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An examination of the extent to which State-Owned Entities disclose their strategy, in their integrated reports



A research report submitted by:

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A research report submitted to the Faculty of Commerce, Law and Management at the University of Witwatersrand in partial fulfilment of the requirements for a Master of Commerce degree

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Declaration

I hereby declare this is research is my own work. It is submitted in partial fulfilment for the Master's Degree in Commerce by course work and research report at the University of Witwatersrand, Johannesburg. This work has not been submitted at another university for grading purposes for another degree or for examination purposes.

Signature

_____

Karabelo Matlou

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Abstract

The increase in corruption within State-Owned Entities (SOEs) and the recent headlines about State-Owned Entities failing to fulfil their mandate and having to constantly require financial assistance from government, have brought the need for SOEs to be accountable to the general public to the fore. This is attributed to the fact that, members of the public are both the financiers of these organisations (through taxes) and they also utilise services provided by these organisations. The purpose of this study is to evaluate the extent to which SOEs are accountable to their stakeholders, which includes members of the general public and specifically looking at strategy which is an important factor to consider in determining whether the entity has a plan for the future and also enables stakeholders to make informed decisions. In order to be able to meet the objective of this study the following research question was addressed: To what extent do state-owned entities disclose their strategy in their annual reports?

The study can be applied by standard setters specifically in the public sector and will also be valuable to the public sector governance overseers, as their main mandate is to ensure accountability by State-Owned Entities and this study highlights key elements of accountability. The main contribution of this study is for the benefit the general public, as SOEs affect the lives of all citizens directly and indirectly. A quantitative research methodology was used in conducting this research and data was collected by analysing the annual reports of the SOEs. The findings of this study revealed that SOEs disclose, at the maximum, sufficient information on their strategy although they do not provide a well-defined and comprehensive disclosure of this strategy which could be due to preventing competitors to imitate their strategy and to maintain their competitive edge.

Key Words

Integrated reporting, non-financial disclosure, SOEs and strategy disclosure

CHAPTER 1: INTRODUCTION

According to the public sector Accounting Standards Body (ASB), there is a need for SOEs to be accountable to the public, as members of the public are considered to be the resource providers for the SOEs (SOEs) through taxes, levies and other fees and by virtue of the fact that SOEs provide services to these individuals, thus creating a need for SOEs to provide integrated reports.

SOEs are organisations which are owned and predominantly financed by the government (AGSA, 2017a). These entities are considered to be important due to the contribution and the effect these have on the general public either by virtue of them being financed by taxes or due to the services these organisations provide to the public (Luke, 2010; M. Surty, Yasseen, & Padia, 2018).

There has also been an increase in expectation that all entities are not merely there to make a profit but are also there to operate in a responsible, ethical, sustainable way and in a manner in which the needs of all the stakeholders that are affected by the company are taken into account (Deloitte, 2011; Ioannou & Serafeim, 2017; Milne & Gray, 2007). Reporting of just financial information is becoming less relevant, as users of financial statements have become dissatisfied with only being provided with conventional business reports including the statement of financial position, statement of financial performance, statement of changes in equity and statements of cash flows. The reason for this is that, these reports often only provide historical information and do not provide any information about the future of the organisation (Flöstrand & Ström, 2006). Integrated reporting combines the most material elements of information as a reasonable whole, and most importantly shows how they affect the ability of an organisation to create and sustain value in the short, medium and long term (IIRC, 2011; Simnett & Huggins, 2015). This in turn created the need for companies to compile integrated reports which include both financial and non-financial information.

1.1 Statement of problem

Most of the SOEs have a direct impact on the lives of citizens through the services and infrastructure they provide (AGSA, 2017b). South African Airways (SAA) has recently been in the spotlight due to their high levels of debts, which were pledged against government funding as well as the South African Broadcasting Corporation (SABC), for their inability to pay their employees and meet their obligations and

therefore being in need of a financial bailout from government. These are two examples of poor governance, mismanagement, fraud and corruption claims. Additionally, this reflects a lack of financial sustainability at some of the many SOEs where taxpayers' money is used to sustain the failing SOEs (AGSA, 2017b).

What has emerged in South Africa over the past half a decade is an increase in reported corrupt activity at a national, provincial and local government level. This is not only due to an increase in media reports but also because of the commitment of various democratic institutions to take the responsibility to oversee performance of the SOEs, seriously and also hold the SOEs accountable (Vuuren, 2014).

The demand for financial reporting and disclosure arises from information asymmetry and agency conflicts between managers and outside investors and other stakeholders (Healy & Palepu, 2001). One of the ways in which stakeholders can know what the performance of SOEs is and be able to hold them accountable is by means of integrated annual reports which include both financial and non-financial information.

1.2 Purpose

The purpose of this study is to determine the extent to which SOEs disclose their strategy in their annual reports, in order to determine whether these organisations are being held accountable to their stakeholders. This study is a replication of a study which was performed by (Padia & Yasseen, 2011; Santema & Van de Rijt, 2001).

1.3 Research question

The research question is: To what extent do State-Owned Entities in South Africa disclose their corporate strategy in their annual integrated reports?

1.4 Significance of study

For SOEs to remain competitive and to ensure the continued growth of the economy, they have to be actively led by having a clear objective, mission and strategy and they should be more accountable and transparent, which demands timely and reliable disclosure of the organisations' performance. Such disclosure, goes far above just disclosure of financial information but also makes provision for integrated reporting (PWC, 2015). This research will make a contribution to the existing body of knowledge, through determining the extent to which corporate strategies of SOEs are disclosed and whether they are sufficiently transparent and accountable to their stakeholders.

This research will be important to members of the public who are stakeholders of SOEs. SOEs should be accountable to the public, as they are mainly financed by taxpayers' money. The practical contribution of this study is that it highlights which public entities have fulfilled their role in being accountable to stakeholders and to what extent they have disclosed their strategy. This disclosure may be construed as an indicator of transparency. The study may also be of value to standard setters within the public sector. The public sector governance overseer, namely the Treasury, may find value in this study as it relates to the reporting function of SOEs.

On a theoretical level, this research will add to the existing body of knowledge on non-financial disclosure and more specifically, the disclosure of an organisation's strategy, because strategy is considered to be an important factor in integrated reporting (Barac & Moloi, 2010; Padia & Yasseen, 2011; Santema, Hoekert, Van De Rijt, & Van Oijen, 2005; Santema & Van de Rijt, 2001). This study will also add to the existing research which has been conducted in relation to SOEs. This is a field in which only a limited amount of research has been conducted, as regard to SOEs (M. Surty et al., 2018).

This study makes a contribution on a methodological level, as it highlights the importance of strategy disclosure in the annual reports of SOEs. It will also assist in the transformation from conventional reporting of only historical, financial data to integrated reporting.

1.5 Limitations

Due to the nature of the study, the researcher relied on subjective judgement, in assessing the information included in the annual reports. In order to mitigate this, a detailed description of the assumptions and judgements of the researcher when analysing and finalising the data is provided (Leedy & Ormrod, 2016). The research mainly tests the extent of disclosure of the strategy and not necessarily the content and the accuracy of the disclosure itself.

The scope of this research is only limited to Public Sector Entities and no research was conducted within the private sector. The reason for this is that only public sector entities are required to comply with Generally Recognised Accounting Practices (GRAP). The only public sector entities Which will be used in this study are those in Schedule 3A and Schedule 2 of the Public Finance Management Act 1 of 1999

(PFMA). The annual reports which will be used are the 2016 and 2017 annual reports which are available to the public.

1.6 Definition of terms and abbreviations

Annual Report: A detailed report which informs stakeholders of the company's activities throughout the preceding year. These activities include both financial and non-financial disclosures, as well as other information considered relevant for the user's decision making, based on the report.

Integrated report: A detailed communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in short, medium and long term

Strategy disclosure: The disclosure of information with respect to the entity's mission, goals, strategic plans, performance targets as well as any other voluntarily disclosed information relevant to the user's decision making, in assessing an entity's annual report.

GRAP: Generally Recognised Accounting Practices

IFRS: International Financial Reporting Standards

PFMA: Pubic Finance Management Act 1 of 1999

SOE: State Owned Enterprise / State-Owned Entity

1.7 Chapter layout

The structure of this research report is as follows. In Chapter 2 the existing body of knowledge on SOEs and their importance is discussed. A review of the literature on non-financial disclosure is also provided, specifically in terms of the disclosure of strategy in the annual reports of SOEs. Chapter 3 deals with the methodology which was followed when conducting this study. Chapter 4 is dedicated to the analysis of results. Chapter 5 consists of the conclusion to this study as well as recommendations for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The researcher made use of a structured literature review. A structured literature review is a process in which critical literature which is vital to the research question, can be systematically reviewed. A structured review of the literature was done in order to gain a more in-depth understanding of the research area and to structure this in a systematic manner (Dumay, Bernardi, Guthrie, & Demartini, 2016; Engelbrecht, Yasseen, & Omarjee, 2018).

In this literature review, the arguments and ideas found in the existing body of knowledge are summarised and synthesised. The main purpose of this literature review is to provide an overview of the research in the field of accountancy in terms of non-financial integrated reporting. Secondly, the review fulfils the purpose of providing a framework which links this research with existing studies in this field (Dumay et al., 2016).

Section 2.2 is focused on SOEs. Firstly, the nature and importance of these entities is discussed. Secondly, the way in which SOEs' performance can be measured is reviewed and thirdly, this serves as a background to a discussion of what the ideal model of an SOE is.

Section 2.3 is dedicated to the concept of non-financial reporting as well as the link between integrated reporting and annual reports. The section interrogates both integrated reporting and annual reports and how the two are linked.

In Section 2.4 the concept of strategy is discussed, followed by a review of the importance of strategy disclosure. The benefits and disadvantages of strategy disclosure will also be discussed in this section. The variables that are used in analysing strategy disclosure are discussed based on the literature on these variables. The variables are business unit strategy, internal control disclosure, BEE disclosure as well as Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Syndrome (AIDS) disclosure.

Section 2.5 is dedicated to a discussion of accountability theory. This is an important aspect attributed to the research being focused on the need for SOEs to be held accountable by their stakeholders. Accountability means that an entity or the

personnel responsible for it will be held responsible for any actions taken and decisions made (AGSA, 2017a).

The agency theory as it relates to SOEs and the public sector will then be discussed in Section 2.6. This will be linked to the need for accountability. The agency problem is brought about by the fact that the investors and stakeholders, which in the case of SOEs refers to the general public who neither run nor manage the entity themselves, rather other individuals are put in place to perform these duties on their behalf (Healy & Palepu, 2001).

Information asymmetry, which refers to a situation where one party has access to information that another party has no access to (Zu & Kaynak, 2012), is also an important aspect relating to the research question. The theory behind information asymmetry will be discussed in Section 2.7 as it pertains to this study.

In Section 2.8 existing literature on strategy disclosure within different countries and different contexts is reviewed, specifically in terms of the level of disclosure within these countries and the different organisations. This chapter concludes with a summary of the literature and key highlights from the literature in Section 2.9.

2.2 State-owned entities

In Subsection 2.2.1 the concept of an SOE is described and defined. Subsection 2.2.2 deals with the importance of SOEs to different stakeholders. In Subsection 2.2.3 the different reporting standards which stakeholders have access to, are discussed. Subsection 2.2.4 is focused on the need for accountability in SOEs and the value of accountability to stakeholders.

2.2.1 What is a state-owned entity?

The Public Finance Management Act, No 1 of 1999 (PFMA) defines a “national public entity” or state-owned company as being a national government business enterprise or a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is founded in terms of national legislation, fully or substantially funded either from the National Revenue Fund or by way of a tax, levy or other money imposed in terms of national legislation and is accountable to parliament (PFMA, 1999).

Gildenhuys, Fox, and Wissink (1991) defined SOEs as government owned entities which provide services to the public, by making profits by way of the provision of those services rather than operating on a non-profit basis.

All organisations which fall within the bounds of this definition must comply with the requirements of the PFMA and its associated regulations and / or practice notes (Associates, 2013).

2.2.2 The importance of state-owned entities

The importance of SOEs is a factor which cannot be ignored (PWC, 2015). They have become the tool for some countries to better position themselves for a future in the global economy, given increased global competition for finance, talent and resources and to remain stable and competitive against other economies (PWC, 2015). This makes the performance of SOEs an important issue to be addressed (Mbo & Adjasi, 2017; M. Surty et al., 2018).

State-owned entities are seen to be protected from failing because they operate with government backing (M. I. Surty, 2016; Wong, 2004). This leads to the question, as to whether managers and directors in SOEs become complacent and not perform their duties with due diligence and subsequently having a negative impact on value creation, knowing that they have a promise of financial support from government regardless of their performance (*Institute of directors South Africa IOD & PWC*, 2011). This then brings about the need for State-Owned Entities to be held accountable for their performance (M. Surty et al., 2018).

2.2.3 Financial reporting of state-owned entities

In terms of the PFMA (1999), SOEs are required to prepare annual reports in accordance with the generally accepted accounting principles, unless the Accounting Standards Body (ASB) allows for the use of GRAP for that public entity (AGSA, 2017a; PFMA, 1999). Within Schedule 1 and Schedule 2 of the PFMA, State-Owned Entities are required to prepare their financial statements in terms of IFRS. The rest of Schedule 3 directs SOEs to make use of GRAP in the preparation of their financial statements (PFMA, 1999). This study will include entities which make use of both GRAP and those that make use of IFRS in preparing their annual reports.

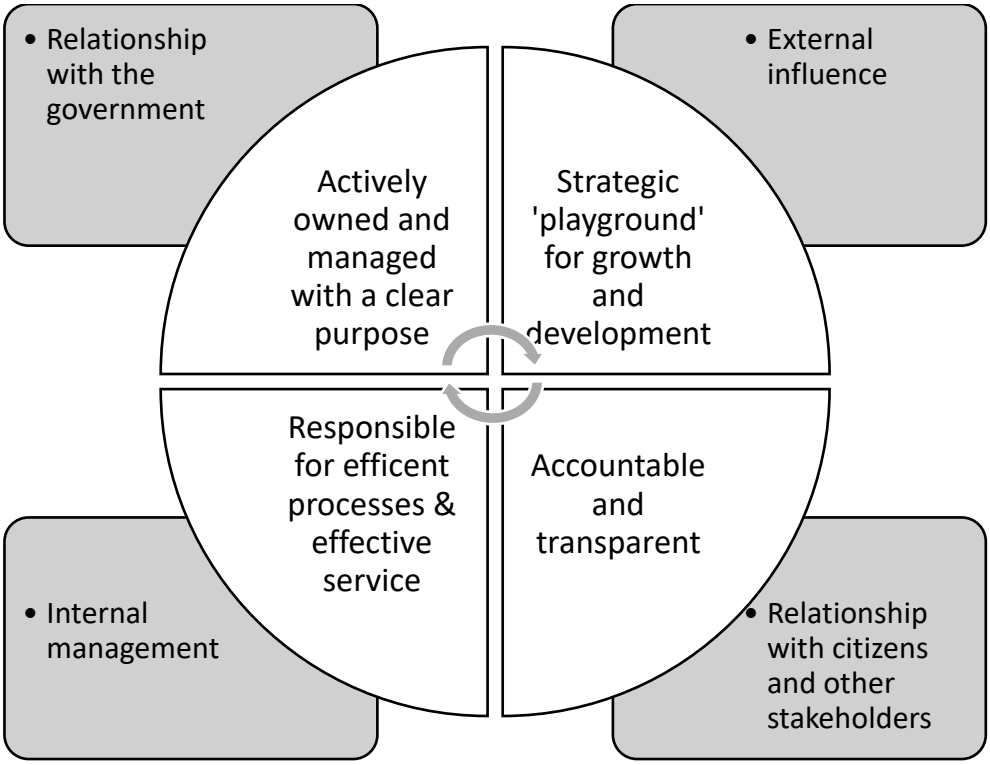
2.2.4 Need for accountability in SOEs

The lack of appropriate oversight methods and mechanisms has led to a lack of corporate governance in SOEs. Consequently, the SOEs are unable to fulfil their mandate and meet their objectives (*Institute of Directors South Africa IOD & PWC*, 2011).

The current reporting environment often requires a multi-stakeholder focus. This is especially true for SOEs with multiple stakeholders as well as influences other than market forces, which play a huge role in their operating environment, hence, it is critical for an SOE to remain focused on their stakeholders whilst clearly articulating its strategy for long-term value creation in an open and transparent manner (EY, 2015).

The importance of governance for companies, whether private or state-owned, is due to the global financial crises, high-profile corruption scandals, tremendous waste of resources and bankruptcy. In spite of the good intention of creating SOEs, in many cases and in many countries they are often seen to be less productive than companies in the private sector (*Institute of directors South Africa IOD & PWC*, 2011).

SOEs, thus, require a new scorecard which captures key performance indicators (KPIs) which clearly link them to the purpose of the establishment of these institutions. This goes beyond financial results and also demands the consideration of total impacts on other societal 'capitals' such as social, human, innovation, citizen and welfare and environmental capitals (PWC, 2015). Figure 1 Below is a depiction of how State-Owned Entities should ideally be modelled and how their performance can be measured (PWC, 2015).



Source: (PWC, 2015)

Figure 1 Ideal model of state-owned entity

Figure 1 above, illustrates how the different stakeholders are responsible or affected by the SOEs. It indicates that the SOE is accountable to stakeholders and citizens and therein lays the duty to be transparent for their activities and performance (PWC, 2015).

2.3 Non-financial disclosure

Traditional attitudes toward reporting which makes non-financial information less important relative to financial information, seem less and less relevant to contemporary financial markets, consequently making the disclosure of non-financial information important (J. F. Atkins, Solomon, Norton, & Joseph, 2015; Bartlett & Chandler, 1997; Flöstrand & Ström, 2006).

To provide for the growing demand for a broad information set from markets, regulators and civil society, a framework is needed which can support the development of reporting due to the major changes in the way business is conducted, how business creates value and the context in which business operates (IIRC, 2011). This section of the literature is laid out as follows. In Section 2.3.1 the nature of annual reports is explained, and the importance and value of annual reports are discussed.

Section 2.3.2 is dedicated to a discussion of integrated reports, the value they hold for stakeholders and what the King recommendations are in relation to the inclusion of integrated reporting in annual reports.

2.3.1 Annual Reports

A company's annual report consists of the audited financial statements and a narrative, containing management's description of the company's performance and activities (PWC, 2017).

In accordance to the (AGSA, 2017a), State-Owned Entities are required to prepare annual reports every financial year in accordance with the generally accepted accounting principles, unless the ASB allows for the use of GRAP for that public entity.

According to the PFMA an annual report of a State-Owned Entity should be a fair representation of the affairs of the public entity, its business, its financial position, its performance against its established objectives and its financial position as at the end of the financial year concerned. They should also include details regarding any material losses through illegal conduct and any irregular expenditure and fruitless and wasteful expenditure which occurred during the financial year as well as any disciplinary steps taken as a consequence of such; any losses recovered or written off; any financial assistance received from the state and commitments made by the state on its behalf; and any other matters that may be prescribed (AGSA, 2017a).

Demand for additional financial and non-financial information is not only driven by societal expectations but also by changes to how business is conducted over the past few decades, which have seen increasing emphasis placed on innovation and knowledge, therefore making the disclosure of only financial information less relevant to users (ICAEW, 2015). The inclusion of non-financial information assists users in understanding the prospects and performance of the business (ICAEW, 2015; IIRC, 2013).

Stakeholders have shifted from requiring annual reports which give an account based on financial information only, towards requiring managers to give an ethical, social and environmental account as well in addition to a financial account, hence bringing about the need for an integrated report. (Adams, 2004; Holt, Yasseen, & Padia, 2015).

Annual reports have become an increasingly popular source for communicating corporate strategy and it is this communication of corporate strategy which allows the firm to differentiate themselves from their competitors (Kohut & Segars, 1992; Padia & Yasseen, 2011). Annual reports reveal a great deal more about corporate strategy than most managers realise (Bowman, 1978). Corporate strategy disclosure is also critical for the functioning of an efficient capital market (Healy & Palepu, 2001; Yasseen, Moola-Yasseen, & Padia, 2017). The inclusion of forward looking indicators is also often suggested as a way of improving the value and relevance of the annual report (ICAEW, 2015).

The inclusion of the non-financial information in the annual reports is currently classified as voluntary disclosures. Voluntary disclosures are disclosures over and above the requirements and these disclosures are made solely at the discretion of a company's management and are based on what the management regards as vital information for users of their annual reports (Meek, Roberts, & Gray, 1995).

The inclusion of non-financial information in the annual reports of entities significantly increases the value and the relevance of annual reports and has become an important component of corporate reporting (Bartlett & Chandler, 1997; Beynon, Clatworthy, & Jones, 2004; Clatworthy & Jones, 2001; Yasseen et al., 2017).

2.3.2 Integrated reports

New reporting requirements and the publication of new frameworks, such as the International Integrated Reporting Council's (IIRC) approach to value creation, reflect both calls for an increase in transparency and accountability by major organisations as well as lower barriers of entry for information (ICAEW, 2015). IIRC also recommends that organisations issue integrated reports at least annually as a stand-alone publication or together with their other reports such as the annual report (Institute of Directors Southern Africa IOD, 2016).

An integrated report is not simply compilation of the financial statements and the sustainability report. It incorporates, in clear language, vital information from these and other sources to enable stakeholders to evaluate the organisation's performance and to make an informed assessment about its ability to create and sustain value (J. F. Atkins et al., 2015).

Integrated reporting brings together the material information about an organisation's strategy, governance, performance and prospects, in a way which reflects the commercial, social and environmental context within which it operates (IIRC, 2011).

The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time (IIRC, 2013). An integrated report benefits all stakeholders who have an interest in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers (IIRC, 2013).

Integrated reporting introduces an approach to reporting in the public sector which fully embraces stakeholder inclusivity and the crucial need for financial, economic, environmental, social and governance sustainability (KPMG, 2012). It doesn't only offer high quality information to the investor group, but it also serves the role of providing other stakeholder groups with information which meets their expectations (J. Atkins & Maroun, 2015).

Integrated reporting is about simplifying people's lives. For investors to make informative and sound investment decisions, they need to understand the sustainability issues of the company. Before integrated reports were available, stakeholders and potential investors had to search for information and integrate information on sustainability with financial reports in order to have a better basis for decision-making (J. Atkins & Maroun, 2015).

Integrated reporting results in a wider context for viewing performance over the traditional reporting methods. It highlights the organisation's use of and dependence on different resources, relationships or "capitals" (financial, manufactured, human, intellectual, natural and social) and the ability of the organisation to assess these and impact on them more visibly. Reporting this information is crucial to an informed assessment of the long-term viability of the organisation's business model and strategy; meeting the information needs of investors and other stakeholders and ultimately, the effective allocation of scarce resources (IIRC, 2011).

Principle 4 of the Code of Governance states that the governing body has the responsibility of leading and setting direction for the organisation to realise its core purpose and values through its strategy (IoDSA, 2016). This is in line with research by J. Atkins and Maroun (2015) which states that in order for integrated reporting to affect

corporate behaviour, the directors should be more involved in the processing of information and the preparation of integrated reports. In addition, Principle 5.15 of the code of governance requires the disclosure of information about an organisation's strategy in the integrated report (IoDSA, 2016).

2.4 Strategy

In Section 2.4.1 the concept of strategy is defined and the importance of an organisation's strategy is discussed, with specific reference to the value strategy an organisation's strategy holds for stakeholders and the organisation itself. Section 2.4.2 is dedicated to a discussion of strategy disclosure in annual reports and the value it adds to the report. In Section 2.4.3 and 2.4.4 the benefits and disadvantages of strategy disclosure are discussed. This is followed by a discussion of the different components of strategy disclosure.

2.4.1 What is strategy?

Strategy can be considered as a formalised statement of intent or plan which identifies objectives and intended actions (Bhimani & Langfield-Smith, 2007). Strategy can also be defined as the way in which management organise and manage its activities to ensure that they maintain their competitive advantage (M. Porter, 1996).

Strategy is about choosing to be different, by choosing different sets of activities in order to be distinguishable and remaining competitive against your competitors (M. E. Porter, 2008). Meaning the essence of strategy is choosing to do activities differently from your rivals as a company.

Strategy is also about finding and recognising new positions and ways to attract customers from the already established positions or to try and draw in new customers (M. Porter, 1996; M. E. Porter, 2008).

Prescriptive models tend to presume strategy development and implementation as endeavours relating to the formulation of structured and formal statements of intent and the application of predefined instrumental controls (Bhimani & Langfield-Smith, 2007).

In terms of the code of governance, strategy doesn't only require the consideration of the inputs into business models and the resulting outputs. The outcomes of the

organisation's products and services should also be taken into account. In particular, the entity has to consider its products' impact on the environment and the society (IoDSA, 2016).

2.4.2 Strategy disclosure

In terms of the governance oversight role an SOE's board of directors have to ensure that they construct, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans of the organisation. SOEs also have to disclose the board's responsibility for the adoption and implementation of the strategic plans in the annual reports of the organisation. The disclosure of the strategy includes a clear communication of the availability of resources and capital to contribute to the organisation's ability to meet the strategic objectives (Africa, 2005).

The different needs and expectations of different stakeholders and other constraints that the organisation faces should also be addressed in the strategy. Public sector organisations need to show how their strategy aligns with national priorities and how they work collaboratively with other organisations to achieve common goals (KPMG, 2012).

Strategy disclosure is the revelation of information an organisation decides to share with its stakeholders, regarding the strategy which is pursued and will be pursued in future (Santema et al., 2005). According to most research, annual reports are an important source of information for investors and the financial community. Disclosure of only financial information does not give stakeholders an opportunity to hold the company accountable in the long run and does not indicate any potential value creation. Furthermore, it is not forward-looking but merely gives evidence of the short-term performance of the company (Ungerer, 2013). The main aspects which should be considered in the company strategy is; their goals, mission and their objectives among other things (Santema et al., 2005)

In preparing the integrated reports, a checklist approach to strategy disclosure should be avoided. The most important objective of strategy disclosure is engagement with the primary and secondary stakeholders of the organisation in order to determine the information needs of the stakeholders and to ensure that the integrated reports provide

information which is useful for decision-making rather than generic disclosure (J. Atkins & Maroun, 2015)

According to (Padia & Yasseen, 2011), voluntary disclosures add to the quality of annual reports, and the way organisations disclose their strategy in the annual report is a factor which positively influences the quality of the annual report (Santema & Van de Rijt, 2001). In essence, this could indicate that the more well defined the voluntary disclosure of the entities is, the better the quality of their annual reports may be. Quality can be defined as the way in which the product meets the expectations of the customer, which in this case relates to how the annual report fulfils the expectations of the reader (Santema & Van de Rijt, 2001). Strategy disclosure to stakeholders also give an entity or a company a chance to be able to distinguish themselves from other entities (Santema et al., 2005).

In terms of the IIRC (2013) the integrated report should answer the question of where the organisation wants to go and how they plan to get there. This includes clearly defining the organisation's short, medium and long-term strategic objectives; Strategies to meet these objectives, resources which will be utilised to implement the strategy and the measures or indicators which will be used to determine the progress and achievement of the objectives.

The directors must ensure that the strategy is consistent with the purpose of the company, the value drivers of its business, and the actual interests and expectations of its stakeholders. Furthermore, they have to ensure that the strategy will result in sustainable outcomes in terms of people, planet and profit (IOD, 2009). This corresponds with the Code of Corporate Governance which require that decisions made by the governing body should be made considering the triple concept (IoDSA, 2016).

In terms of the governance oversight role for SOEs, the accounting authority for a public entity listed in Schedule 3A or 3C must annually submit a proposed strategic plan, for approval by the relevant executive authority. Such a plan must be submitted at least six months before the start of the financial year of the designated department or another time within a 28 day period as agreed to between the executive authority and the public entity. The strategic plan must be finalised and submitted to the relevant executive authority no later than 1 April of each year (Africa, 2005).

It is further required that strategic plans cover a period of three years; include objectives and outcomes as identified by the executive authority; include multi-year projections of revenue and expenditure; include key performance measures and indicators for assessing the public entity's performance in delivering the desired outcomes and objectives; and include the materiality / significant framework as referred to in Treasury Regulation (Africa, 2005).

2.4.3 Disadvantages of strategy disclosure

In considering whether the company should actually disclose their strategy, the company usually determines the cost or benefits of the disclosure. Some of the costs that are generally associated with the disclosure include the cost of gathering, processing, auditing and distributing the information or any legal cost which may be incurred and which may create a competitive disadvantage (Santema et al., 2005). The other disadvantages may be the fact that due to the constant changes in the environment, the company changing their current strategy may make them look incompetent or look like they lack foresight and in cases where it takes too long for the company to actually implement their strategy. It could cause differing views among employees as well as other stakeholders and create credibility issues (Higgins & Diffenbach, 1989).

2.4.4 Benefits of strategy disclosure

One of the benefits of disclosing the corporate strategy may be better relations with stakeholders or the financial community. Bankers and lenders are considered to be more prone to give credit to companies which set out their corporate strategies. Disclosing the corporate strategy may also boost employee morale or could attract talented professionals. It is also more likely to improve relations with customers, suppliers, regulators and other broader groups of stakeholders (Higgins & Diffenbach, 1989). It will also enable stakeholders to realise the potential of the company and improve the valuation of the share price of the company (Ungerer, 2013). Integrated reporting aims to bring extensive benefits to both the organisation and its stakeholders by helping to hone strategy, drive efficiency, mitigate risk and improve competitiveness (Deloitte, 2011).

2.4.5 Mission

A mission of a company is known as its corporate identity. Mission statements are usually seen as a great tool in conveying the entity's purpose, direction and where they are hoping to be in the future. These also help the company to convey their essential values to their stakeholders (Leuthesser & Kohli, 1997; Lucas, 1998).

An entity with a mission statement is usually regarded as having more focused goals, objectives and a clear direction. Having a mission is also regarded as a facilitator of teamwork and furthermore facilitates behavioural guidelines (Mullane, 2002). It was found that, an entity which has their mission statement embedded and disclosed in their annual reports can provide a consistent message about the organisation to all their stakeholders (Leuthesser & Kohli, 1997).

2.4.6 Strategic business units

A strategic business unit (SBU) is a unit of the business which sells a distinct set of products to an identifiable group of customers in competition with a well-defined set of competitors (Dvir & Shenhar, 1992). Researchers have found that there is a relationship between the effectiveness of a business unit and the business unit having its own separate strategy, as SBUs are better informed regarding the different needs of different business units. This indicates that instead of assuming a strategy structure deterministic relationship, the approach in which each business unit has its own strategy argues that multiple design alternatives may exist to implement a given strategy effectively (Govindarajan, 1986). This is, thus, an important factor to consider when looking at strategy disclosure in its entirety (Govindarajan, 1986; Gupta & Govindarajan, 1984).

2.4.7 Goals (internal control disclosure)

Internal controls are seen to be a mechanism which is used to reduce the agency cost both internally and externally as it gives users information on the design and the implementation of internal controls (Michelon, Bozzolan, & Beretta, 2015).

In accordance with Principle 11, paragraph 9c of the code of governance entities are required to disclose actions which were taken to monitor the effectiveness of risk management and how the outcomes were managed (Institute of Directors Southern Africa IOD, 2016). A weak internal control leads to less reliable financial reporting and

greater information risk. The disclosure of control weaknesses is expected to affect investors' assessment of information risk as well as their capital allocation decision. The disclosure of annual reports is also seen to reduce the agency issue as users have more information to assist them in making more informed decisions (Sun, 2016).

2.4.8 Broad-Based Black Economic Empowerment (BBBEE)

The main aim of BBBEE is to ensure equal opportunities to all South Africans especially the previously disadvantaged groups (Kruger & Kleynhans, 2014).

In past years, companies did not have CSR Corporate Social Responsibility) policies let alone BBBEE policies and strategies. Many companies now want to go beyond merely complying with regulations - which is a new concept for cooperation. It has developed because of a growing national and international awareness of corporations' responsibility to their stakeholders and larger society (Esser & Dekker, 2008).

The BBBEE Act also illustrates how the State, through legislation, can compel organisations to have a social conscience (Esser & Dekker, 2008). This is in line with the requirement, namely, that organisations have stakeholder inclusivity in their decision-making and leadership (Institute of Directors Southern Africa IOD, 2016).

The Department of Trade and Industry has stated that a successful Black Economic Empowerment (BEE) strategy should be evaluated against, amongst others, the number of black people who have ownership and control of new and existing enterprises; the number of black enterprises; black-empowered enterprises and black-endangered enterprises; as well as the number of black people in executive and senior management roles in enterprises. This indicates the need for entities to disclose their BEE strategy in their annual reports (Holt et al., 2015; Industry., 2003).

2.4.9 HIV strategy

In terms of the code of governance an organisation should act as an integral part of the society in which they operate and therefore should also consider all factors which affect or may affect the organisation (IoDSA, 2016). According to Statistics South Africa (Stats SA), the total number of people living with HIV in South Africa increased from an estimated 4.94 million in 2002 to 7.06 million by 2017. In 2017, an estimated

12.6% of the total population was HIV positive. This is indicative of how prevalent the HIV issue is in the communities in which all organisations in South Africa operate. Since HIV affects the organisations and the communities they operate in, HIV should be considered when formulating strategies in order to reduce the effect and impact on organisations and communities.

2.5 Accountability theory

Accountability not only means that those performing activities or making decisions are answerable for them but also that there should be consequences for transgressions, a lack of action and poor performance (AGSA, 2017b; ASB, 2017). The accountability for government spending at SOEs is an area receiving attention in the public, as government funds and guarantees are being used to sustain some of the SOEs (AGSA, 2017a). The need for accountability, thus, led to the need for specific disclosure within the annual reports of organisations and specifically the disclosure of organisational strategy (Phala, 2018; Santema & Van de Rijt, 2001).

Accountability is at the centre of financial reporting in government and is based on the belief that the citizens have a "right to know", a right to receive openly declared facts which may lead to a public debate by the citizens and their elected representatives (ASB, 2017).

The discharge of accountability obligations requires the provision of information about the entity's management of the resources, entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation or other authority which governs its service delivery and other operations (ASB, 2017).

Luke (2010) states that, State-Owned Companies have opposing objectives as they have a duty to make a profit but also to meet certain social and environmental objectives. This makes defining the boundary of accountability by State-Owned Companies a difficult and often complex issue (Luke, 2010; M. Surty et al., 2018).

The boundaries, roles and responsibilities of stakeholders are in many cases not very well-defined, which results in an accountability deficit in SOEs (*Institute of directors South Africa IOD & PWC*, 2011). This research, therefore, was conducted to determine

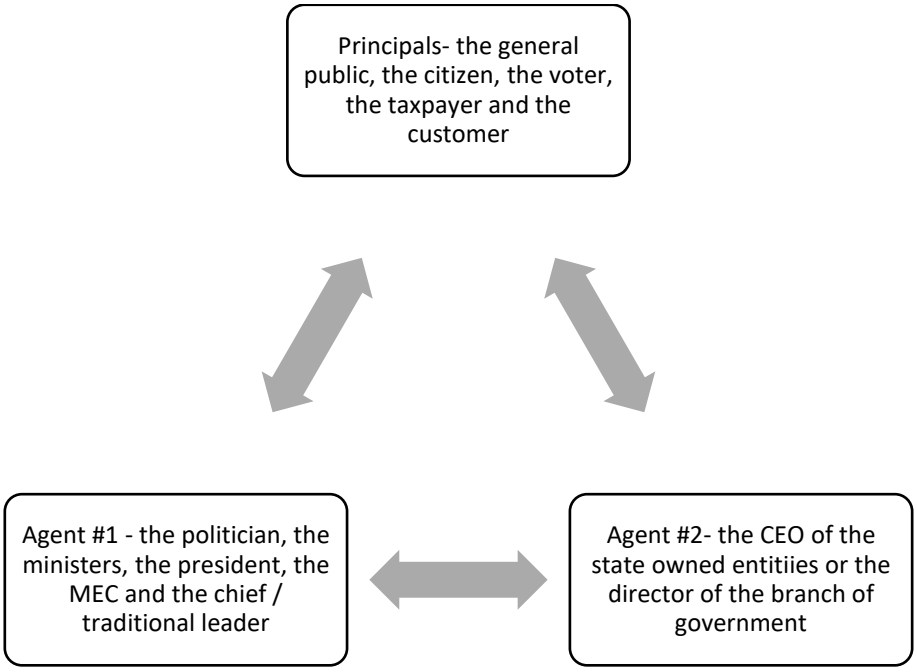
the extent to which SOEs disclose their strategy as a form of accountability to their stakeholders.

2.6 Agency theory

An agency relationship is defined as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent (Jensen & Meckling, 1976). The agency problem also exists within State-Owned Entities where the expectation of the citizens and other stakeholders and what they require from companies are not necessarily consistent with how the managers of these organisations conduct business (Negash, 2005).

Figure 2 below illustrates the agency relationship of State-Owned Entities.

Figure 2: Agency relationship in Public Sector Entities



Source: (Negash, 2005).

Figure 2. Agency relationship of SOEs

The agency problem arises because investors or other stakeholders, who invest in a business venture typically do not intend to play an active role in its management. That responsibility is delegated to the management of the company (Healy & Palepu, 2001).

If both parties to the relationship want to maximise their utility there is good reason to believe that the agent will not always act in the best interests of the principal (Jensen & Meckling, 1976).

Therefore, in order to deal with the agency problem, organisations are required to disclose relevant information, which enables stakeholders to monitor compliance with contractual agreements and to evaluate whether the management of the organisation have managed the firm's resources in the interests of external owners. A second mechanism for reducing agency problems is the board of directors, whose role is to monitor, discipline and hold management accountable on behalf of external stakeholders (Healy & Palepu, 2001). Corporations could also either increase incentive structures that align the interests of owners and managers (Fama & Jensen, 1983) or increase monitoring, control and oversight of managers by owner / principal delegates (Bryant & Davis, 2011).

2.7 Information asymmetry

Information asymmetry refers to a situation when one party in the relationship has more or better information than the other (Zu & Kaynak, 2012). Demand for financial reporting and disclosure arises from information asymmetry and agency conflicts between managers and outside investors (Healy & Palepu, 2001). Consequently, managers who anticipate making capital market transactions, have incentives to provide voluntary disclosure to reduce the information asymmetry problem, thereby reducing the firm's cost of external financing (Barry & Brown, 1986; Healy & Palepu, 2001; Merton, 1987). A potential solution to the information asymmetry problem is regulation which requires managers to fully disclose their private information (Healy & Palepu, 2001). This research, is therefore, focused on determining the extent to which strategy disclosure by an organisation contributes to mitigating the problem of information asymmetry.

All corporate investments create information asymmetries because managers can continually observe changes in investment productivity, whereas outsiders obtain only highly aggregated information on investment productivity at discrete points in time (Aboody & Lev, 2000). Furthermore, information about agent behaviour is critical for restraining opportunistic behaviour (Eisenhardt, 1989; Zu & Kaynak, 2012).

2.8 Extent of strategy disclosure within different countries and contexts

Santema et al., 2005 found that the national differences in corporate governance and culture, influence the extent to which companies disclose their corporate strategy. Management should therefore consider the stakeholders' needs in determining what strategy disclosures to make in order to be able to satisfy all of their stakeholders.

Through previous research Padia & Yasseen, 2011 it was found that South African companies do generally disclose their corporate strategies. Santema & Van de Rijt, 2001 established (whereas Dutch companies do not generally disclose a lot of information on their corporate strategies in their annual reports).

It is, however, important to note that the absence of organisation strategy disclosure in annual reports does not mean that these organisations do not disclose this to their stakeholders at all, as there are various forms of communication methods which can be used to communicate corporate strategy (Santema & Van de Rijt, 2001)

Limited disclosure of strategy could be due to disclosure being voluntary and therefore it creates a trend for companies to just disclose enough to appease their stakeholders but not enough to place organisations in a position of jeopardy (Santema et al., 2005).

It was also found that South African listed companies tend to disclose more on the strategy variables of the mission, objective and goals. 41% of the companies evaluated by (Padia & Yasseen, 2011) had the maximum disclosure on their mission and vision, whilst only 34% of the companies had maximum strategy disclosure on the corporate strategy and the action plans that were implemented or are yet to be implemented. Limited disclosure was made on HIV / AIDS and BEE strategies as only 16% of the population study had maximum disclosure on these aspects (Padia & Yasseen, 2011).

In Santema & Van de Rijt, 2001 it was found that more than 80% of the companies tend to have maximum disclosure of the corporate strategy, consistency and the future action plans, whereas between 30-80% had maximum disclosure on their mission, goals and business unit strategy.

According to Santema & Van de Rijt, 2001 it was found that the companies which were assessed usually made use of the same text from the year before and only alter the

numbers in the financial statements, as only a few of the companies that were studied actually write a completely different annual report.

The positive response by a number of South African SOEs to integrated reporting under the King Code of Governance principles is regarded as encouraging and a reflection of the appropriateness of integrated reporting in these organisations (KPMG, 2012).

Ungerer, 2013, states that strategy disclosure of listed companies in different industries improved from the year 2010 to 2011, which may be indicative of better commitment to transparency by companies. It was also found that the different industries tend to prioritise different strategy factors relative to other factors. There were variances, therefore, in the level of disclosure of certain factors depending on the industry.

According to research conducted by Holt et al., 2015, South African companies were seen to have disclosed more of their corporate strategy than their counterparts in India.

Higgins & Diffenbach, 1989, found that in general strategic disclosure is constantly growing and that companies are finding more ways in which to try and reach out to more stakeholders through their strategy disclosure and that they are making use of the media in order to communicate their strategy.

2.9 Summary

In this section, key points which emerged from the literature are discussed. Firstly, it was established that the agency problem has led to the need for managers to be held accountable by their stakeholders. In the literature, the need to be held accountable was linked to accountability theory.

Another aspect that is highlighted in the literature, is the key role of SOEs in the economy and linked to this, the fact that they are funded by taxpayers. It was further emphasised that strategy disclosure in annual reports is important as it provides stakeholders with the necessary information to hold managers accountable. Furthermore, it is also to the benefit of these organisations, as it allows them to have a competitive advantage whilst enabling users of annual reports to make more informed decisions. Strategy disclosure also reduces the information asymmetry problem between the different groups of stakeholders and managers. This reiterates

the importance of the strategy disclosure by State-Owned Entities, despite the limited disadvantages of strategy disclosure. What further emerged from the literature was that SOEs' strategy disclosure in their annual reports increases the value of the annual reports to stakeholders.

Based on the literature it is clear that different levels of disclosure are found in different countries. This could be attributed to the cultural influences in the different countries, the differences in the disclosure could also be due to the differences in the legislative requirements and corporate governance requirements of the different countries. Lastly, the reviewed literature suggests that strategy disclosure tends to improve over time, and this is attributed to a growing commitment to transparency, as well as the increasing demand on entities to disclose such information in their annual reports.

CHAPTER 3: RESEARCH METHODOLOGY

In this section, the methodology which was followed in conducting this study is discussed. Firstly, the method which was followed and the reason for selecting this method is discussed (Section 3.1). In Section 3.2, the research design is discussed in terms of the variables of the research as well as the rating system, which was applied, in analysing the annual reports. Section 3.3 is dedicated to a discussion of the data analysis with specific reference to the statistical models which were applied in analysing the results. This is followed by a discussion of the population and sampling technique, which was selected, and the data collection method is subsequently discussed in Section 2.5. The validity and reliability of the study will respectively be discussed in Section 3.6 and 3.7. Section 3.8 concludes the chapter with a summary of key aspects pertaining to the research methodology.

3.1 Selecting the research methodology

The research objective is to determine the extent to which State-Owned Entities disclose their strategy in their annual reports. In order to answer the research question, a descriptive quantitative research methodology was selected to conduct the research (Bell, Bryman, & Harley, 2018; Bryman & Bell, 2015; Cooke & Rousseau, 1988; Mouton & Marais, 1988). A descriptive research design is appropriate for this study because it involves identifying the characteristics of an observed phenomenon or exploring possible associations among two or more phenomena (Leedy & Ormrod, 2016; White, 2003).

This is a quantitative study within the positivist paradigm, as the extent of disclosure was measured based on a rating system which was objectively applied across all the reports which were analysed (Holt et al., 2015; Kasanen, Lukka, & Siitonen, 1993; Padia & Yasseen, 2011; Parker, 2012; Phala, 2018; Ryan, Scapens, & Theobald, 2002). The aim of this type of research is to classify features in terms of specific variables (Appendix), count them and construct statistical models in order to explain what is observed (McCusker & Gunaydin, 2015).

3.2 Research Design

A research design is an arrangement of conditions for collecting and analysing data in a manner which aims to combine relevance with the research purpose, while

simultaneously being effective and efficient (Holt et al., 2015; Judd, Smith, & Kidder, 1991; Sellitz, Jahoda, Deutsch, & Cook, 1964).

This study is a replication of a study conducted by Santema & Van de Rijt, 2001 to determine the extent to which Dutch companies disclose their strategy in their annual reports, as well as a study by Padia & Yasseen, 2011 which focused on the extent to which South African listed companies disclose their corporate strategy in their annual reports. In line with (Padia & Yasseen, 2011), (Santema & Van de Rijt, 2001) and (Holt et al., 2015) 12 strategy criteria were used for analysis (Appendix).

The variables by (Santema & Van de Rijt, 2001) were selected using a standard textbook on strategy and the criteria by (Padia & Yasseen, 2011) and were selected due to their relevance to the South African context.

The disclosure of each criterion was rated using a scale from 0 to 1 with increments of 0.25 where 0 represents no disclosure relating to the variable and 1 represents comprehensive disclosure of that variable (Padia & Yasseen, 2011); (Santema & Van de Rijt, 2001). Ratings of 0.25, 0.5 and 0.75, represent partial disclosure of the strategy (Padia & Yasseen, 2011).

The weighing of each of the variables used was considered equally important and therefore they were all measured equally. This is in order to eliminate any bias which might be caused due to the organisations having different variable being considered more important relative to another.

3.3 Data analysis

The criteria that were selected to analyse the organisations' strategy disclosure as applied by (Santema & Van de Rijt, 2001), were criteria related to both future-oriented disclosure as well as historical disclosure. This is due to the fact that historical disclosure is important in terms of accountability and future-oriented disclosure, sheds light on the future of the organisation (Santema & Van de Rijt, 2001).

Descriptive statistics was used to describe the data (Saunders, Lewis, Thornhill, & Wilson, 2009). Basic statistical measures were calculated (mean, median and mode) and the data was plotted on appropriate graphs in order to observe tendencies, relationships and outliers (Creswell, 2013).

The internal consistency of the data was tested using the Cronbach Alpha test (Cronbach, 1951). A score of > 70 percent represents a strong indication that there is internal consistency.

The frequency of data which falls in each category (0; 0.25; 0.5; 0.75 1) was also determined. This was plotted based on the probability of each variable occurring on frequency charts. This highlighted the variables which are often present in annual reports and those lacking from annual reports.

Furthermore, the correlations which exist between the 12 strategy disclosure criteria were determined. The groupings and the correlations were identified by making use of bi-plot diagrams, the Wilcoxon test and the Spearman Rho's correlation procedure (Artusi, Verderio, & Marubini, 2002; Gehan, 1965; Myers & Sirois, 2004).

Hypothesis testing was used to determine and analyse the groupings which were found. The first hypothesis was used to determine the correlation between the years 2016 and 2017 for both the National Public Entities and the Major Public Entities together.

H0: There is no statistically significant relationship between the 2017 results and the 2016 results.

H1: There is a significant relationship between the 2017 and the 2016 results.

The second hypothesis testing which was used was to determine the median between the year 2016 and 2017, for both the National Public Entities and the Major Public Entities, separately. The median was used as this allows for determining the relationship without the outliers.

Major Public Entities

H0: The median Major 2016 scores are equal to the Major 2017 scores.

H1: The median Major 2016 and 2017 scores are different.

National Public Entities

H0: The median National 2016 scores are equal to the National 2017 scores.

H1: The median National 2016 and 2017 scores are different.

3.4 Population and sample

A purposive sampling technique was applied to select the population for this research study. The researcher used judgement in selecting the sample due to the nature of the companies that were analysed (Etikan, Musa, & Alkassim, 2016; White, 2003). A sample of 165 public sector entities listed in the PMFA were used as they will provide the best data on SOEs. The total number of entities which are listed in the PFMA is 283 which consists of Schedule 1, 2, 3A, 3B, 3C and 3D institutions. Schedule 1 refers to Constitutional Institutions, Schedule 2 refers to Major Public Entities, Schedule 3A refers to the National Public Entities, Schedule 3B refers to the National Government Business Enterprises, Schedule 3C refers to Provincial Public Entities and Schedule 3D refers to Provincial Government Business Enterprises (PFMA, 1999). The purposive sampling method was selected rather than making use of a convenience sample because a purposive sample is less biased than a convenience sample (Etikan et al., 2016; Palys, 2008).

Within the schedules of the PMFA, Schedule 1 and Schedule 2 institutions prepare their financial statements in terms of the IFRS, however, in this study, entities which make use of GRAP were evaluated, in addition to the SOEs which make use of the IFRS in their reporting. Schedule 3A Public Entities and Schedule 2 Major Public Entities, are used as the sample for this study (PFMA, 1999) due to the fact that the Major Public Entities in Schedule 2, are seen to attract most of the attention of the public in recent times. Schedule 2 companies are also listed as the most important SOEs in South Africa as per the PFMA, whilst Schedule 3 companies are listed as ‘other State-Owned Entities’, however, due to the number of SOEs within this schedule it is possible to make inferences from this sample as this group of SOEs make up more than half of the SOEs in South Africa. Given the fact that this is an exploratory study, it is necessary to include companies which form part of Schedule 2 of the PFMA as well as Schedule 3A Public Entities.

3.5 Data collection

Data was collected by reviewing and scrutinising the annual reports of the selected sample in order to determine the extent to which the company’s corporate strategy is disclosed by using the criteria set out in the Appendix.

The annual reports were obtained from the respective websites of organisations or from the parliamentary monitory group's website which contains all the available annual reports for SOEs. The annual reports of the year 2016 and 2017 were used in conducting the research, in order to be able to examine the consistency of the strategy disclosure of the organisations over the different years. These were the years selected as they are the most recent annual reports which could be obtained and are therefore the most relevant.

There are 21 Schedule 2 entities, which are the Major Public Entities. All 21 entities' annual reports were available and are included in the research. For the Schedule 3A National Public Entities, 144 of the 154 entities in this group were included. The annual reports of the other 10 National Public Entities were not available. A total of 165 companies were therefore analysed for the purpose of this research.

3.6 Validity

Validity and reliability refer, respectively, to whether a set of indicators really measures a concept and whether that measure is consistent (Bryman & Bell, 2015; Holt et al., 2015). In order to achieve validity and reliability, the data has to be analysed in a systematic and unbiased manner (Mouton & Marais, 1988).

External validity is the extent to which the results of a study can be *generalised* from a sample to a population (Drucker-Godard, Ehlinger, & Grenier, 2001). External validity was achieved, as more than one group of SOEs were analysed. The different groups also make use of different reporting standards which may affect annual reports. The sample which will be used also represents more than half of the SOEs in South Africa as 154 out of 283 SOEs were analysed.

Content validity refers to the appropriateness of the content of an instrument (Drucker-Godard et al., 2001; Heale & Twycross, 2015). Content validity was also obtained as the Cronbach's alpha test showed that the variables used to determine the extent of strategy disclosure, did indeed test for it.

In order for a study to also be valid, another researcher should be able to carry out the study in another context (White, 2003). This study is a replication of a study which was conducted by (Santema & Van de Rijt, 2001) and (Padia & Yasseen, 2011) which indicates validity as it can be performed in different contexts.

3.7 Reliability

Reliability can be thought of as consistency (Drucker-Godard et al., 2001). According to Milne and Adler (1999), there are several different ways to measure reliability, and there is no single criteria of adequate reliability within any of these methods (Unerman, 2000). The use of subjectivity and judgement don't eliminate the reliability and validity of this study (Holsti, 1969; Krippendorff, 1980; Unerman, 2000). The researcher was as objective as possible, in assessing behaviour when conducting this research (Leedy & Ormrod, 2016; McCusker & Gunaydin, 2015). Guidance for research was obtained from qualified supervisors who are both experienced and published in this area which also adds to the validity of the research.

The annual reports of the organisations are prepared by experienced personnel within the organisations which includes accountants. The financial information that is within the annual reports is also audited, which makes the data reliable.

3.8 Summary

In order to determine the extent of strategy disclosure in the annual reports of SOEs, a quantitative research approach was followed. The research was conducted in the context of National Public Entities and the Major Public Entities. In total, 154 companies were included. In analysing the strategy disclosure, 12 variable criteria were used and a scaling system was applied to rate the disclosure for all 12 variables. Mainly descriptive statistics was used in the analysis of the data, as well as some correlations.

CHAPTER 4: RESULTS AND DISCUSSION

4.1 Introduction

In Chapter 4 the descriptive statistics will be provided to indicate the extent to which the SOEs disclosed their strategies. The extent of disclosure will be presented by the frequent rating representing both the National and the Major Public Entities in accordance with each of the variable criteria. The number of companies for both the National and Major Public Entities, which obtained a score on each variable will be presented. This is presented in accordance to the annual reports for the years 2016 and 2017.

The extent of the disclosure will be assessed for both groups of public entities using mean analysis for the two-year period. A summary of the descriptive statistics will be provided and the differences in the level of disclosure between the National and the Major Public Entities will be given.

Section 2 deals with the groupings and the correlations which may exist between the 12-variable strategy disclosure criteria, for the years 2016 and 2017 for both the National and Major Public Entities. The groupings and the correlations will be done using Pearson's correlation procedure as well as bi-plot diagrams. This is followed by an evaluation of the internal consistency of the strategy disclosure using the Cronbach's alpha test.

4.2 Descriptive statistics

For the descriptive statistics below, a score of zero indicates no disclosure and a score between 1 and 0.75 represents a high level of disclosure. A score of 0.5 indicates average disclosure and a score between 0.5 and 0.25 represents low disclosure and a score below 0.25 represents significantly low disclosure to nearly no disclosure at all.

4.2.1 Extent of strategy disclosure for 2017

Table 4.1 and 4.2 below, represent the extent of strategy disclosure for the Major Public Entities and the National Public Entities for 2017. The frequencies of disclosure for each variable for Major Public Entities and the National Public Entities are represented by Figure 3 and 4.

Table 1: National Public Entities 2017

Category	0	0.25	0.5	0.75	1
Mission	4	2	2	5	131
Goal	11	77	37	6	13
Objectives	4	2	2	0	136
Corporate Strategy	2	0	1	0	141
Consistency	7	10	26	58	43
Monitoring	7	0	1	0	135
Business Unit Goal	125	5	10	3	1
Business Unit Strategy	61	0	0	0	83
Action-plan EX-Post	10	50	64	16	4
Action-plan EX- ante	83	35	21	3	2
HIV / AIDS	125	15	2	2	0
BEE	119	17	5	3	0

Table 2: Major Public Entities 2017

Category	0	0.25	0.5	0.75	1
Mission	0	0	3	1	17
Goal	0	2	1	5	13
Objectives	1	0	2	3	15
Corporate Strategy	0	0	1	1	19
Consistency	0	0	6	9	6
Monitoring	2	0	1	1	17
Business Unit Goal	14	0	1	1	5
Business Unit Strategy	14	0	0	0	7
Action-plan EX-Post	1	5	8	3	4
Action-plan EX- ante	0	3	9	7	2
HIV / AIDS	17	3	1	0	0
BEE	4	5	6	4	2

The descriptive analysis was performed and presented using the four strategy disclosure categories identified by Padia and Yasseen (2011). The categories were broken down into the goals, action plans, business units and others which consist of the HIV / AIDS strategy as well as the BEE strategy.

Category 1 consists of the mission, objectives and the goals disclosed. The majority of the Major Public Entities got a score of 1 for variables in Category 1, which indicates full strategy disclosure as opposed to the companies in National Public Entities, where the majority of the entities got a score of 1 for the objectives and mission and the majority received a score of 0.25 for the goals. 25% of the major public entities has partial disclosure for Category 1, contrary to the National Public Entities, where approximately 10% obtained partial disclosure for objectives and mission and 83% obtained partial disclosure for goals disclosure. 8% of the National Public Entities had no disclosure for Category 1 and for Major Public Entities only 1% had no disclosure in Category 1. This may be due to the frameworks for missions, vision and objectives being broad and therefore making it difficult for organisations to disclose this (Padia & Yasseen, 2011). In comparison with to the study performed by Padia and Yasseen (2011), this disclosure is consistent as the majority of the South African JSE-listed entities received a score of 1 which represents full disclosure. Moreover, Phala, 2018 found that in Category 1, the majority of the companies in the developed market, made little to no disclosure in terms of all three criteria in contrast with the majority of companies in the emerging market, which obtained high disclosure scores in terms of all three Category 1 criteria. Contrary to these findings, Holt et al. ,2015 found that the majority of the top 40 Indian companies had no disclosure for Category 1, whilst the majority of the top 40 companies in South Africa scored maximum disclosure for this category.

Category 2 consists of corporate strategy and action plans. For Major Public Entities, on average, 14% had full disclosure for the plans and the majority has partial disclosure and only 5% had no disclosure for their action plans. However, in terms of the corporate strategy the majority had full disclosure and only 5% had no disclosure. This is also consistent with the disclosure for the National Public Entities, where the majority had full disclosure for corporate strategy and the majority had partial disclosure for their action plans. The reason for organisations only disclosing their

plans partially, could be because they would not want to lose their competitive advantage against their competitors (Ungerer & Vorster, 2015). An entity disclosing all their plans could lead to competitors imitating the entity's plans and strategy and therefore, threaten their competitive position (M. Porter, 1996; M. E. Porter, 2008). These results are consistent with the findings of Padia and Yasseen (2011) which found that majority of the South African JSE-listed companies made partial to no disclosure of their action plans. With the developed and emerging markets, it was found that most of the companies in both the developed and the emerging markets had average to significant scores for corporate strategy and ex post action plans. The lowest scores in Category 2 for both markets were noted in the ex-ante action plans criterion, with 55% of the companies in both markets having little to no disclosure (Phala, 2018). Moreover, Holt et al. (2015), found that both South African and Indian companies have average disclosure within this category, although they might not be exactly the same percentage of companies.

Category 3 consists of monitoring, business unit strategies, consistency and business unit goals. The majority of Major Public Entities obtained a score of 1 which represents full disclosure for monitoring. There was no disclosure for the business units' strategy for the majority of entities. Approximately 10% obtained partial disclosure for the variables in Category 3. This is consistent with the disclosure for the National Public Entities, where the majority of the entities had no disclosure for their business units and the majority had full disclosure for their monitoring. Approximately 10% obtained partial disclosure for the variables in Category 3.` The reason for this may be that most organisations in identifying their strategy, mistakenly define the product lines and business segments and therefore they have no disclosure for their business segments or units (Collins & Porras, 1996). The disclosure is not consistent with that of JSE-listed companies as the majority attained partial disclosure in this category, while approximately 11% had no disclosure (Padia & Yasseen, 2011). (Phala, 2018), found that both the emerging and developed markets, obtained high disclosure scores for the consistency of their corporate strategy but nil scores for the rest of the criteria in Category 3. In terms of Category 3, the majority of South African companies scored a 0.75 rating score, while the majority of their Indian counterparts fell into the 0.5 group (Holt et al., 2015).

Category 4 refers to HIV / AIDS and BEE strategy disclosure. In this category, the majority of Major Public Entities had no disclosure of the HIV / AIDS strategy and the majority had partial disclosure for BEE. 10% had maximum disclosure of their BEE strategy and no entities had maximum disclosure of their HIV / AIDS strategy. This is also consistent with the National Public Entities as the majority had no disclosure of both their BEE and HIV strategies, and 17% had partial disclosure. None of the entities within this group had maximum disclosure. This is consistent with the results of Padia and Yasseen (2011) which found that the majority of the JSE-listed companies had partial disclosure of this category. This level of disclosure in this category can be attributed to the fact that, little to no guidance is given for the disclosure of these variables (Padia & Yasseen, 2011). Phala (2018) found that the majority of both the developed and the emerging market companies made little to no disclosure of both the criteria in Category 4, however in comparison, the developed market performed worse in this category than the emerging market. (Holt et al., 2015). 36% of South African companies scored a maximum of 1, while only 5% of Indian companies scored a maximum of 1. No company scored a maximum of 1 in terms of HIV / AIDS disclosure. Even companies which rely on an unskilled labour workforce, such as prominent oil and drilling companies, as well as mining and mineral companies, scored zero across the board for Category 4. On the whole, 78% of Indian companies had a minimum score of 0 for Category 4, whereas only 24% of South African companies had a minimum score of 0.

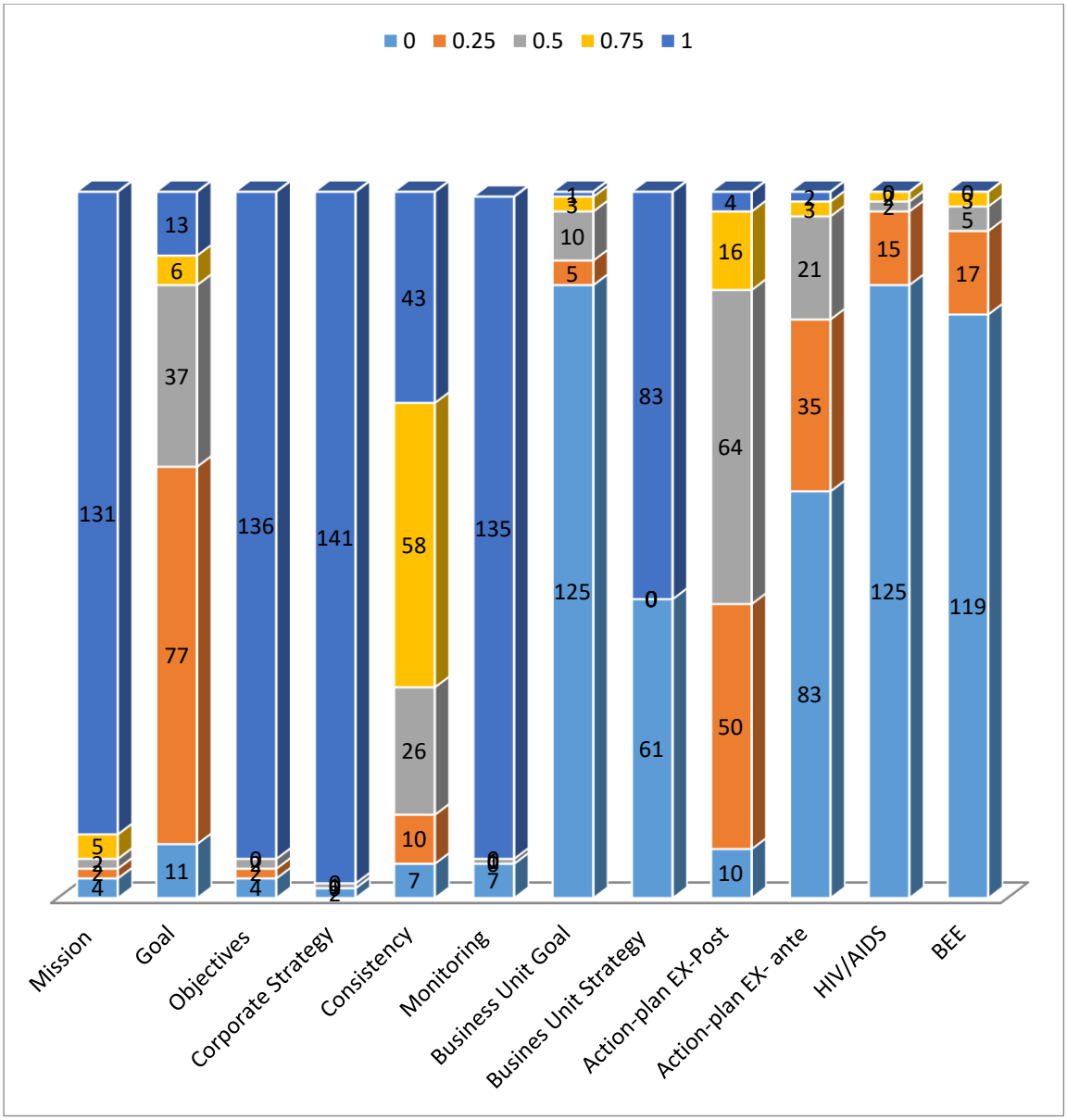


Figure 3. National Public Entities 2017: Frequencies

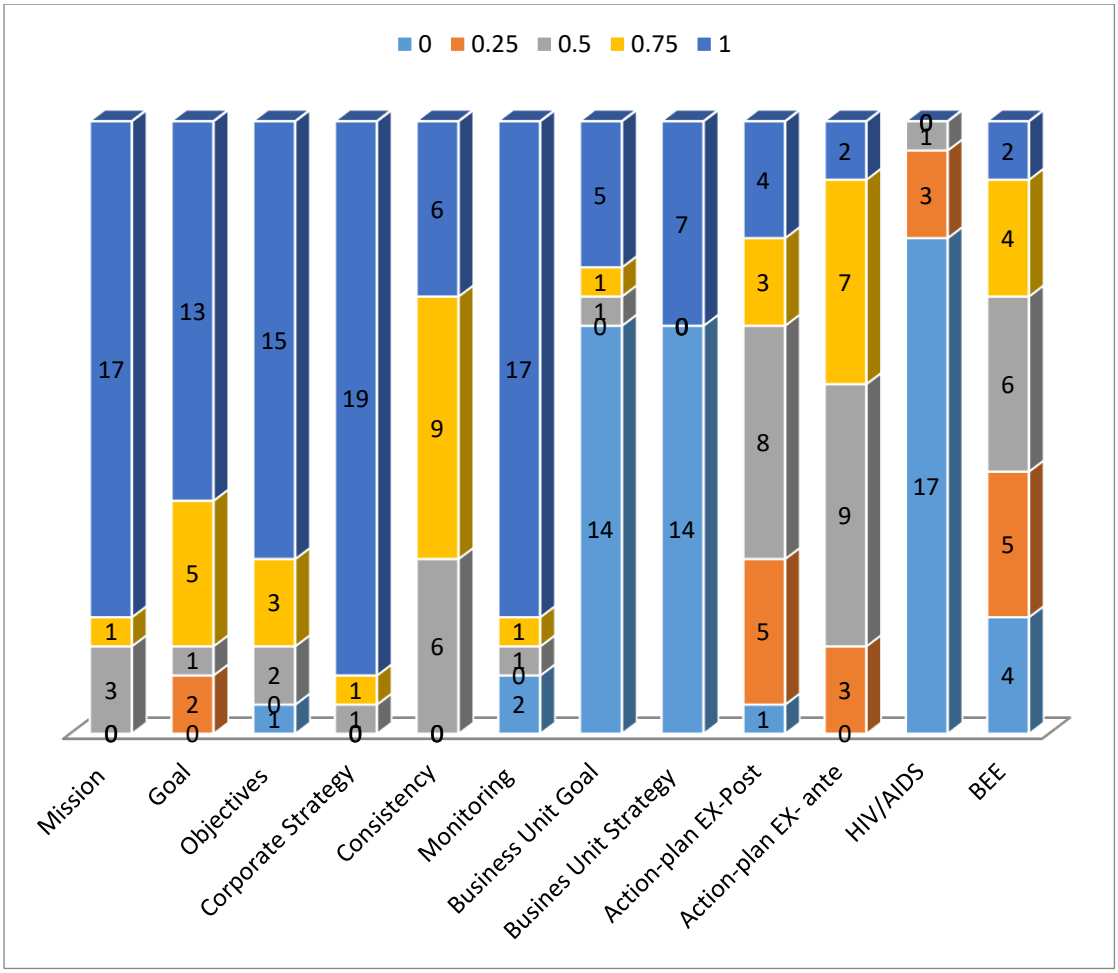


Figure 4. Major Public Entities 2017

In analysing the frequencies, each variable will be discussed separately for both the Major and the National Public Entities and will be focused on the majority level of disclosure for each of the variables.

For the National Public Entities, the majority had maximum disclosure for their mission, objectives, corporate strategy, monitoring and business unit strategy. It was also found that within this group, the majority had no disclosure of BEE strategies, HIV/AIDS strategies, business unit goals and ex-ante action plans. The majority score average disclosure goals, consistency and ex-post plans.

The majority of public entities had maximum disclosure of their mission, goals, objectives, corporate strategy and monitoring. The majority had no disclosure of their HIV strategy and average disclosure of consistency, ex-ante action plans, BEE strategy, business unit strategy, business unit goals and ex-post plans.

One would expect that SOEs would have extensive BEE and HIV strategies in place, firstly due to BEE being a government initiative and secondly, HIV having a far-reaching impact on South Africa and companies are expected to assist in alleviating the impact and curb the spread of HIV / AIDS as they are directly and indirectly affected by it. Little to no disclosure, however, was found for these variables which is concerning.

In most instances, as seen in the findings of (Holt et al., 2015; Padia & Yasseen, 2011; Ungerer, 2013) the majority of entities disclose extensive information about their objectives and goals, but there is limited disclosure in terms of how they plan to meet these objectives. This corresponds with the findings of this research study, where there is significant disclosure in terms of objectives, goals and mission but little to no disclosure in terms of action plans. This may be indicative of SOEs having great ambition, but no action plan to make this a reality.

4.2.2 Mean analysis

The figures below, represent the mean by an average score between 0 and 1 for each of the 12 variables. The means are represented for both the Major Public Entities and the National Public Entities, for the years 2016 and 2017. A comparison is made between the two years, as well as an analysis for both groups of SOEs.

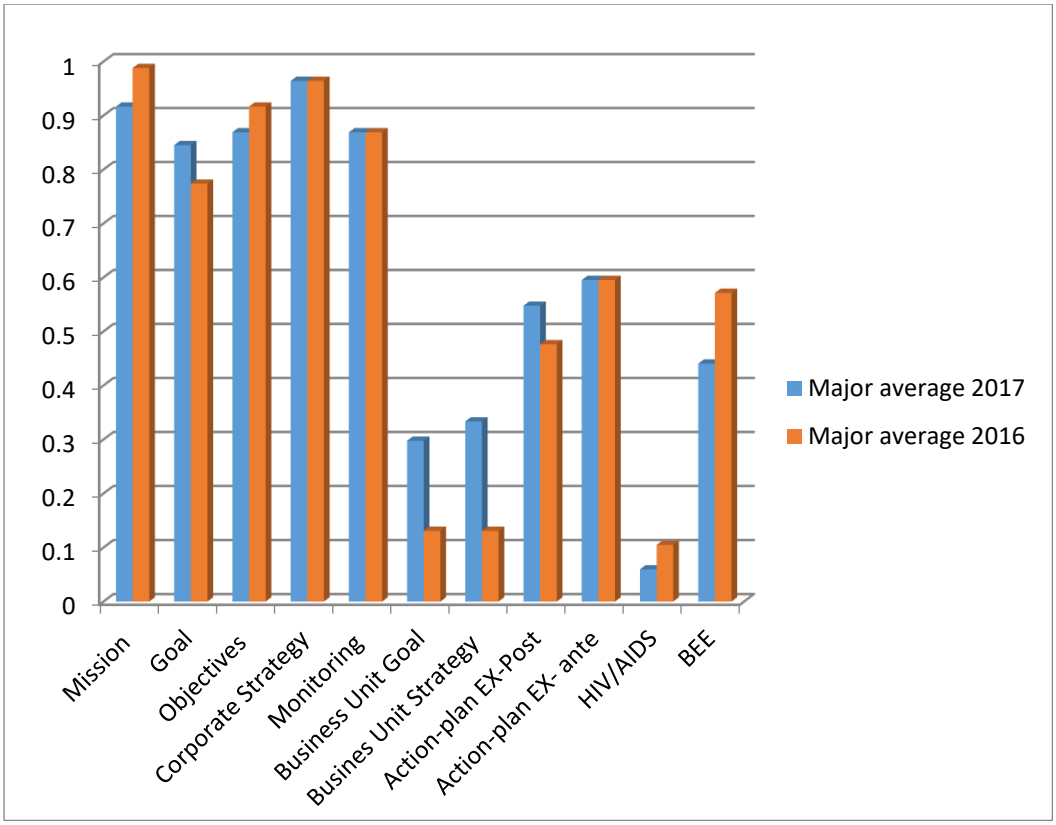


Figure 5. Average disclosure for Major Public Entities for each variable criteria

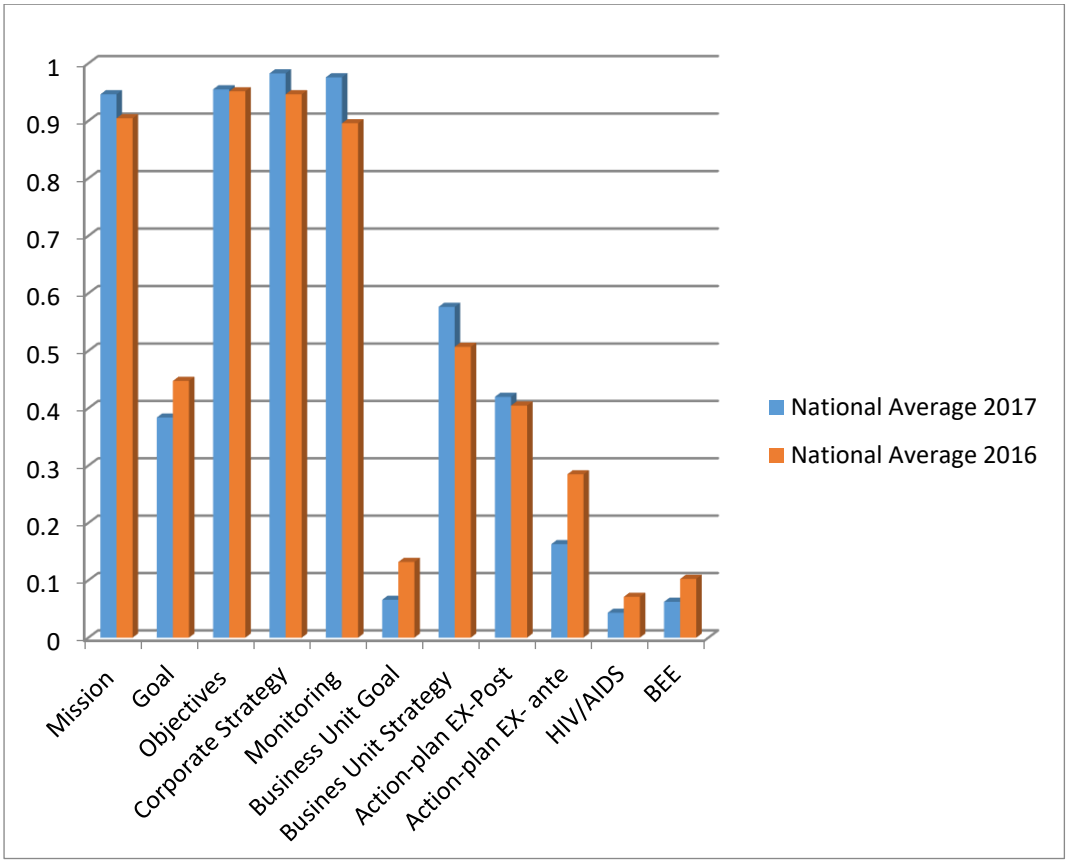


Figure 6. Average disclosure of National Public Entities for each variable criteria

In general, there wasn't a significant change in the level of disclosure between 2016 and 2017, for both the Major Public Entities, as well as the National Public Entities, with the exception of the business unit goals and business unit strategy which increased in 2017 in the Major Public Entities.

On average the Major Public Entities had significant levels of disclosure for the mission, objectives, monitoring and corporate strategy. In terms of goals, the Major Public Entities scored, on average, 0.77 which indicates sufficient levels of disclosure. This increased to 0.84 which indicates significant levels of disclosure. This could be due to companies trying to indicate to stakeholders, as to how they plan on managing their risk through the internal controls they have in place. In terms of BEE strategy and action plans, the Major Public Entities had partial and average levels of disclosure. Low levels of disclosure were found in terms of business units and HIV / AIDS

strategies for the Major Public Entities. Similarly, on average, the National Public Entities obtained significant levels of disclosure for the mission, objectives, monitoring and corporate strategy. As regards to the goals, business unit strategy and ex-post action plans, the National Public Entities had partial and average levels of disclosure. Low levels of disclosure were noted for Major Public Entities in terms of business unit goals, BEE and HIV / AIDS strategies. In comparison with the findings of this study, Dutch companies have limited disclosure of corporate strategy in their annual reports (Santema and Van de Rijt (2001).

4.3 Consistency

Figure 7 and 8 below, illustrate the consistency of the extent of disclosure between 2016 and 2017. These figures represent, respectively, the consistency of disclosure of the Major Public Entities and the National Public Entities. Figure 9 illustrates the average disclosure for each of the variables for both the National and Major Public Entities.

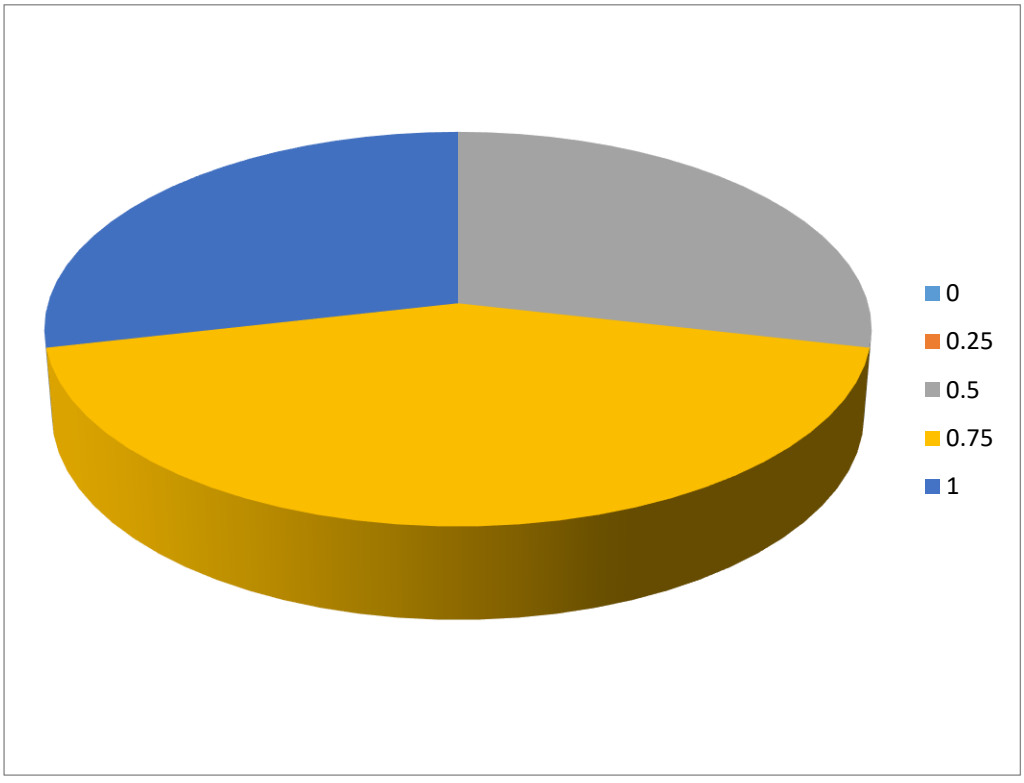


Figure 7. Disclosure consistency of Major Public Entities for 2017

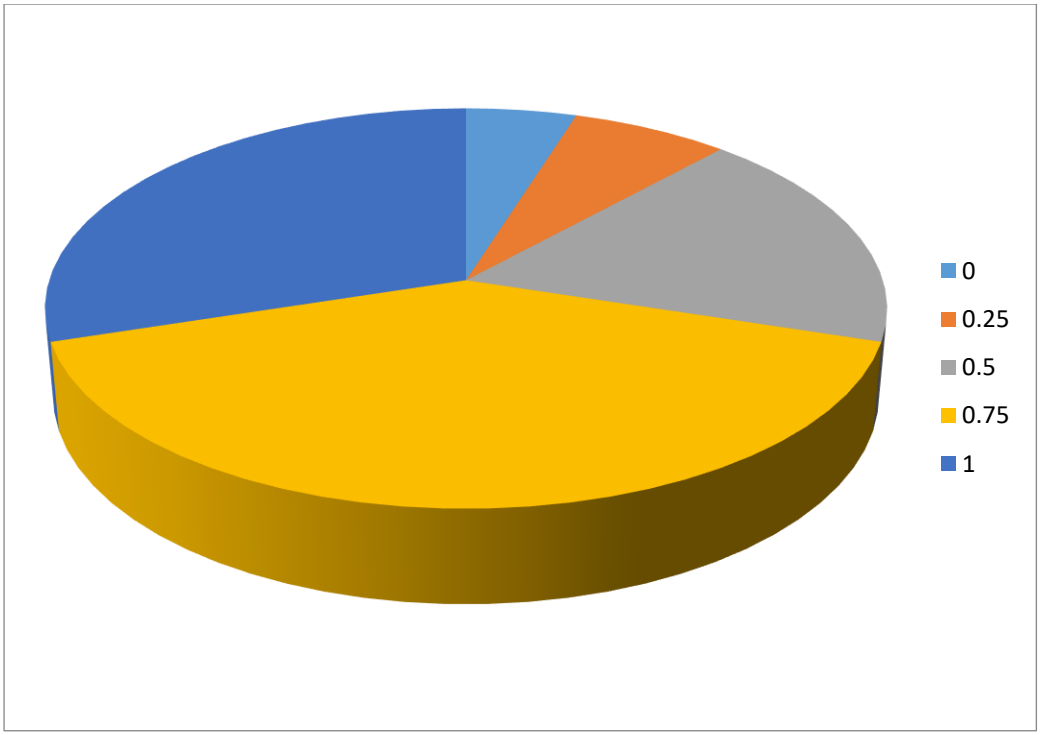


Figure 8. Disclosure consistency of National Public Entities for 2017

The majority of Major Public Entities obtained a score of 75% for their consistency, which indicates a consistency of +/-75% between disclosure in the annual reports of 2016 and 2017. 29% scored 1, which indicates that the annual reports of those companies for 2016 are completely consistent with the 2017 reports. The rest of the 29%, scored 0.5 which indicates a consistency of 50% between the 2016 and 2017 annual reports.

Both the National Public Entities and the Major Public Entities, obtained a score of .75 for consistency, which indicates a 75% consistency between the annual reports of 2016 and 2017. 30% of the others scored 1, which indicates complete consistency between the two years. 29% scored 0.5 which indicating a 50% consistency. 7.5% scored 0.25 indicating consistency of 25% between 2016 and 2017. The remaining 5% scored 0 which indicates the 2016 annual reports were completely different and inconsistent with the 2017 annual reports.

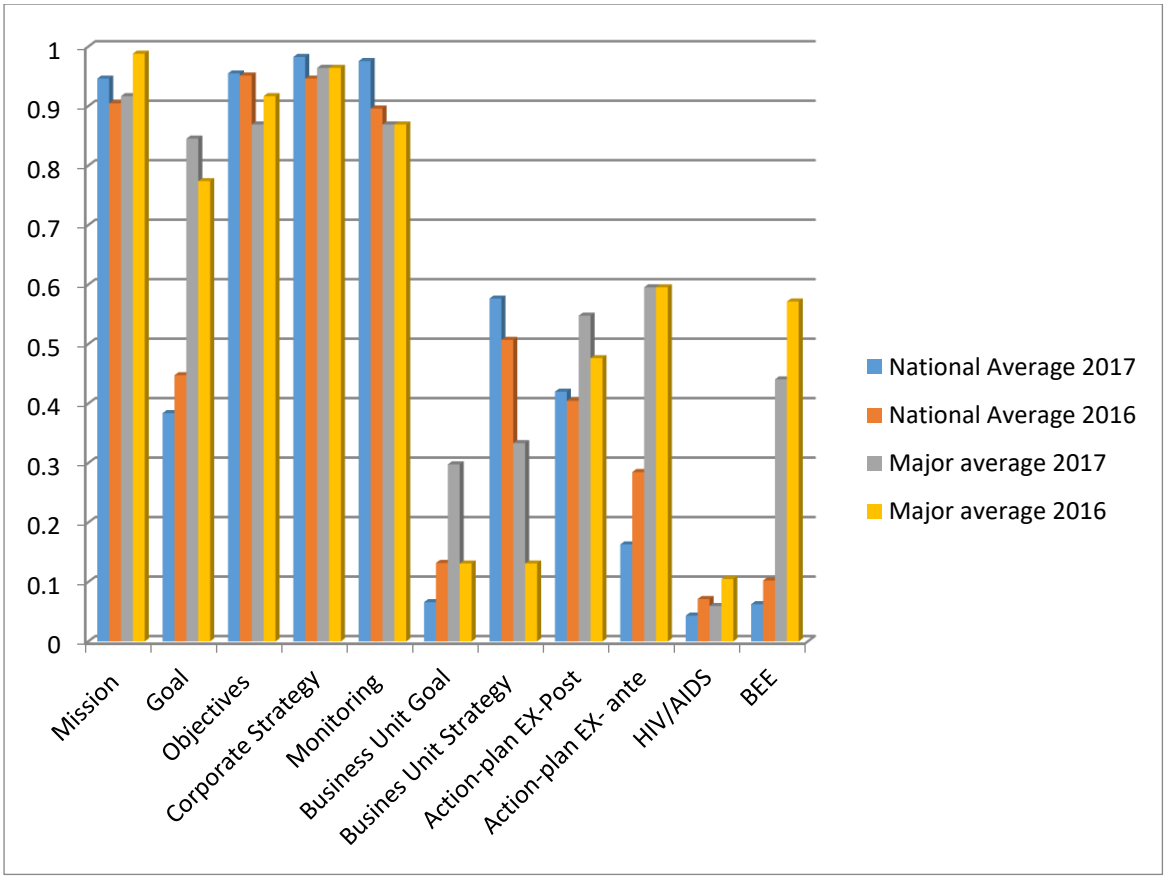


Figure 9. Average disclosure of SOEs

Item Statistics

	Mean	Std. Deviation	N
Mission	.9152	.26552	165
Goal	.4891	.33537	165
Objectives	.9470	.20059	165
Corporate Strategy	.9485	.20003	165
Monitoring	.8924	.29116	165
Business Unit Goal	.1318	.29291	165
Business Unit Strategy	.4591	.48631	165
Action-plan EX-Post	.4136	.28778	165
Action-plan EX- ante	.3242	.33155	165
HIV/AIDS	.0755	.17308	165
BEE	.1621	.29965	165

Figure 10. Statistics for each variable for the SOEs

The total number of SOEs whose annual reports were analysed are 165, which includes both the Major Public Entities and the National Public Entities. The descriptive statistics will be discussed for the two groups of SOEs in aggregate. For mission objectives, corporate strategy and monitoring the SOEs score between 0.8 and 0.95, which indicates detailed disclosure for each of these variables. For goals, business unit strategy, and action plans the SOEs scored between 0.5 and 0.4, which indicates that for these variables average disclosure was obtained although it was neither granular nor well-defined. In terms of the HIV / AIDS and BEE strategies, as well as business unit goals, minimal, insufficient disclosure was provided, as indicated by scores below 0.4.

4.4 Comparison between Major and National Public Entities

	0-3	%	3.25-5	%	5.25-7	%	7.25-9	%	9.25-11	%	
Score 2016											
Major	1	4.76	1	4.76	13	61.9	4	19.05	2	9.52	21
National	6	4.17	30	20.8	102	70.8	5	3.472	1	0.69	144
Overall	7	4.24	31	18.8	115	69.7	9	5.455	3	1.82	165
Score 2017											
Major	0	0	2	9.52	12	57.1	6	28.57	1	4.76	21
National	9	6.25	34	23.6	80	55.6	19	13.19	2	1.39	144
Overall	9	5.45	36	21.8	92	55.8	25	15.15	3	1.82	165

Figure 11. Major Public Entities vs National Public Entities (2016 and 2017)

The primary objective of the research is not to compare the extent of the disclosure between the years 2016 and 2017. The objective is to determine the extent to which SOEs disclose their strategy in their annual reports. When the SOEs' scores are considered in totality, it is found that there are no significant differences in the level of disclosure over the previously-mentioned two year period and there are no significant differences between the level of disclosure of the Major Public Entities and the National Public Entities.

4.5 Groupings and correlations

4.5.1 Inter-item correlation

Figure 12 below, illustrates the correlation between the variables which were used in this study. The correlations were calculated for both the Major and National Public Entities, cumulatively.

	Mission	Goal	Objectives	Corporate Strategy	Monitoring	Business Unit Goal	Business Unit Strategy	Action-plan EX-Post	Action-plan EX-ante	HIV/AIDS	BEE
Mission	1.000	0.281	0.445	0.434	0.320	0.037	0.106	0.268	0.202	0.132	0.121
Goal	0.281	1.000	0.173	0.224	0.199	0.240	-0.025	0.267	0.361	0.218	0.314
Objectives	0.445	0.173	1.000	0.701	0.620	0.120	0.251	0.263	0.180	0.116	0.093
Corporate Strategy	0.434	0.224	0.701	1.000	0.617	0.117	0.237	0.319	0.219	0.113	0.140
Monitoring	0.320	0.199	0.620	0.617	1.000	0.024	0.262	0.257	0.194	0.147	0.144
Business Unit Goal	0.037	0.240	0.120	0.117	0.024	1.000	0.415	0.213	0.236	0.021	0.059
Business Unit Strategy	0.106	-0.025	0.251	0.237	0.262	0.415	1.000	0.198	-0.028	0.048	-0.067
Action-plan EX-Post	0.268	0.267	0.263	0.319	0.257	0.213	0.198	1.000	0.639	0.193	0.172
Action-plan EX- ante	0.202	0.361	0.180	0.219	0.194	0.236	-0.028	0.639	1.000	0.146	0.273
HIV/AIDS	0.132	0.218	0.116	0.113	0.147	0.021	0.048	0.193	0.146	1.000	0.170
BEE	0.121	0.314	0.093	0.140	0.144	0.059	-0.067	0.172	0.273	0.170	1.000

Figure 12. Inter-item correlation matrix

The Inter-Item correlation matrix is for both the national public entities and major public entities together. It was found that the majority of the variables have a positive correlation to each other which indicates that they move in the same direction (when the level of disclosure increases for that variable so does the level of disclosure for the other variable) with exception of goals against business unit strategy. Business unit strategy with action plans, ex-ante and business unit strategy and BEE. There is a perfectly positive correlation between monitoring and objectives, monitoring and corporate strategy, and corporate strategy and objectives.

In terms of Category 1 variables, it was found that the variables have a positive correlation between each other. The correlation between these variables are below 0, 5 which indicates that they are not perfectly correlated meaning that although they both increase or decrease, they do not increase or decrease at the same rate. In Category 2, the variables were found to be positively correlated and the action plans are perfectly correlated indicating that they increase at a rate similar to each other and the action plans with the corporate strategy are not perfectly correlated. Category 3 variables were also positively correlated with each other although they are not perfectly correlated. Similarly, Category 4 variables were positively correlated with each other although they are not perfectly correlated.

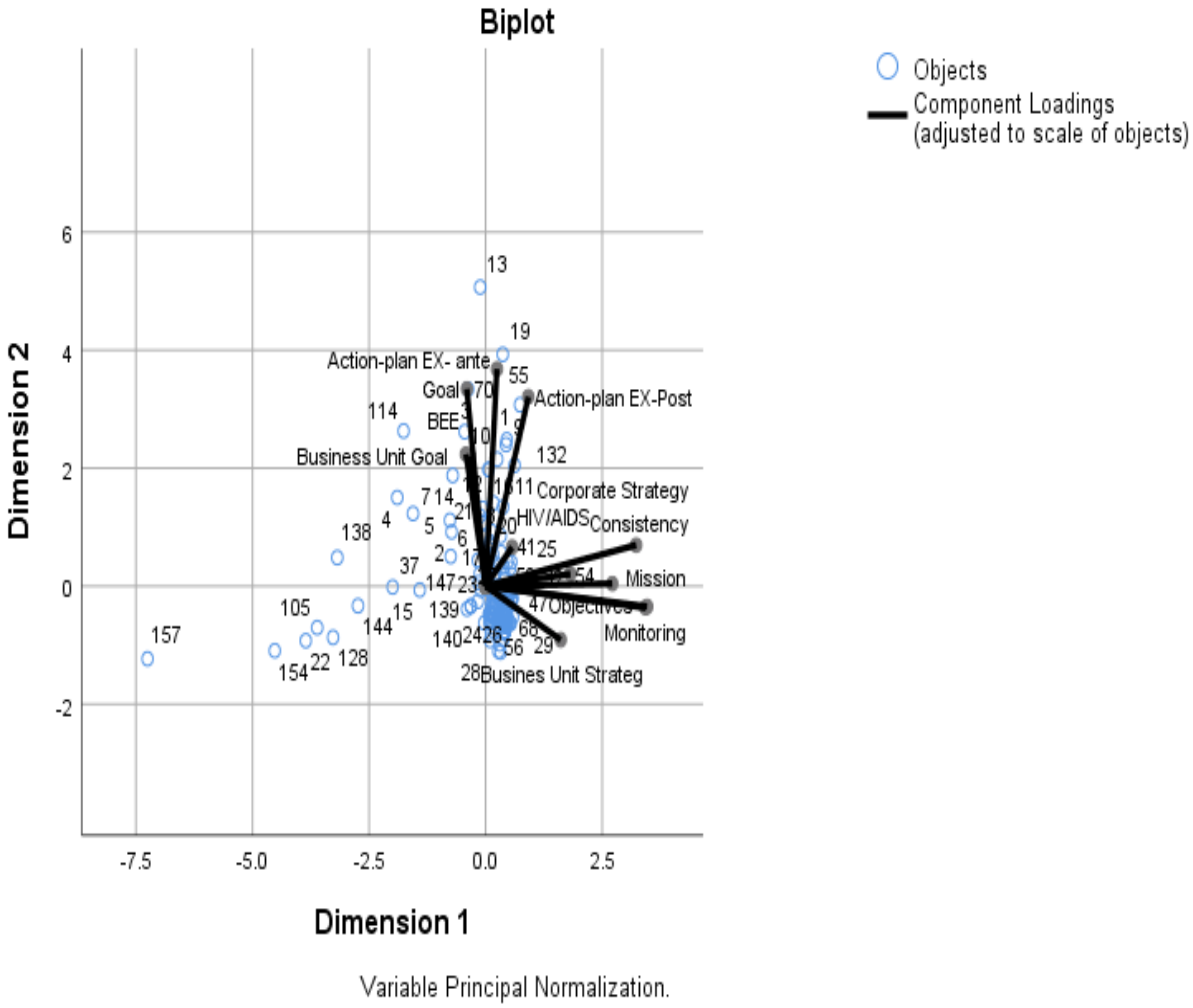


Figure 13. Bi-plot for national and major public entities combined

The bi-plot above is presented to see the groupings of the variables and to determine whether any of the variables could be considered to be outliers. The bi-plot indicated that the HIV strategy is considered to be the outlier. The bi-plot also indicates a strong relationship between the action plans, BEE and the goals. It also indicates a strong relationship between the consistency, mission, objectives, monitoring and business unit strategy. The bi-plot may indicate that there is no relationship or a relatively weak correlation between the two groupings that were identified.

4.5.2 Correlations for the 2016 and 2017 year

Figure 14 below, illustrates the relationship between the 2016 and the 2017 year for both the National Public Entities and the Major Public Entities separately as well as the combined results.

			major 2017	major 2016
Spearman's rho	major 2017	Correlation Coefficient	1.000	.172
		Sig. (2-tailed)	.	.455
		N	21	21
	major 2016	Correlation Coefficient	.172	1.000
		Sig. (2-tailed)	.455	.
		N	21	21

Figure 14. Spearman's rho correlation between 2016 and 2017 for Major Public Entities

In interpreting the tests, hypothesis testing was used:

H0: There is no statistically significant relationship between the 2017 results and the 2016 results for the Major Public Entities.

H1: There is a significant relationship between the 2017 and the 2016 results for the Major Public Entities.

When analysing the statistical relationship, one looks to see if $p<0.05$ at the 95% confidence level or $p<0.01$ at the 99% confidence level. As the table above indicates,

p=0.455. This p value is greater than 0.01, therefore, the null hypothesis is accepted. This means that there is no statistical relationship, therefore, indicating that the extent of disclosure for the two years is not consistent.

The correlation co-efficient; rho (r) was also examined. The correlation co-efficient can range from -1 to +1 The closer the absolute value of r is to 1, the stronger the relationship is between the two variables. Similarly, the closer r is to 0, the weaker the relationship between the two variables. In this case the coefficient is closer to 0, which indicates that the results for the 2017 year are not dependent on the results for the 2016 year.

			national 2017	national 2016
Spearman's rho	national 2017	Correlation Coefficient	1.000	.284**
		Sig. (2-tailed)	.	.001
		N	144	144
	national 2016	Correlation Coefficient	.284**	1.000
		Sig. (2-tailed)	.001	.
		N	144	144

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 15. Spearman's rho correlation between 2016 and 2017 for National Public Entities

To interpret the tests, hypothesis testing was used:

H0: There is no statistically significant relationship between the 2017 results and the 2016 results for the Major Public Entities.

H1: There is a significant relationship between the 2017 and the 2016 results for the Major Public Entities.

As indicated in the table above p=0.001. The p value is less than 0.01, therefore, the null hypothesis is rejected. This means that there is a strong statistical relationship,

therefore, indicating that the extent of disclosure for the two years is considered to be consistent and fairly equal.

The correlation co-efficient; rho (r) was also examined. The correlation co-efficient can range from -1 to +1. The closer the absolute value of r is to 1, the stronger the relationship is between the two variables. Similarly, the closer r is to 0, the weaker the relationship. In this case the coefficient is closer to 0, which indicates that the results for the 2017 year are not dependent on the results for the 2016 year.

			2017 results	2016 results
Spearman's rho	2017 results	Correlation Coefficient	1.000	.288**
		Sig. (2-tailed)	.	.000
		N	165	165
	2016 results	Correlation Coefficient	.288**	1.000
		Sig. (2-tailed)	.000	.
		N	165	165

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 16. Spearman's rho correlation between 2016 and 2017 for the National Public Entities and the Major Public Entities combined

To interpret the tests, hypothesis testing was used:

H0: There is no statistically significant relationship between the 2017 results and the 2016 results.

H1: There is a significant relationship between the 2017 and the 2016 results.

As indicated in the table above p=0.000. The p value is less than 0.01, therefore, the null hypothesis is rejected. This means that there is a strong statistical relationship, therefore, indicating that the extent of disclosure for the two years is consistent and fairly equal.

The correlation co-efficient; rho (r) was also examined. The correlation co-efficient can range from -1 to + 1. The closer the absolute value of r is to 1, the stronger the relationship is between the two variables. Similarly, the closer r is to 0, the weaker the relationship. In this case the coefficient is closer to 0, which indicates that the results for the 2017 year are not dependent on the results for the 2016 year.

4.5.3 Correlations between the national and major public entities

Figure 17 below illustrates the relationship between the National Public Entities and the Major Public Entities for 2017.

Ranks				
		N	Mean Rank	Sum of Ranks
major 2016 - major 2017	Negative Ranks	12[a]	9.75	117.00
	Positive Ranks	9[b]	12.67	114.00
	Ties	0[c]		
	Total	21		
national 2016 - national 2017	Negative Ranks	59[d]	63.95	3773.00
	Positive Ranks	68[e]	64.04	4355.00
	Ties	17[f]		
	Total	144		
a. major 2016 < major 2017				
b. major 2016 > major 2017				
c. major 2016 = major 2017				
d. national 2016 < national 2017				
e. national 2016 > national 2017				
f. national 2016 = national 2017				

Test Statistics		
	major 2016 - major 2017	national 2016 - national 2017
Z	-.053[b]	-.701[c]
Asymp. Sig. (2-tailed)	.958	.483
a. Wilcoxon Signed Ranks Test		
b. Based on positive ranks.		
c. Based on negative ranks.		

Figure 17. Wilcoxon Signed Ranks Test

To determine the relationship between 2016 and 2017 for both the Major Public Entities and the National Public Entities, hypothesis testing was used.

Major Public Entities

H0: The median Major 2016 scores are equal to the Major 2017 scores.

H1: The median Major 2016 and 2017 scores are different.

For the Major Public Entities, the results indicated that, when looking at a p value, p=0.958. This p value is much greater than 0.05 so the null hypothesis is not rejected. This means that the median Major 2017 scores and 2016 scores are equivalent.

National Public Entities

H0: The median National 2016 scores are equal to the National 2017 scores.

H1: The median National 2016 and 2017 scores are different.

For the National Public Entities, the results indicated that, p=0.483. This p value is much greater than 0.05, therefore, the null hypothesis is not rejected. This means that the median National 2017 scores and 2016 scores are equivalent.

4.6 Reliability

Figure 18 and 19 below, illustrate the internal consistency of the research for each of the variables to determine whether the variables test for strategy disclosure.

Figure 18 Scale Statistics

Mean	Variance	Std. Deviation	N of Items
5.7585	2.861	1.69138	11

The scale statistics relates to both the National Public Companies and Major Public Entities. For all the variables, excluding consistency, there is average disclosure in these SOEs. The standard deviation indicates that there is a significant difference in the overall level of disclosure from the entities that were assessed.

Figure 19 Case processing summary

		N	%
Cases	Valid	165	100.0
	Excluded[a]	0	.0
	Total	165	100.0

a. List wise deletion based on all variables in the procedure.

Figure 20 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.722	.757	11

In order to determine whether the 12-variable criterion that was used did indeed test for strategy disclosure across the two-year period and the different groups of SOEs, a

Cronbach’s alpha was calculated. This indicated that the consistency was considered to be good, as a score of > 70% was obtained. The deletion of the variables had no effect on the internal consistency.

CHAPTER 5: CONCLUSION

The purpose of this study was to evaluate the extent to which SOEs are accountable to the public, through a process of examining the level of strategy disclosure they have in their annual reports. Strategy disclosure is considered to add value and assists in decision-making. The need for integrated reports and the importance of strategy disclosure are highlighted in the existing body of knowledge. Strategy is also regarded as an imperative factor in the value creation process of an organisation. There is a great need, therefore, for the disclosure of strategy in annual reports.

This study will make a contribution to the existing body of knowledge on SOEs, as there is limited research within this specific area. The biggest contribution of this study within the context of an increasing interest of the public, in the performance of SOEs and given the numerous scandals that have plagued SOEs in recent years. This study will serve to raise awareness amongst the public in terms of the extent to which SOEs are accountable to the public, by means of their strategy disclosure.

The main findings in this study are the following:

The descriptive statistics revealed that the Major Public Entities, as well as the National Public Entities, on average had sufficient levels of disclosure, although they seldom provided in-depth and well-defined strategy disclosure. There is also little to no disclosure in terms of BEE or HIV / AIDS strategies for both the National and Major Public Entities. It was also found that in terms of the mission, objectives and the corporate strategy, good scores were obtained for both groups of SOEs. This could be attributed to the requirements to disclose their strategy, in their annual reports.

This study also found that the focus was on the disclosure of historical information and less attention was given to future-oriented information. This is similar to the finding of Santema and Van de Rijt (2001), who also found that Dutch companies disclose more historical information than future information. This could be attributed to organisations not wanting competitors to imitate their strategy and therefore losing their competitive edge.

Secondly, in terms of groupings and correlations, it was found that with the inter-item correlations both the Major Public Entities and the National Public Entities, had mostly positive correlations between the variables. The correlations between the two years

for both the National and the Major Public Entities, were significant which could indicate that the extent of disclosure over the two years was consistent.

Finally, in determining the internal consistency of the study, it was found that the variables which were used did indeed test for strategy disclosure which is indicative that the variables are consistent. This is also in line with the findings the study of Padia and Yasseen (2011) as well as the study that was done by (Phala, 2018), which both found that the criteria used did indeed test strategy disclosure.

The results thus indicate that SOEs do disclose a measure of strategy in their annual reports although, it could have been disclosed in greater depth and detail. The findings mainly show that SOEs tend to disclose a lot about their objectives, goals and where they want to see themselves as an organisation but rarely disclose anything about the plans as to how they will achieve those objectives and goals. This may be due to the entity not wanting competitors imitating their plans, in order to keep their competitive edge or due to the entities not being able to formulate plans to meet these objectives which may, in part, play a role in the failures within some SOEs.

The findings also showed that SOEs do not disclose much about their HIV / AIDS and BEE policies, regardless of the fact that these are government initiatives and SOEs. They are expected to lead by example as institutions responsible for the implementation of government strategy.

One of the limitations of this study is that it is only focused on SOEs and no privately owned entities were considered. The other limitation is, that although annual reports are the most widely used platform to communicate the organisations strategy, it is not the only manner in which this can be communicated and therefore little or no disclosure in the annual reports does not necessarily mean that the strategy was not disclosed to the stakeholders using other means.

There are various opportunities for future research within this field. A comparative study can be conducted between strategy disclosure of different countries' SOEs. This could assist standard setters in firstly having uniform strategy frameworks, as well as understanding the disclosure patterns of different countries. It could also assist in understanding the factors which might influence the extent of disclosures.

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Appendix

Table 3: Variables for strategy disclosure

	Variable
01	Mission: What does the company want to be?
02	Goal: What general controls does the company have?
03	Objectives: what concrete quantitative goals does the company have?
04	Corporate strategy: What is the corporate Strategy that the company has?
05	Consistency: Is the corporate strategy in line with the statements of strategy in previous reports?
06	Monitoring: are the goals and objectives monitored?
07	Business Unit Goals: Which Goals do business units have?
08	Business Unit Strategies What are the business strategies for the business units?
09	Action Plans (EX-Post): What action plans have been executed in the past year in relation to the strategy?
10	Action Plans (EX-Ante): What action plans are to be executed in the next year in relation to the strategy?
11	HIV/AIDS: Companies strategy with Regards to HIV/AIDS?
12	Black Economic Empowerment: BEE related Strategy

Source: CRITERIA 1 TO 10 SOURCED FROM (Santema & Van de Rijt, 2001) AND CRITERIA 11 AND 12 FROM (Padia & Yasseen, 2011)

Rating system

Table 4: Mission

Mission	
0	No mission disclosed
.25	Evidence exist of some mission statement but is vague
.5	Mission is available but does not convey what the entity strives to become.
.75	well defined mission statement which includes a vision
1	Mission is well defined and clearly conveys the message of what the entity strives to become

Table 5: Objectives

Objectives	
0	No objectives disclosed
.25	Merely having some evidence of having financial objectives (e.g. merely stating they want to be profitable in the next year
.5	The objectives are clearly laid out and clearly explained. (Clearly stating the targets they would like to obtain)
.75	Objectives are also broken down into the different terms (Short, Medium and long Term
1	Objectives are also broken down into the different segments of the business, and further information may be given on any constraints that may exist in meeting these objectives.

Table 6: Monitoring

Monitoring	
0	No evidence of monitoring goals and objectives is disclosed
.25	Merely stating that they have a process to progress to meeting objectives and goals (evidence exists but is vague).

.5	They layout the exact process that will be used to monitor the progress of meeting their strategy and criteria used to see progress. Also indicates that approximately 50% of the goals and objectives are monitored
.75	They also include the timing of the monitoring and indicates that approximately 75% of goals and objectives are monitored
1	- It also includes the personnel responsible for the monitoring and the monitoring is broken down into their objectives, goals and corporate strategy. It indicates that all objectives are monitored

Table 7: Corporate strategy

Corporate strategy	
0	No corporate strategy disclosed
.25	Stated out the direction, scope of the entity, but is vague.
.5	The scope and direction is laid out both qualitatively and quantitatively, but message not well defined.
.75	Inclusive of the above, the corporate strategy is broken down into different terms (long term, short term and medium term) and the message is conveyed.
1	Inclusive of the above, the disclosure also includes the resources, constraints and staffing requirement for this and is well defined.

Table 8: Action plans-Ex ante

Action plans-Ex ante	
0	No Action plans disclosed
.25	Merely having some plans to meet the strategy but is vague.
.5	The action plans are clearly laid out and clearly explained.

.75	Plan are also broken down into the different time periods in which they will be performed (Short, Medium and long Term).
1	Plans are also broken down into the different segments of the business, and further information may be given on any constraints that may exist in performing these and state out personnel and resources required for these plans.

Table 9: Action plans-Ex Post

Action plans Ex-Post	
0	No Action plans disclosed
.25	Merely having some plans to meet the strategy but is vague.
.5	The action plans are clearly laid out and clearly explained.
.75	Plan are also broken down into the different time periods in which they will be performed (Short, Medium and long Term).
1	Plans are also broken down into the different segments of the business, and further information may be given on any constraints that may exist in performing these and state out personnel and resources required for these plans.

Table 10: BEE

BEE	
0	No BEE strategy disclosed
.25	merely stating that they have some strategy relating to the BEE but is vague
.5	States out clearly how they plan on meeting the BEE requirements
.75	stating out the time periods in which they will meet this strategy and what has already been done with regards to their BEE strategy

1	Inclusive of the above, they also state out any constraints and challenges to be faced or is currently face in meeting the strategy and any resources they may be needed to meet this strategy.

Table 11: HIV

HIV	
0	No HIV strategy disclosed
.25	merely stating that they have some strategy relating to the HIV
.5	States out clearly how they plan on meeting the HIV strategy
.75	stating out the time periods in which they will meet this strategy and what has already been done with regards to their HIV strategy
1	Inclusive of the above, they also state out any constraints and challenges to be faced or is currently face in meeting the strategy and any resources they may be needed to meet this strategy and personnel that may be needed in order to fulfil this.

Table 12: Goals

Goals	
0	No Goals are disclosed
.25	Stated out the gaols but are vague
.5	The controls are laid out both qualitatively and quantitatively and clearly defined.
.75	Inclusive of the above, the goals are broken down into different terms (long term, short term and medium term).
1	Inclusive of the above, the disclosure also includes the resources, constraints and staffing requirement for this.

Table 13: Consistency

Consistency	

0	
.25	corporate strategy is partly in line with the previous year's disclosure
.5	corporate strategy is approximately 50% in line with the previous year's strategy
.75	corporate strategy is approximately 75% in line with the previous year's strategy
1	Corporate strategy is consistently in line with the previous year's strategy

Table 14: Business unit goals

Business unit goals	
0	No business unit goals disclosed
.25	goals for some of the business units
.5	goals for approximately half of the business units is disclosed
.75	goals for almost all the business units disclosed
1	Goals for all the business units disclosed

Table 15: Business unit Strategy

Business unit Strategy	
0	No business unit strategy disclosed
.25	Strategy for some of the business units
.5	Strategy for approximately half of the business units is disclosed
.75	Strategy for almost all the business units disclosed
1	Strategy for all the business units disclosed.