



# Strategy disclosure trends: 6 industries, 1 year

A study undertaken at the University of Stellenbosch Business School collated data from previous studies and used it to analyse strategy disclosure trends across six industries to see how these changed from 2010 to 2011.

## Why this study?

Ryan Coldman (2013) analysed strategy disclosure for 2010 across five different industries: banking, construction and materials, metals and mining, retail, and energy and natural processes. Several other studies compared strategy disclosure for selected industries between 2010 and 2011. All the studies used data from annual reports, integrated annual reports and integrated sustainability reports to score different aspects of strategy disclosure for companies in different industries during this time.

As main objective, this study collated the data from the previous studies, and used it to analyse strategy disclosure trends across six industries (the insurance industry plus Coldman's original five industries) to see how these changed from 2010 to 2011. The secondary objectives were to determine which strategy areas receive proper reporting and which areas need improvement, and to investigate the usefulness of the various strategy disclosure measurement tools.

## Research methodology

This study is a continuation of Coldman's study, which covered 24 JSE-listed organisations across five industries, and concluded that the energy sector disclosed

strategic information at a higher level than the other industries, with Sasol faring the best in that sector. Coldman's study was a status at a particular point in time. USB's Prof Marius Ungerer noted that it would be necessary to repeat Coldman's study by using reporting data from 2011 for the same companies to see how stable the three baselines were. Prof Ungerer was specifically interested in progress on low strategy disclosure within each baseline, and if the achievers kept performing at the 2010 level.

## What did the research find?

The study found that disclosure from 2010 to 2011 improved with eight percentage points against baselines 2 and 3, and nine percentage points against baseline 1. Reporting on organisational profile (baseline 1), participative strategy (baseline 2) and financial information (baseline 3) was exceptionally good in 2011, with averages of 80% or more across all companies.

Questions about primary brands, products and services, debt and equity ratios, total assets, direct economic value added and product/service spread were very well answered in 2011. Reporting on competitive strategy, strategic execution and strategic scanning and exploration (all

of them baseline 2) scored not so well in 2011, with averages of 60% or less across all companies.

Questions about the degree of outsourcing, assistance from government, wage ratios, strategic control points, scenarios and foresight development, portfolio of experiments, and strategy and goals for the medium and long term scored very low in 2011, with an average score of less than 50%. Scores against baseline 2 were generally lower than against the other baselines. Different baselines favour diverse industries differently. Baseline 3 is a subset of baseline 2 and can thus be eliminated.

Although there is considerable duplication between baselines 1 and 2, neither is a subset of the other.

## Conclusion

The integrated reports that were used in this study were all from South African companies listed on the JSE, and, therefore, compiled to comply with King III and the GRI G3 guidelines. There was a clear improvement in reporting quality from 2010 to 2011 against all three the baselines, showing that companies used the experience gained from the first set of reports to produce better reports in 2011.

A future study could identify the sustainability and strategic elements in the

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King III recommendations and properly weigh them, and compare the results with the results from baseline 2.

When rationalising the baselines, care must be taken to measure what was intended, and not simply to measure against any available tool. If the item under investigation is strategy disclosure, then it is best to use a tool that measures strategy disclosure, regardless of the legislation, guidelines and recommendations that guided the reports themselves. Baseline 2 provides exactly that: a tool to measure strategy disclosure. <sup>a</sup>

### THIS RESEARCH WAS CONDUCTED BY:



Carine Reyneke



Prof Marius Ungerer

This is a summary of a study conducted by Carine Reyneke as an MBA research assignment at USB, supervised by Prof Marius Ungerer, associate professor in Management Consulting and Strategic Management at USB. The research assignment titled *Strategy disclosure trends in South Africa: A 2010-2011 Comparative Analysis* is available at <http://scholar.sun.ac.za>.



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