Unraveling the Secret to Success: Investigating the Link Between a Business Strategy Model and Organizational Performance

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Abstract. Despite economic challenging times, a small insurance company (when compared to current industry leaders in developing countries) has stunned competitors by achieving extraordinary organizational success in a relative short time span. The organization is rapidly expanding their current market share and are winning awards for it. This achievement is quite noteworthy considering that prospective competitors in the insurance industry are often challenged by numerous market barriers in developing countries. These barriers include an existing saturated market with many big competitors offering insurance products at cut-throat prices. Adding to the challenge is the market’s strict compliance regulation prescriptions. This sparked the interest to investigate how this organization has achieved their success.

A case study approach was used to investigate the extent to which the eight factors of a business strategy development approach – the Eight S model as proposed by Higgins [1] – was used and subsequently contributed to the overall success of the organization.

After numerous observations, the analysis of secondary documentation and open-ended interviews across different levels of the organization, the main finding was that the seven contextual factors of the Eight S model proposed by Higgins [1] namely – strategy and purpose, structure, systems and processes, management style, staff, shared values contributing to strategic performance – were to some extent implemented in the organization. However, the main contributor towards achieving their success was the re-Sources (resources) factor. The strong focus on the re-Sources factor highlighted well established IT systems which included a strong focus on data analytics, in particular a management dashboard for monitoring organizational performance.

Keywords: Organizational strategy · Data analytics · Higgins Eight S model

1 Introduction

The prospects of the current status of the global economy does not portray a rosy picture. Although an improvement in world-wide economic conditions are expected, local economic conditions in a developing country such as South Africa is expected to deteriorate even further given the current global COVID-19 pandemic. The recent
downgrade of markets to ‘junk-status’ are scaring off investors and the country is officially experiencing an economic recession.

Despite economic challenging times, new organizations do emerge even though in the minority, and some of these organizations enter very competitive sectors such as the insurance sector. Strict regulatory requirements and a saturated market (to name a few) contributes to the competitiveness of this sector.

One of the very few examples of a recent entrant into the local South African short-term insurance industry who achieved success is organization X. What is even more remarkable about the success of organization X, is the market share obtained in a relatively short period of time and the continuous growth and footprint in the sector. Upon closer inspection it became apparent that organization X not only has unique organizational characteristics but also implemented elements of seven of the eight factors of the Higgins Eight S model namely strategy and purpose, structure, systems and processes, style, staff and shared values contribute to strategic performance. The eight factor, the re-Sources factor was identified as playing a vital role in their success.

The objective of this paper is to qualitatively investigate the extent to which the eight factors of Higgins Eight S model was followed and therefore contributed to the overall organizational success. An in-depth case study approach was adopted and included interviews across different functional levels, on-site observations and the evaluation of secondary documentation.

The paper is structured as follow: section two start with a brief introduction into business strategy models and then describes and compares the Seven S model and the Eight S model by Higgins [1]. Literature is presented on similar applications of the Eight S followed by an in-depth case study used to discuss the findings of the study. Finally, the conclusion section provides a summary of the findings and offers suggestions for future research opportunities.

2 Business Strategy Models

Business Strategy Models are popular tools used for many purposes such as developing organizational strategy; in instances where organizations wants to investigate, with the objective of improving organizational performance; to re-align the organization with new strategies or opportunities; or to examine current internal factors and interactive components of successful organizations [1, 2]. Some of these models have been around for many years, including popular models and frameworks such as the Porter Five Forces model [3], the Balanced Scorecard [4], and the McKinsey Seven S model (to name a few) [5–7]. In fact, 81 different models have been identified over the past decades until the 2010’s [8, 9].

Although one can argue distinct strengths and weaknesses of various of the business strategic models the authors of this paper acknowledge this but argue that no model is perceived as being more superior to the other. In fact, as indicated by Ward and Rivani [2], Taylor [10] and Ikenedum-Dike [11], the importance of any business strategy model is in the execution or implementation of the strategy and not on which business strategy model is used. Also, for the purpose of this study, the Higgins Eight S model was selected as a logical option given the current organizational setup. The
McKinsey 7-S model, on which the Higgins Eight S model is based, is a popular model adopted extensively globally. Furthermore, the model focus on both human resources related issues (also referred to as the ‘soft’ issues such as skills, shared values, style and staff) and the interrelationship with the hard issues (such as strategy, structure and systems). Finally, although the organization under investigation might be hugely successful now, future adjustments might be required to sustain the anticipated future growth rate. The result of this investigation can therefore contribute to the organization’s future expansion objective.

2.1 McKinsey Seven S Model and Higgins Eight S Model

The Eight s model was introduced by Higgins in 2005 [12], based on the well-known Seven S model introduced by management consulting firm McKinsey in the 1980’s [5–7]. The original McKinsey Seven S model contained seven factors, each starting with the letter ‘S’. The model postulated that organizational strategy is not the only determining factor to achieve organizational success. Rather, other factors, such as organizational structure, systems, management style, the skills of staff members as well as staff and their shared values play a key role in increasing organizational performance. In 2005 Higgins [12] proposed a revised version of the model and introduced eight factors, similar to the seven postulated by the McKinsey Seven S model, namely strategy and purpose, structure, systems and processes, style, staff, re-Sources (resources) and shared values contributing to strategic performance [12].

The skills factor contained in the McKinsey Seven S model was replaced with the re-Sources factor in the Higgins Eight S model. Whilst skills referred to the know-how of staff to perform job functions, resources refer to the ability of an organization to implement the strategy, focusing on the skills of staff, the financial ability or resources and technology, including management information systems [1, 12]. This factor seemed more relevant for current organizations and one of the main reasons for the adoption of the Eight S model over the Seven S model.

The addition of the Strategy Performance factor by Higgins [12] (Eight S model) was included to ensure that the organization focus on the goal of achieving it’s objectives, measured in the actual results or organizational output. The remainder or the factors are similar to the original McKinsey model, and are described below:

- The Strategy factor considers the influence of the external environment on the organization and its planned direction and refers to the execution plan for the organization to achieve its objectives.
- The Organizational Structure refers to the organizational hierarchy specifying the business divisions and departments inside the organization.
- Systems and Processes (only referred to as Systems in the Seven S model) refers to formal organizational processes and procedures used by the organization prescribing how an organization should function.
- Shared Values refer to the mutual values and beliefs amongst employees which makes the organization unique and governs staff behavior.
• Staff refers to the workforce required to reach the organization’s mission and vision. The factor focuses on the number of employees required, the training required and the background required for specific positions.
• Management Style refers to how managers lead and guide staff to achieve goals.

The Structure, Systems, Shared values, Staff and Style factors are referred to contextual or internal factors that influence how the organization is internally structured to achieve its strategy goal of sharing values. The contextual factors are further subdivided into organizational ‘hard’ factors namely Strategy, Structure, Systems; and ‘soft’ factors focusing on ‘people characteristics’ namely Skills, Staff, Style and Shared Values.

3 Case Study

The organization under investigation (hereafter referred to as Organization X) is a new, privately owned insurance company in South Africa. They entered a very competitive short-term insurance industry eight years ago employing only twenty employees. Today the organization offers employment to more than seven hundred employees based in their head office in Gauteng, the economic capital of the country.

The client base of Organization X has grown from 5,000 policy holders within three months of its establishment in 2012. In 2014 they reached another milestone of 100,000 policies sold. To date, more than 102,000 clients make them one of the fastest growing short-term insurance companies in the country.

The successful entrance to the market of Organization X has been recognized by the local South African Service Awards where they were awarded the “Best Short-Term Insurer” as well as “Best New Comer” (across all industries). In fact, they have received an astonishing 10 awards in 2019. In an interview with the General Manager of Data Analytics, the question was obvious: How does this organization achieve success despite challenging economic circumstances? The answer, according to him, was easy: a strong strategic drive within the organization supported by the introduction of metrics to track various aspects of the strategy. Other interviews conducted with key resources on middle management as well as multiple observations were further conducted to complete the study. Although the Eight S factors of Higgins was not explicitly mentioned during the interviews, the focus was on these factors as main theoretical lens for the purpose of this study.

**Strategy and Purpose:** The organizational strategy and purpose was not explicitly communicated during the interviews conducted. There was no organizational mission or vision statements anywhere in the organization visible. But despite this the all the employees new exactly what they wanted to achieve – to become one of the largest insurance providers in the country.

**Structure:** Due to the relatively small size of the organization (less than 80 employees with only a few (less than 5 per region) employees in other main provinces of the country the organization adopted a relatively centralized structure. The organizational hierarchy was relatively ‘flat’ with a top management structure defined, few middle
managers followed by the rest of the employees. This was evident in the physical seating of the various managers, i.e. the top managers’ (CIO and Departmental Managers for example) desks were part of the open plan seating area (with no special office space). This contributed to the unique culture of the organization described in more detail later.

**Systems and Processes:** Strong operational systems were implemented to support their relatively simplistic business processes. This include a sophisticated Risk Rating System that allowed agents to create a very accurate individual or business risk profile for clients. As a result, competitive insurance premiums could be presented to potential customers. The system also allowed for a continuous adjustment in premiums according to certain conditions. Daily targets for agents are well communicated and displayed. When agents reach their insurance sales targets, mechanisms are used to communicate it to the team. Such performances are therefore acknowledged and celebrated.

**Re-Sources:** Another key differentiator, according to the interviewees, was the organization’s success in their adoption and standardization of technology products (such as Microsoft products) that is readily available. Being a young organization, no legacy systems exist and where possible, no customized systems were used. The technological model is therefore simplistic which enables the organization to quickly adapt to environmental changes.

**Shared Values, Staff and Management Style:** The organization has a strong focus on adopting a fun, relaxed culture marked by *laissez-faire* leadership. For example, employees are allowed to take breaks whenever needed, enjoy informal games in a play area and enjoy free popcorn during breaks. One of the managers indicated during the interview that this is one of the most important values of the organization when new recruits are considered. Irrespective of the skills level of potential employees, they should first fit into the culture. The culture is one of the most important aspects to the business as this is a vital part of their corporate identity. Recruitment drives are therefore focused not only on the correct people-technology fit, but also a strong cultural fit.

Satisfied, happy employees are so important to the organization that they have employed ‘happiness’ meters at various strategic places in office spaces. The logic behind these meters are that happy employees will transfer their sense of happiness to current and prospective customers. Employees may, at any time of the day, indicate their level of happiness (or satisfaction with the organization) by simply selecting three indicators: a happy face (☺), a neutral face (😐) or a sad face (😢) on physical ‘happiness meters’. The level of happiness/unhappiness is recorded by the length of time the button is pressed. For example, ecstatic employees will hold down the button for a couple of seconds to indicate that they are extremely happy, whilst relatively happy employees will press the happy face button briefly. These responses are captured and available immediately to managers to take action. Weekly accumulation of these results are also displayed and analyzed on flat screen monitors mounted at strategic places in the organization. One of the main contributions to the successful implementation of
these meters are the simplistic business process and technological architecture behind the devices based on readily available Microsoft technology.

According to one of the interviewees happy employees contributes directly to meeting, and in this case, achieving strategic performance objectives.

### 3.1 Key Findings

There are three key findings to the study:-

- Firstly, evidence of all eight elements of the Higgins Eight S model were evidence in the organization. However, some elements, such as the focus on the skills of staff, re-Sources in support of organizational process and a distinct management style had a huge influence on organizational culture which positively affect the organization.

- Secondly, each department has adopted a set of well-defined metrics. These metrics constitutes of individual metrics on the lowest level which feed into a higher level departmental set of metrics. For example, individual targets are set for call center agents. Agents should sell at least three insurance policies per day. Once a policy has been sold by an agent, a LED bar above each call center agent’s chair light up to indicate progress made towards achieving the target of three policies. Once all three LED bars are lit the call center agent has achieve its target. These LED bars are visible to fellow colleagues. It therefore motivates fellow colleagues to achieve the same result. The individual metrics contribute to the overall departmental metrics. Progress towards achieving departmental metrics are visible using dashboards displayed on screens feeding from real-time data. Therefore the organization has invested heavily in reporting and data analytics systems to communicate the progress made in achieving targets.

- Thirdly the focus on the morale of employee was enormous. The organization was characterized by positive, friendly and happy employees. One of the interviewees stated that this is one of the most important aspects of their organization as this is the image of their organization they portray to current as well as prospective clients. They are a young organization with limited funds available for marketing – hence they invest in their employees to promote their products through their interaction with clients. It was therefore important to the organization to identify and address unhappy employees as a matter of urgency. The utilization of physical employee satisfaction measurement devices were key towards the continuous monitoring of employee morale. This is an important aspect linked to organizational performance as also highlighted by a study conducted focusing on a developing country such as Kenya, where the authors found the strategic leadership and human resources to be statistically significant linked to organizational performance [13]. Interesting, although organizational culture and organizational structure were identified as contributing factors to organizational performance, these were not statistically significant.

A study conducted by Msabeni [14] found that management competency, the skills and education of staff and subsequent performance management as well as the
importance of organizational culture played a vital role in the performance of insurance organizations in Kenya. Noteworthy is that all these factors were identified in the case study and prevailed in the organization under investigation.

4 Conclusion

The eight elements of the Higgins Eight S model proved to be a good indicator of how Organization X achieved success in a relatively short time period. It also indicates that all factors should be present in successful organizations, although early studies indicate that some factors might contribute more towards achieving organizational success.

The study has highlighted the importance of data analytics in organizations that can, if implemented correctly, contribute to a rich organizational culture and the achievement of organizational success. It will be interesting to compare the result of the study with similar cases in the insurance study of organizations that are also successful or even less successful. A more in-depth study into the data analytics adoption in the organization can also be of value.

The final recommendation for organizations who wish to be successful in a highly competitive environment is to adopt a balanced approach to their business. Although one aspect of the business was highlighted – namely resources – the other elements contributed to the success of the organization. It can therefore not be neglected.

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