decision-making approach**

The presence of a political decision-making approach in strategic decision-making was revealed by the respondents. The findings from the interviews highlighted how an intuitive approach was key for some decisions to achieve organizational strategic objectives. Stakeholder's interests emerged as a key consideration in terms of a political approach to strategic decision making. The senior managers revealed that the consideration of stakeholders' interest in strategic decision making was key in identifying who the relevant stakeholders were, and understanding their preferences, how they could influence a decision, and how organizations should respond to their preferences. One of the respondents revealed how they had to consider shop stewards interest and preferences in making strategic appointments in the company, which meant finding a balance in terms of organizational objectives and stakeholder's preferences. According to Kolbe et al. (2020), consideration of stakeholders' preferences and getting their buy-in for decision, is an indication of the presence of a political approach in strategic decision making. Stone (2002) postulates that political decision making is an approach in which decision-makers have different goals, form alliances to achieve their goals. The preferences of the most powerful decision maker usually prevail (Elbanna & Child, 2007). Findings from the interviews with the senior managers indicated that stakeholder's preferences were considered in strategic decision making to ensure the different goals and preferences of the stakeholders affected allows the organization to achieve its strategic objectives. Various researchers argue that a political approach in strategic decision making can be negative or positive because individuals compete to satisfy their interests by engaging in political tactics, such as co-opetition, control of agendas, and the strategic use of information (Eisenhardt & Zbaracki 1992; Shepherd et al., 2020; Manolopoulos et al., 2022). The findings from the respondents indicated that political approach in strategic decision making can have a positive impact in the organization because they considered stakeholders interests in developing strategy. According to Cacciattolo (2015) a political decision-making approach can bring together the dissimilar interests of stakeholders, depending on the ability to set in equilibrium the competing motivations and views of organisational member, and this can be achieved through positive political tactics such as persuasion, reference to superordinate goals, development of coalitions and networking (Zanzi & O'Neill, 2001).

#### **5.2.5 Sustainability**

The objective of the study was to investigate if sustainability is considered in strategic decision making in the automotive industry in South Africa. All ten respondents had little knowledge of

sustainability as a concept, nor of the idea of creating shared value for all stakeholders and considering the economic, environmental, and societal implications of decisions. However, findings from the interview with the senior managers indicated the presence of activities that are aligned with sustainability requirements, and which addressed environmental protection, employee wellbeing, and societal activities. The presence of sustainability activities in the findings was due to the obligation of automotive companies to comply with regulations and boost the company image through corporate social responsibility. Compliance is an important foundation for any business and is a demonstration of a commitment to ethical business practice, and towards both external and internal stakeholders. When a business is compliant with regulations, standards, and policies it enhances its reputation and often earn the trust of its customers, of authorities and of its employees. Some of the standards mentioned were ISO 45001, IATF16949 and ISO 14001 which the industry has to comply with. In the case of ISO 45001, the senior manager mentioned how important it was to create a safe working environment for the employees. When a company fails to adhere to standards like ISO 45001 (occupational health & safety), they risk facing lawsuits, fines and even closure of the business. The results from the interviews with senior managers indicated that the automotive industry is working towards compliance when it comes to regulations, laws and policies relevant to the industry. One of the challenges facing companies today is how their day to day business practices impact the society, the environment, and the economy. According to Jasiński et al. (2016), the automotive industry is one of the industries facing pressure from government regulations, policy makers and other stakeholders to monitor the socio-economic impact of the business. Integrating sustainability in strategic decision making in the automotive will allow the companies to create shared value for all stakeholders. Jasiński et al. (2016) argues that the automotive sector does not operate in vacuum, but form part of a larger socio-economic system in which they interact with different stakeholders (e.g., suppliers, competitors, governments, society, customers, local communities, etc.). Compliance with sustainability principles is increasingly becoming a business value, but can also be a competitive advantage as stakeholders increase the pressure on businesses to embrace sustainable practice, produce sustainable products and create shared value for society, the economy and environment (Boros & Fogarassy, 2019). According to Azevedo & Barros (2017), companies must comply with the set of regulations concerning pollution and noise emissions, product and component safety, product reusability, and recoverability.

The findings from the interviews also revealed that most the companies in the automotive sector are involved in some form of corporate social responsibility. The prevalent reason why the respondents mentioned corporate social responsibility considerations in strategic decision making was based on what the company will gain from the program. The benefits of the program are points gained in terms of their BBEE score and enhanced company reputation. According to Rühmkorf (2015), corporate social responsibility is one of the ways in which business can meet its obligations to society, whether voluntarily or by virtue of the statutory obligations. In the past, business has solely existed for making profit and maximizing profits for shareholders. However, in more recent times the economic focus of business has changed from being corporate centric to consumer centric, where the consumer's perception of the product, service, or the organization as a whole, is most important (Armstrong & Green, 2013). Wu & Jin (2022) argue that corporate social responsibility is related to the monitoring and constraining of profit-seeking behaviour in a market economy. However, corporate social responsibility looks backwards and reflect at what the company has done in the past for the society, whereas sustainability is a more comprehensive approach to business management that seeks to optimise long-term economic, social, and environmental value (Dyllick & Hockerts, 2002; Latapí Agudelo, 2019). Corporate social responsibility is limited to socio-environmental aspects of business activities in that corporate social responsibility commitments contribute only partly to sustainable develop, whereas strategic sustainability engages with all stakeholders of a business to create shared value for the environment, society and economy (Swarnapali, 2017; Ashrafi et al., 2018; Fietz & Günther, 2021). Findings from the study reveal that the automotive sector companies investigated in the study comply with regulations and standards. However, there was little evidence of any intention to create shared value for all stakeholders.

### **5.3 Chapter summary**

Strategic decisions are long term decisions that deals with the long term survival of the organization and can be used to achieve sustained competitive advantage (Rodrigues & Franco, 2019; Sinnaiah et al., 2023). Literature in strategic management identifies three dimensions of strategic decision making namely rational, intuition and political approach (Elbanna, 2006). According to the findings from the interviews with senior managers in the automotive industry, it was evident that rational, intuitive and political decision making processes were used. However, results from the interviews revealed that rationality dominated as the most used

approach in strategic decision making, and mostly in decisions that involves business profitability.

The findings also indicated that sustainability is still not yet part of overall organization strategic planning. The automotive companies did engage in some activities that reflect the requirements of sustainability, like complying with regulations and standards, and engaging in corporate social responsibility activities.

# CHAPTER 6

## Conclusion and Recommendations

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### **6.1 Introduction**

This chapter presents the managerial implications of the study and makes recommendations for future research. It also acknowledges the limitations and contributions of the study.

### **6.2 Implications for management**

The aim of this study was to investigate if sustainability is integrated into strategic decision making in the automotive industry in South Africa and to investigate how the senior managers in the automotive go about making strategic decisions. The results of the study revealed that majority of the respondents knew little about sustainability, which is based on the concept of sustainable development, and which is described as meeting the needs of a firm's direct and indirect stakeholders without comprising its ability to meet the needs of the future stakeholders (Dyllick & Hockerts, 2002; Engert et al., 2016). However, the results of the interviews did indicate that some automotive companies in South Africa do engage in activities that reflect the requirements of sustainability, and these activities are found in corporate social responsibility (CSR) program adopted by some of the automotive companies. These corporate social responsibility programs include activities like donating to charities, social development, skills training, and waste management. The senior managers acknowledged that the main purpose of adopting corporate social responsibility was to benefit the business as part of growth strategy and to enhance business reputation. Additionally, findings from the study also revealed that automotive companies adhere to the ISO 14001 standard which deals with environmental management system, and the respondents highlighted that it was a standard that the automotive companies needed to comply with.

The result of the study implies the need for senior managers to incorporate sustainability at a strategic level in the organization. A strategic approach to sustainability will enable the organization to align their overall business objectives with sustainability goals, leading to more effective and sustainable outcomes (Engert et al., 2016; Galpin & Hebard, 2018; Kitsios et al., 2020). Moreover, incorporating sustainability at strategic level will enhance awareness about sustainability in the organization and cultivate a sustainability culture throughout the business.

Strategic decisions are long term and may be characterized by high levels of uncertainty. The senior managers interviewed mainly adopted a rational approach in strategic decision-making to deal with this the level of uncertainty. They also adopted a rational decision-making approach to deal with the challenge or conflict of achieving short term and long term profitability for the business. Wu & Pagell (2011) postulates that incorporating sustainability in strategic decision making can come with real economic costs. Therefore, the challenge for the senior managers is to find a balance between environmental value, societal value and business economic value. The implication for senior managers is to find balance between short-term profit expectations and long-term sustainability targets. Thus, incorporating sustainability at a strategic level will allow senior managers to find a balance between economic sustainability, social sustainability, and environmental sustainability. Integrating sustainability in the strategy of the company will not only give the organizations competitive advantage but also helps to manage stakeholder expectations including legislative compliance.

What was evident from the findings of the study is lack of knowledge regarding sustainability as a topic itself in the context of a business approach that create value in three dimensions of environment, society and economy. As pressure increase for industries to adapt its business practices according sustainability requirements, the senior managers demonstrated a gap in understanding the importance of sustainability and what that means for today and tomorrow. Further findings revealed that business profitability is always the priority for the companies, seeking profitability is what every business seeks to achieve, but sustainability integration advocates for shared value for all stakeholders, not just the business. The automotive industry does have initiatives that forms parts of sustainability requirements, initiatives like corporate social responsibility (CSR) is common in the automotive sector, the motivation for this initiative was for reputation enhancement and for growth opportunities as per findings from the respondents. There is an opportunity in the automotive industry to create a culture of sustainability for long term sustainability of the industry, by integrating sustainability in strategic decision making allows the automotive companies to incorporate sustainability concerns into every decision-making process as well as into all plans, policies and practices (Bonn & Fisher, 2011; Oertwig et al., 2017).

### **6.3 Recommendations**

Most business cases in industry are design to generate profit for the company and shareholders. Sustainability already represents an area of concern for all sectors of the economy as businesses must comply with regulations concerning CO<sub>2</sub> emissions, pollution and noise emissions, product and component safety, product reusability, and recoverability (Azevedo, 2017). The automotive sector is one of the critical sectors of the economy of South Africa, and there is a need for the automotive sector to adapt to sustainability requirements to remain a competitive economic sector of the country. The following are the recommendations for the managers of the automotive companies that were involved in this study:

*Integrate sustainability into business strategy* – Align core business of the automotive industry with sustainability principles by incorporating environmental concerns and social concerns into the business strategy. This will translate into a business practice that creates shared value for all stakeholders. Training senior managers on sustainability concepts and principles will assist them with this strategic integration.

*Develop a sustainability culture* – There was a clear lack of knowledge regarding sustainability and creating shared value for all stakeholders. Organization culture plays an important role in shaping the belief and norms of the organization. This means senior managers should design a change intervention that creates an awareness of sustainability throughout the organization, and which will translate into a sustainability culture and practices.

*Adopt an integrated approach to strategic decision making* – Adopting an integrated approach to strategic decision-making will allow senior managers in the automotive industry to meet various stakeholder's expectations. According to Elbanna (2006) strategic decisions can also be political, therefore the process of strategic decision making will allow the managers to use rational, intuitive and political decision in an integrative way according to the impact the decisions will have for the business and its interactions with various stakeholders.

### **6.4 Limitations of the study**

The research study was conducted using a sample of ten senior managers in the automotive sector in South Africa, therefore the findings should be interpreted with caution. The findings from ten senior managers is unlikely to represent a general perspective of the entire South African automotive sector. Further research is needed with a more extensive sample, to determine if the views expressed here are typical of the industry.

#### **6.4 Contribution of the study**

This research contributes to sustainability literature by highlighting the gaps in terms of the progress that the automotive industry is making towards incorporating sustainability into business strategy. The automotive industry is under pressure to comply with both government regulations and policy makers to make transition from business practices that are harmful to the environment and society. Therefore this study raises awareness of sustainability issues in the industry. Additionally, this study investigated how strategic decisions are made in some companies within the automotive industry in South Africa, noting that a rational approach to decision-making was mostly used.

#### **6.5 Recommendation for future research**

The aim of this research was to study if sustainability is integrated into strategic decision-making process in the automotive sector, and how it is considered in decision making. One major observation was the lack of knowledge regarding sustainability in business. Further studies are required to study the awareness of the industry regarding sustainability and the importance of integrating sustainability practices in the automotive industry.

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## APPENDICES

### APPENDIX A-LETTER/EMAIL REQUESTING PERMISSION TO CONDUCT RESEARCH

#### Request for permission to conduct research

Dear Sir/Madam

#### REQUEST FOR PERMISSION TO CONDUCT RESEARCH

I am a registered MBA student in the Rhodes Business School at the Rhodes University. My research is supervised by Prof Noel Pearse

The research topic is: Integrating sustainability considerations in strategic decision making in South African automotive sector.

Objectives of the study includes:

- Identify and describe the nature of incidents where environmental, social and economic sustainability is a factor in the strategic decision making of senior managers of SA automotive companies.
- Describe what strategic decisions were taken in these incidents.
- Analyze how these decisions were taken, by examining the role and influence of rational, intuitive and political decision-making processes.

Should you require any further information, please do not hesitate to contact me or my supervisor. Our contact details are as follows:

Ivan Makaudi (Researcher): [g18m9616@campus.ru.ac.za](mailto:g18m9616@campus.ru.ac.za) or  
064 880 2307

Prof Noel Pearse (Supervisor) [N.Pearse@ru.ac.za](mailto:N.Pearse@ru.ac.za) or  
(046) 603 8612

Upon completion of the study, I undertake to provide you with a feedback

Your permission to conduct this study will be greatly appreciated.

Yours sincerely,

**Ivan Makaudi**

## APPENDIX B-RESEARCH INTERVIEWS and QUESTIONNAIRES

### Interview Questions

#### **Research Interviews and Questionnaires**

**Research Topic:** Integrating sustainability considerations in strategic decision making in South African automotive sector.

Objectives of the study includes:

- Identify and describe the nature of incidents where environmental, social and economic sustainability is a factor in the strategic decision making of senior managers of SA automotive companies.
- Describe what strategic decisions were taken in these incidents.
- Analyse how these decisions were taken, by examining the role and influence of rational, intuitive and political decision-making processes.

#### **Section 1**

##### **General Questions**

- 1.1 How long have you been working in the automotive sector in South Africa?
- 1.2 What is your academic background?
- 1.3 What is your highest education qualification?
- 1.4 How long have you been working as a Senior Manager?
- 1.5 What has been your field of expertise in the automotive sector in South Africa?
- 1.6 Describe some of the challenges that you have encountered when making decisions as a Senior Manager in the automotive sector in South Africa.

#### **Section 2**

**This section focuses on strategic decision-making process and environmental consideration**

- 2.1 Explain how you go about making strategic decisions in the organization.
- 2.2 What are your main considerations when making strategic decisions for the organization?
- 2.3 Have there been any strategic decisions that you had to make, where those strategic decisions had environmental or social considerations in addition to economic ones? Please elaborate.

### **Section 3**

**This section focuses on each of the strategic decisions made that had an environmental or social consideration, and how three decision-making processes (intuitive, political and rational) influenced these decisions.**

3.1 How did you go about making (each of these) strategic decisions that had environmental or social considerations?

3.1.1 What role did facts and the analysis of data play in the decision-making process? Please elaborate.

3.1.2 What role did your personal experience, intuition or gut feeling play in the decision-making process? Please elaborate.

3.1.3 What role did organizational politics play in the decision-making process? Please elaborate.

3.2 How did you weigh up economic considerations, versus environmental and social considerations? Please elaborate.