UNIVERSITY OF THE WITWATERSRAND

A comparative study on strategy disclosure between emerging markets and developed markets

A research report submitted by

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DECLARATION

I hereby declare that this research report is my own unaided work. It is submitted in partial fulfilment of the degree of Master of Commerce by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It has not been submitted elsewhere for the purpose of being awarded another degree or for examination purposes at any other university.

Signature:

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ABSTRACT

The corporate scandals of the past (e.g. Worldcom and Enron) and the financial crisis have highlighted the existence of agency problems in markets. Consequently, the need for corporate governance reform was indicated and various countries undertook policies and recommendations aimed at preventing a repetition of these corporate scandals. Since corporate disclosure is an important element of corporate governance, these countries have formulated corporate governance codes that include certain recommendations and requirements for dealing with disclosure with the aim of improving the transparency and accountability of companies and ultimately restoring public confidence in corporate reporting.

Strategy disclosures are an important element of transparency and accountability as they provide stakeholders with corporate governance information (such as management goals and plans for the future of the company) that is intended to decrease the information asymmetries between the managers and the various stakeholders of companies. Strategy disclosures have also been identified by the International Integrated Reporting Committee (IIRC) as an important element of quality information that provides a complete view of the company.

The focus of this study is to provide a view of the extent of strategy disclosures made by companies in both the developed market and the emerging market. The study also provides empirical evidence on the differences in the extent of strategy disclosures between developed and emerging markets.

Overall, the findings of the study indicate that emerging market companies have average to good strategy disclosures in their annual reports, whereas companies in the developed market have low disclosure of strategy in their annual reports. From the results of the study, it can be concluded that the emerging market companies have better strategy disclosures in their annual reports than companies in the developed market.

Key words: America, Australia, developed market, emerging market, India, non-financial disclosure, South Africa, strategy disclosure, voluntary disclosure, integrated reporting.

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1 INTRODUCTION

1.1 Purpose of the study

The purpose of this study was to establish whether the extent of strategy disclosure in the annual/integrated reports of South African and Indian listed companies (emerging market) are at a comparative level to the strategy disclosure in the annual/integrated reports of American and Australian listed companies (developed market). The research will also broadly explore the changes in strategy disclosure trends in both the emerging and the developed markets over the period 2011 to 2013.

By performing a comparative study of strategy disclosure between the developed and the emerging markets, this study aimed to fulfil the research need identified by Santema and Van de Rijt (2001) for an international comparative study on strategy disclosures.

1.2 Context of the study

Over the past years, it has become apparent that many deficiencies exist in corporate governance (this is highlighted by large international corporate failures such as Enron, Worldcom and Parmalat). These deficiencies highlight the need for corporate governance reform which could be achieved through improvements in corporate reporting. Corporate disclosure and transparency are important components of corporate governance because improved disclosures keep stakeholders better informed about how a company is managed and governed, which, in turn, may assist shareholders, regulators and other stakeholders in assessing whether the various companies are governed appropriately and the necessary measures implemented to mitigate inappropriate corporate governance.

The objective of financial reporting is to provide financial information about the reporting entity that is useful to a wide range of users in making economic decisions (International Accounting Standards Board [IASB], 2012). The International Financial Reporting framework further acknowledges that financial reports do not provide all the information that is needed by the users of financial reports (IASB, 2012). Nevertheless, in the past corporate reports have been subject to criticism owing to the fact of their lagging rather than leading information disclosure (Flostrand & Strom, 2006). This highlights the fact that the information needs of the various stakeholders of companies have moved from information that focuses on the past to information that is future orientated and that improves their decision-making ability.

Subsequently, the IIRC has realised that company stakeholders have evolving reporting needs which require communication about value creation (IIRC, 2013). To meet these needs the IIRC introduced the concept of integrated reporting. Integrated reporting aims to improve the quality of information presented to the suppliers of financial capital by promoting the communication of a complete range of factors that materially affect the ability of an organisation to create value over the short, medium and long term (IIRC, 2013).

The IIRC has identified the "strategic focus and future orientation" principle as one of the guiding principles of integrated reporting. This principle focuses on providing insight into the organisation's strategy and the relationship of the strategy to the organisation's ability to create value over time, as well as the effect that the corporate strategy has on the capital of an organisation (IIRC, 2013). The IIRC therefore considers strategy disclosure to be one of the contributory factors to quality information, helping to provide a complete view of the ability of an organisation to create value.

Learned et al. (1969, as cited in Bracker, 1980) define "strategy" as the pattern of objectives, purposes, or goals and major policies, and the plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. A company strategy is therefore an element of corporate governance, since strategy will define the objectives that need to be achieved and offer various methods on how the defined objectives can be met. A company's strategy disclosures will guide parties that are external to the company on the level of commitment from the board of directors to ensure that the company maintains good corporate governance.

In the light of corporate governance reform, the four countries in the sample used in this research have issued various corporate governance codes and regulations. A summary of these is given below.

South African listed companies are governed by the Companies Act no. 71 of 2008 and the JSE Listing Requirements. The application of the King III Report (the South African corporate governance code) is included as part of the JSE Listing Requirements, and South African listed companies are therefore required to apply the recommendations included in the King III Report.

The King Codes on corporate governance have set international standards of best corporate practice in a South African context. The first Code of Corporate governance in South Africa, namely, the King Report, was introduced in 1994. However, as mentioned by Barac and Moloi (2010) in their study, international developments in the area of corporate governance and legislative developments in South Africa necessitated the updating of the first King Report; this resulted in the King II report which was issued in 2002 and, subsequently, the King III issued in 2009. The King Reports use the "apply or explain" governance mechanism where the companies should either apply the recommendations included in the reports or provide valid reasons for not applying the recommendations.

Interest in corporate governance in India arose in the mid to late 1990s in response to the growing need for Indian companies to demonstrate greater disclosure and more transparency and provide better shareholder value in order to access the global capital markets (Afsharipour, 2009, 2010). In direct response to this, the Confederation of Indian Industry issued a voluntary code in 1998 titled "Desirable corporate governance: A code" (Confederation of Indian Industry, CII, Code) (Afsharipour, 2010). However, very few companies voluntarily adopted the code and, thus, it did not result in widespread improvement in the governance practices of Indian companies (Afsharipour, 2010).

Shortly after the Indian corporate code of governance was issued in 1998, a committee was appointed by the Securities Exchange Board of India (SEBI) – the Birla Committee (Afsharipour, 2010). The committee made several recommendations regarding transparent corporate disclosure, such as the need to disclose non-financial information in the annual reports through the management discussion and analysis section (Afsharipour, 2010). The SEBI implemented the recommendations of the Birla Committee in 2000 via Clause 49 of the Listing Agreement of Stock Exchanges (Afsharipour, 2010), which clause was mandatory and enforceable by stock exchanges (Kimber, Lipton, & O'Neil, 2005). Clause 49 is similar to the South African King reports in that it also uses the "apply or explain" governance mechanism.

Corporate scandals in the past and the adoption of the Sarbanes-Oxley Act in the United States prompted the Indian government to reconsider corporate governance, disclosure, accountability and the enforcement mechanisms in place (Afsharipour, 2010). As a result, in 2002 SEBI appointed the Narayana Murphy Committee to evaluate the relevance of the then Clause 49 (Afsharipour, 2010). In 2006, the recommendations of the Murphy Committee were implemented by SEBI through the issuing of an amended Clause 49 to the Listing Agreement of Stock Exchanges (Afsharipour, 2010).

Corporate governance reform in Australia began in the late 1990s when the government announced the introduction of the Corporate Law Economic Reform Programme (CLERP) in March 1997, which was identified as an initiative to improve Australia's business and company regulation (Commonwealth of Australia, 1998). CLERP identified improvement in disclosures as one of the key features of the reform agenda (Commonwealth of Australia, 1998). The CLERP currently consists of Papers 1 to 9, each of which represents different features of the reform programme. Corporate disclosure is dealt with in CLERP Paper 9.

In August 2002, the ASX Corporate Governance Council was established to develop a framework to further improve corporate governance practices (Proimos, 2005). The first ASX Corporate Governance Council Principles and Recommendations were introduced in 2003 and the second edition was released in 2007 (ASX Corporate Governance Council, 2014). In response to the global financial crisis and various jurisdictions adopting new corporate governance legislation, the ASX Corporate Governance Council issued a third edition of the code in 2014 (ASX Corporate Governance Council, 2014). Like the King III report of South Africa and Clause 49 of the Listing Agreement of Stock Exchanges of India, the ASX applies the "if not, why not" approach to governance.

Companies listed on the ASX are required under the listing rules to communicate their corporate governance statement indicating the extent to which the ASX Corporate Governance Council Principles and Recommendations have been complied with and valid reasons for non-compliance with specific recommendations (ASX Corporate Governance Council, 2014).

Before the 2000s, developments in corporate governance and transparency in the American context were largely about the influence of institutional investors (Langevoort, 2007). The corporate scandals that took place in the early 2000s (such as Enron and Worldcom) decreased the confidence of investors, resulting in significant declines in the equity value of many American companies (Agrawal & Chadha, 2005), which caused widespread job losses and billions of dollars of losses for investors (Langevoort, 2007). The widespread impact of these corporate scandals necessitated further corporate governance reform in the American context.

In response to the high-profile corporate scandals, the American Congress enacted the American code of corporate governance, namely, the Public Company Accounting Reform and Investor Protection Act (commonly known as the Sarbanes-Oxley Act) in July 2002 (Office of Economic Analysis- US Securities and Exchange Commission, 2009). The aim of the Sarbanes-Oxley Act is to restore public confidence in the reliability of financial reporting by enhancing the reliability of financial reporting, improving audit quality (Ernst & Young, 2012) and regulating various elements of corporate responsibility and accountability (Rose, 2005). The Act instituted various governance restrictions and disclosure rules, focusing on transparency.

1.3 Problem statement

Globalisation and interaction in corporate governance across various countries is a subject that has attracted significant academic interest (Khanna, Palepu, & Srinivasan, 2004). Corporate disclosure and transparency is an element of corporate governance (Khanna et al., 2004) where the quality of disclosure is indicative of good corporate governance (Eng & Mak, 2003). Strategy disclosure has been identified by the IIRC as having relevance in improving the quality of information presented to the suppliers of financial capital; however, research in this area is limited (Padia, 2012; Padia & Yasseen, 2011; Santema, Hoekert, Van de Rijt, & Oijen, 2005; Santema & Van de Rijt, 2001).

To contribute to the strategy disclosure research area, this study analyses the extent of strategy disclosures in the annual reports of the developed market (represented by American and Australian listed companies) and the emerging market (represented by Indian and South African listed companies). The study will further compare strategy disclosure as it is manifest in the developed and the emerging markets.

1.4 Significance of the study

There is a growing interest among researchers in the extent of non-financial disclosures by companies (Barac & Moloi, 2010; Meek et al., 1995) however, limited research is focused on the extent of strategy disclosures (Padia, 2012; Padia & Yasseen, 2011; Santema, Hoekert, Rijt, & Oijen, 2005; Santema & Van de Rijt, 2001).

With the disclosure of strategy information being identified as a key factor of integrated reporting by the International Integrated Reporting Framework (IIRF), it is important that the extent of these disclosures is assessed. This study aims to provide an assessment of the extent of strategy disclosures across two different developmental level markets, which will contribute to the limited strategy disclosure research area.

To date, no study has been noted that compares the extent of the strategy disclosures between two different developmental level markets. This is the largest contribution that the current study makes, as it will also contrast the extent of disclosure between the two different developmental markets. This research focus also fulfils the research need identified by Santema and Van de Rijt (2001) for an international comparative study on strategy disclosure.

The results of this research will be useful to a wide range of users of annual reports, specifically, the regulators of emerging market companies, as noted by Gray, Meek, and Roberts (1995) and Khanna et al. (2004), who found that countries may improve their mandatory reporting requirements and governance regulation in order to market themselves to foreign investors. This marketing has a specific emerging market focus, since these nations are in the process of rapid growth and would therefore benefit from foreign investment. It is therefore important for emerging markets to benchmark their corporate practices with those of the developed markets so that ongoing progress can be made.

Lastly, the research will broadly indicate whether there are significant differences in non-financial disclosure on strategy under governance structured as codes of best practice, such as the South African King reports, and the codes structured on a statutory basis, such as the Sarbanes-Oxley.

1.5 Limitations of the study

In terms of the limitations of this study, the researcher acknowledges that companies may use measures such as Security Exchange News Service (SENS) announcements, press releases and website information to communicate with their various stakeholders regarding their corporate strategy, but these do not form part of the analysis carried out in this research. The research only analyses the extent of strategy disclosures in annual reports. This was deemed appropriate, as Botosan (1997) and Gray et al. (1995) argue that annual reports are a good representation of the extent of voluntary disclosures presented by companies via other media streams. Annual reports are also widely considered to be an important source of corporate information (Botosan, 1997). Other authors that share a similar limitation, that is, that have used only the annual reports and did not take into account disclosure made through other media, include Botosan (1997), Meek, Roberts, and Gray (1995), Padia (2012), Padia and Yasseen (2011), Richardson and Welker (2001) and Santema and Van de Rijt (2001).

Secondly, the study is limited to the top 50 companies listed on the Bombay Stock Exchange (BSE), the Johannesburg Stock Exchange (JSE), the New York Stock

Exchange (NYSE), and the Australian Stock Exchange (ASX). The top 50 companies were selected in terms of market capitalisation.

Lastly, the study focuses on the existence of the disclosure items and does not endeavour to assess the qualitative aspect of the strategy information provided in the annual reports, as to do so would involve an element of subjectivity.

1.6 Definition of terms and abbreviations

ASX – Australian Stock Exchange

BEE – Black Economic Empowerment

BSE – Bombay Stock Exchange

CII – Confederation of Indian Industry

CLERP – Corporate Law Economic Reform Programme

FASB – Financial Accounting Standards Board

HIV/AIDS – Human immunodeficiency virus/acquired immune deficiency syndrome

IASB – International Accounting Standards Board

IIRC – International Integrated Reporting Committee

IIRF – International Integrated Reporting Framework

JSE – Johannesburg Stock Exchange

NYSE – New York Stock Exchange

SEBI – Securities and Exchange Board of India

SENS – Securities Exchange News Service

WEF- World Economic Forum

Stakeholders: Shareholders employees, customers, suppliers, society and the general natural environment

Qualitative disclosures: Non-financial disclosures that are important for users of financial information in their economic decision making.

1.7 Assumptions

The strategy disclosures are truthful and are representative of the practices within the companies; as dishonest disclosures would impair the validity of the study. This is an appropriate assumption, as the codes of corporate governance of the various countries require truthful disclosures and dishonest disclosures would therefore contravene the laws and regulations of the jurisdictions, which would result in reputational damage to the companies, as well as possible litigation liability.

The sample of companies in each country reflects the general disclosure actions of the total country population they represent, as a non-representative sample of companies would result in unreliable interpretations of the extent of disclosures apparent in the two developmental level markets.

2 LITERATURE REVIEW

2.1 Introduction

Strategy disclosures include information about managerial plans for the future of the company, providing information that is useful in assessing the profitability of these investments (Ferreira & Rezende, 2007). The necessity for these disclosures will be shown by introducing a framework that highlights the governance ability of corporate reporting. The theory that is identified as holding validity for corporate strategy disclosures is agency theory.

Jensen and Meckling (1976) define the agency relationship as a contract in terms of which one or more parties (the principal(s)) engage another party (the agent(s)) to perform a defined purpose on their behalf, with some decision-making power being delegated to the agent. The principal–agent relationship can take various forms such as the relationship between the following parties: the shareholders and the board of directors, the board of directors and the firm's management, the employer and the employee, the client and the lawyer, and the buyer and the supplier (Adams, 1994; Alchian & Demesetz, 1972; Ekanayake, 2004; Jensen & Meckling, 1976).

Agency theory focuses on the conflicts of interest that exist between the agent and the principal (Eisenhardt, 1989; Haugen & Senbet, 1981; Healy & Palepu, 2001; Jensen, 1986), highlighting the mechanisms that may prevent the agent from not acting in the best interests of the principal (Ekanayake, 2004; Jensen & Meckling, 1976).

The fundamental breakdown of governance resulting in the past corporate failures was mainly as a result of these firms and their shareholders failing to protect themselves against agency problems (Heath & Norman, 2004). The agents were accordingly able to exploit information asymmetries and conflicts of interest (Heath & Norman, 2004). Corporate disclosure is therefore considered to be essential for the efficient functioning of a capital market (Healy & Palepu, 2001); therefore this has increased the demand for information in financial markets (Gruning, 2007).

Two other theories that have some applicability to strategy disclosures are stakeholder theory and legitimacy theory. In terms of these theories, management may implement certain strategies for reasons of legitimacy or for the benefit of various stakeholders. These theories were not used as the base frameworks for this study because they are mainly used to support social and environmental accounting research (Adams, 2002; Chen & Roberts, 2010), since both theories are interested in organisations and their accountability with regard to environmental, ethical and social issues (Adams, 2002; Chen & Roberts, 2010).

This research does not attempt to assess the appropriateness, legitimacy or credibility of corporate strategy and would thus not need to explore the stakeholder and legitimacy framework. This research will analyse the extent of strategy disclosure between emerging market countries and developed market countries and is therefore seeking a framework that highlights the importance of these disclosures. As indicated above, agency theory focuses on the conflicts of interest between the agent and the principal, which may be mitigated through appropriate corporate disclosure. The research therefore highlights the importance of strategy disclosures. From the above analysis the researcher concludes that agency theory is the most appropriate framework to highlight the necessity for strategy disclosure.

This section of the literature review has identified agency theory as the base framework for this research. The next section will provide a general discussion of the theory, as it is the foundation for supporting the need for a strategy of voluntary disclosure in contributing to the transparency of corporations, so as to reduce any information asymmetries.

Since strategy disclosure is a relatively new research area, the third section will provide background on non-financial or voluntary qualitative disclosure research, as the scope of past studies on strategy disclosure is fairly limited. The research will also consider the usefulness of these qualitative disclosures and explore their various costs and benefits.

The last section will focus on strategy disclosure research from which the research questions of the study will be drawn. Consideration will be given to the key elements of strategy disclosure that were identified by other studies and the importance of these disclosures will also be explored. Finally, an analysis will be conducted of the studies that have a particular developing and emerging market interest.

2.2 Agency theory framework

The concept of the separation of ownership and control in large corporations was first introduced by Berle and Means (1933). This was in later years formalised and termed the "agency relationship" by Jensen and Meckling (1976).

Since the formulation of agency theory, scholars and academics have given considerable attention to it. The following are some of the areas of agency theory that have gained academic interest: investigating the impact of ownership structure on agency problems (Dharwadkar, George, & Brandes, 2000; Farrer & Ramsay, 1998; Jensen & Meckling, 1976; Morck, Scheifer, & Vishney, 1988; Mustapha & Ahmad, 2011); studying the impact of agency theory on management's compensation strategies or vice versa (Buck, Bruce, Main, & Udueni, 2003; Fama, 1980; Stroh, Brett, Baumann, & Reilly, 1996; Zajac & Westphal, 1994) and examining the monitoring or mitigation of agency costs (Fama & Jensen, 1983a; Haugen & Senbet, 1981; Jensen, 1986; Mitchell & Meacheam, 2011).

Zu and Kaynak (2012), on the basis of work performed by Eisenhardt (1989), Ekanayake (2004) and Rungtusanatham, Rabinovich, Ashenbaum, and Wallin (2007), identified the assumptions of agency theory as

i. potential conflicts of interest between the principal(s) and the agent(s)
ii. each party acting in its own self-interest
iii. existence of information asymmetry between the principal(s) and the agent(s)
iv. agent(s) being more conservative with risk than the principal.

A general discussion of the above assumptions is given below with the exception of assumption four (i.e. agent(s) being more conservative with risk than the principal), as it does not have specific applicability to the study.

2.2.1 Conflicts of interest and value maximisation

Various researchers have identified conflict of interest between the principal(s) and the agent(s) as the main focal assumption of agency theory (Eisenhardt, 1989; Haugen & Senbet, 1981; Healy & Palepu, 2001; Jensen, 1986), where both the principal and the agent are mainly focused on maximising their own utility (Haugen & Senbet, 1981; Jensen & Meckling, 1976). Since the principal(s) and the agent would like to maximise their utility, there is good reason to believe that the agent may not always act in the best interests of the principal (Bryant & Davis, 2011; Ekanayake, 2004; Jensen & Meckling, 1976; Scheifer & Vishny, 1989).

Ekanayake (2004) notes that agency theory can be classified into positivist and principal–agent research. The principal–agent literature is more concerned with the general theory of the agency relationship, whereas the positivist stream of literature describes the governance initiatives that can resolve the agency problem arising from conflicts of interest (Eisenhardt, 1989).

The conflicts of interest in agency relationships can be resolved by (i) the establishment of incentives for the agent to align his interests with those of the principal; (ii) the monitoring costs incurred by the principal in limiting the conflicting activities of the agent; and (iii) the bonding costs being incurred by the agent to provide the principal with a guarantee that he will not take certain actions which would harm the interests of the principal or to guarantee compensation if such action were taken (Eisenhardt, 1989; Ekanayake, 2004; Fama & Jensen, 1983b; Farrer & Ramsay, 1998; Fogarty, Magnan, Markarian, & Bohdjalian, 2009; Jensen & Meckling, 1976).

Dharwadkar et al. (2000) and Fama (1980) classify the agency mitigation efforts into internal control measures and external control measures. Internal control measures would be when the board of directors assists the shareholders in evaluating the performance of management (Dharwadkar et al., 2000; Fogarty et al., 2009). Furthermore, Fama (1980) notes that another form of internal monitoring would be when lower level managers perceive opportunity in combating shirking or monitoring incompetent managers above them. External control measures, on the other hand, would include those mitigation mechanisms that cause the firm to be susceptible to market interventions, as there are opportunities available for competent outsiders to take control of the company (Dharwadkar et al., 2000; Santema et al., 2005).

The above monitoring or mitigation efforts support the premise that it is highly unlikely that the principal or the agent, at no cost, will ensure that the agent will make decisions benefiting the principal (Haugen & Senbet, 1981; Jensen & Meckling, 1976; Zajac & Westphal, 1994). The monetary equivalent of the loss in utility experienced by the principal as a result of the divergence in interests is the cost of the agency relationship (Jensen & Meckling, 1976), which is also referred to by Jensen and Meckling (1976) as the residual loss.

Dharwadkar et al. (2000) identify the public availability of transparent information of firm performance as facilitating external control measures. This is further supported by Eisenhardt (1989), who states that information systems mitigate agent opportunism as these inform the principal about the agent(s)' actions.

2.2.2 Information asymmetry and the role played by corporate disclosure

The information asymmetry problem refers to instances when one party in the relationship has access to more or better information than the other party (Healy & Palepu, 1995, 2001; Zu & Kaynak, 2012). The existence of information asymmetry between the principal(s) and the agent(s) results in agency problems, as the principal may not have access to sufficient information at the time that a decision is taken and would therefore be unable to determine whether the agent's actions are in the best interests of the firm (Healy & Palepu, 2001).

If the asymmetrical information problem is not mitigated then the capital market, in making use of the best available information, will undervalue some good ideas and overvalue some bad ideas (Healy & Palepu, 1993, 1995, 2001) and it can thus be expected that the managers of undervalued companies would improve their overall level of disclosure quality in order to improve their credibility and resolve the undervaluation problem (Healy, Hutton, & Palepu, 1999).

Information asymmetries result in the moral hazard and adverse selection agency conflicts (Akerlof, 1970; Ekanayake, 2004). Moral hazard agency conflict refers to instances when the agent does not act with the level of effort which was agreed upon with the principal (Adams, 1994; Eisenhardt, 1989; Ekanayake, 2004; Heath & Norman, 2004). Alchian and Demesetz (1972), Ekanayake (2004) and Zu and Kaynak (2012) maintain that the moral hazard problem can be mitigated by monitoring (e.g. information systems), outcome-based controls such as outcome-based contracts, and incentives. With regard to adverse selection agency conflict, Eisenhardt (1989), Ekanayake (2004), Heath and Norman (2004) and Zu and Kaynak (2012) state that this refers to situations when the agent misrepresents his skills or abilities when he is employed by the principal.

The information asymmetry mitigation plan should consist of the following considerations (Ekanayake, 2004):

i. the cost of obtaining information necessary to monitor the agent behaviour
ii. the cost of assessing outcomes and transferring risks to agents.

Healy and Palepu (2001) identify the following examples of mitigation action in the information asymmetry problem: a contract between the agent and the principal which provides incentives for full disclosure of private information, the regulation of disclosure requirements, and information intermediaries such as financial analysts and rating agencies.

Gray et al. (1995) and Huang and Zhang (2012) identify increased disclosure as a solution for reducing the level of information asymmetry. These researchers maintain that the managers of corporations with fewer disclosure activities are less subject to the scrutiny of the capital markets and are therefore more likely to misuse cash assets. This supports the premise that weak corporate disclosure practices reduce the external monitoring function, which may entice self-serving managers to invest in assets that offer private benefit at the expense of the shareholders' utility (Huang & Zhang, 2012). Botosan (2006) concludes that information asymmetry can be mitigated by public disclosure. In light of the above it can therefore be concluded that strategy disclosures would mitigate the information asymmetry level, improve the efficiency of the external monitoring function and therefore improve the efficient functioning of the capital market.

2.2.3 Benefits and costs of corporate disclosure

Disclosure costs and benefits can be classified as economic, political, social and ethical (Elliott & Jacobson, 1994). The shareholders ultimately incur the costs of disclosures but they are also the beneficiaries of those disclosures (Elliott & Jacobson, 1994). Stock market investors considering ownership in the corporation are also beneficiaries of the disclosures without incurring any cost for these (Elliott & Jacobson, 1994).

Berglof and Pajuste (2005) identify the benefits in the reduction of information asymmetry by finding a positive correlation between the financial performance of a corporation and the accessibility of its information to the public; while Elliott and Jacobson (1994) identify the public relations benefits arising from the investors' and the creditors' views on a company's transparency. Other benefits of a reduction in information asymmetry include (but are not limited to) a reduction in the cost of capital (Diamond & Verrecchia, 1991; Elliott & Jacobson, 1994; Gray et al., 1995; Gu & Li, 2007), an increase in the price of securities and a reduction in the cost of equity capital (Botosan, 2006).

Disclosure costs include the costs of gathering, processing, auditing (if there is an audit requirement for the information) and distributing the information (Elliott & Jacobson, 1994; Meek et al., 1995; Santema et al., 2005).

Elliott and Jacobson (1994), Meek et al. (1995) and Santema et al. (2005) also identify the competitive disadvantage that results from disclosure as a cost of disclosure. Furthermore, Elliott and Jacobson (1994) identify the following disclosures which might impair the company's competitive advantage:

- technological and managerial innovation information
- disclosures about the corporate strategies and plans
- operational information.

The researcher maintains that competitive disadvantage can be reduced by corporates being cognisant of (i) the appropriate timing of a disclosure; (ii) the type of information disclosed; and (iii) the level of detail and the audience of the disclosure. Since information on corporate strategies and plans was identified as one of the fundamental factors contributing to the impairment of the company's competitive advantage (Elliott & Jacobson, 1994), it is important that management consider the timing, the level of detail and the audience when making strategy disclosures in their annual reports.

Companies are expected to provide voluntary disclosures when the benefit derived exceeds the cost incurred (Meek et al., 1995). It is thus important that management determines the optimum level of voluntary strategy disclosure by doing a cost-benefit analysis of the disclosure (Santema et al., 2005).

2.3 Non-financial or voluntary disclosure

As discussed above, information asymmetry is an important consideration underlying the economic role of disclosure (Bens & Monahan, 2004), because voluntary disclosure reduces information asymmetries between insiders and investors (Gu & Li, 2007).

Historically, there has been extensive analysis of the quantitative data contained in companies' annual reports, whereas the qualitative elements have largely been ignored (Kohut & Segars, 1992; Padia & Yasseen, 2011; Santema & Van de Rijt, 2001). However, as a result of market globalisation and corporate governance there has been a growing interest in researchers to analyse the extent of non-financial disclosures by companies (Barac & Moloi, 2010; Meek et al., 1995; Padia & Yasseen, 2011), thus shifting the focus from financial disclosures to the non-financial aspect of reporting.

Financial reporting has been subject to criticism in the past (Flostrand & Strom, 2006), as managers have felt that the new accounting standards are burdensome; imposing new reporting requirements without assisting them to communicate effectively with outside investors (Healy & Palepu, 1993). Managers also believe that the exclusion of qualitative information may increase pressure on managers to smooth short-term reported earnings or avoiding strategies impairing short-term profits but resulting in long-term benefits (Healy & Palepu, 1993).

Voluntary disclosures represent those disclosures that are in excess of the disclosures required by law or regulation (Meek et al., 1995; Padia & Yasseen, 2011). This may include accounting and other additional information relevant to the decision needs of annual report users (Meek et al., 1995). Voluntary disclosures were identified by Healy and Palepu (1993) as one way for managers to improve the integrity of their financial reporting. Such disclosures could include information about the company's long-term strategy and suitable indicators for assessing the effectiveness of strategy implementation; this would assist investors in their understanding of managers' business strategies.

Healy and Palepu (1993) acknowledge that disclosure of this strategic information may cause harm to the company's competitive position and it is therefore necessary for managers to perform a trade-off analysis on the benefits of financial reports that assist the capital market to value the company's securities accurately and withhold certain disclosures in order to maintain the company's competitive position.

After consideration of research conducted by Verrecchia (2001) and Healy and Palepu (2001), Gruning (2007) identified the following main reasons why firms increase their information supply: (i) financial analysts improving information intermediation through reduced information asymmetry and estimation risk; (ii) improvements in stock liquidity resulting from information asymmetry reduction; and (iii) reduction in the cost of capital due to lower information risk. The last-mentioned reason is also stated by Gray et al. (1995).

Orens and Lybaert (2007) identify financial analysts' need for non-financial information (such as the future activities expected to be undertaken by the company or acquisitions realised by the company) in their predictions of future earnings of companies. The usefulness of non-financial disclosure to financial analysts has also been highlighted by Vanstraelen, Zarzeski, and Robb (2003), who found a significant association between forward-looking non-financial information and lower levels of dispersion of analysts' earnings forecasts to actual earnings.

The study carried out by Orens and Lybaert (2007) indicated a growing trend in the reporting of non-financial information by Belgian firms in response to the demands of the regulatory authorities, financial analysts and other capital-market participants for these disclosures. The 2001 annual reports of these authors' sample contained 40% of all non-financial information items; this increased to 46% in 2003 and 52% in 2005.

Akerlof (1970) discussed models supporting the premise that "trust" is important; the usefulness of voluntary disclosure is dependent on its perceived credibility since management has incentives to make self-serving voluntary disclosures (Gu & Li, 2007; Healy & Palepu, 2001). Healy et al. (1999) state that investors may question the integrity of increased voluntary disclosure; however, these researchers further indicate that reputation and litigation costs are the two factors that are likely to ensure the integrity of the voluntary disclosure. There is therefore a need for investors to deduce the credibility of voluntary disclosure by considering other informative managerial signals (Gu & Li, 2007).

The constant dispute between the opponents and proponents of greater disclosure has been unproductive, as the benefits of increased disclosure are not well established and are difficult to quantify (Botosan, 1997). A multivariate analysis performed by Healy et al. (1999) found evidence indicating an improvement in the stock performance in the year that disclosure increases and the succeeding year. The firm value benefits of greater disclosure were also supported by Bens and Monahan (2004) and Berglof and Pajuste (2005), who found a direct relationship between disclosure quality and firm value. However, Lang and Lundholm (2000) identified mixed firm value impacts for increased voluntary disclosure, as they found that companies that increase their disclosure activity considerably in the six months preceding the offering, experience price increases prior to the offering but suffer large declines at the announcement of their intention to issue equity.

Huang and Zhang (2012) found evidence to show that liquid asset holdings are valued at a discount by firms with fewer disclosure practices than those firms with more disclosure.

Durnev and Kim (2005) concluded that the quality of governance and disclosure practices has a positive relation to investment opportunities, external financing and ownership structure. These researchers further found that the quality of governance and disclosure practices is positively related to the valuation of the firm, since firms with higher governance and transparency rankings are valued higher in the stock markets. Firms relying on external equity capital should be concerned about this and should therefore disclose more (Berglof & Pajuste, 2005).

Healy and Palepu (2001) concluded that an increase in voluntary disclosure improves stock liquidity, reduces cost of capital and increases information intermediation. Moreover, Lang et al. (2003) and Berglof and Pajuste (2005) found that increased voluntary disclosure reduces the cost of capital. Sengupta (1998), on the other hand, found an indirect relationship between voluntary disclosure and cost of debt.

The research results of Richardson and Welker (2001) were inconsistent with the studies mentioned above, since a positive correlation was found between social voluntary disclosure and cost of capital. These researchers, however, state that the findings do not suggest that social disclosure has an overall negative impact on the company, since employees, customers, regulators and suppliers may provide greater support to the firm as a result of these actions.

Botosan (1997) found a mixed relationship between increased disclosure and cost of equity capital after controlling for market beta and firm size, as she found a negative association between increased disclosure and cost of equity capital for firms attracting a low analyst following; furthermore, she found no association between increased disclosure and cost of equity capital for firms attracting a high analyst following. She (Botosan, 1997) acknowledges that the research may not provide an indication of overall disclosure level as it was limited to disclosure in the annual reports. Nevertheless, Botosan and Plumlee (2002) also found a mixed relationship between increased disclosure and cost of equity capital, as they found a reduction in the cost of equity capital as the level of annual report disclosure increased, but found an increase in the cost of equity capital in the level of timely disclosures.

2.4 Strategy disclosures

Santema et al. (2005) define strategy disclosures as the release of information on the strategy it is pursuing or planning to pursue in the future that a corporation has decided to share with its stakeholders. The key elements of strategy disclosure are mission, goals, objectives and the assessment of corporate disclosure implementation of the current results and future prospects (Botosan, 1997; Meek et al., 1995; Santema et al., 2005). Disclosing information on corporate strategy to stakeholders allows a firm to differentiate itself from other companies and provides strong incentives to the partners of the firm to undertake long-term strategy-specific investments (Ferreira & Rezende, 2007).

Strategy-related disclosures may be perceived as having lower credibility due to their forward-looking, qualitative and subjective nature (Ferreira & Rezende, 2007; Gu & Li, 2007). In this regard, Gu and Li (2007) define the credibility of strategy-related disclosures as the extent to which the disclosure is believable to investors. Strategic credibility is an important element of a company's reputation (Higgins & Bannister, 1992). Managers' announcements are deemed to be credible when they are made public because they would be concerned about their reputations (Ferreira & Rezende, 2007). A firm receives credibility by convincing others that it is following a comprehensive strategy and has an effective planning competency (Kohut & Segars, 1992). This can be achieved through strategy-related disclosure and transparency.

Higgins and Bannister (1992) identify the following factors as contributors to strategic credibility: (i) how the strategic capabilities of the firm are perceived; (ii) the past financial performance of the firm; (iii) the credibility of the CEO; and (iv) the effective communication of corporate strategy. Strategy disclosures are therefore considered to be one of the major contributors to strategic credibility. Further support for the contributory nature of the strategic credibility of strategy disclosures was provided by Higgins and Bannister (1992), who state that frequent and effective communication of the strategic reasons for good corporate performance improves the strategic credibility of the firm in the eyes of its stakeholders. Strategic credibility and corporate communication may also be considerably influenced by country and regional cultures (Higgins & Bannister, 1992).

In practice, investors and other constituencies do appear to care about corporate strategy disclosures (Ferreira & Rezende, 2007). Investors make use of strategy-related disclosures when evaluating the firm's ability to respond to changes in the external competitive and regulatory environment (Gu & Li, 2007). Therefore, the users of annual reports require information that reveals leading indicators of performance which would assist them in forecasting future returns on investment (Padia & Yasseen, 2011). Information about strategy very often indicates managerial plans for the future of the company (Ferreira & Rezende, 2007), which form part of leading indicators of performance. By providing information about their future plans for the company, managers also provide the firm's partners (employees, suppliers, strategic partners or any other stakeholders) with information that is useful in assessing the profitability of the firm's investments (Ferreira & Rezende, 2007). Padia and Yasseen (2011) also state that the extent of strategy disclosures is important to stakeholders in assessing a company's potential. Regulators and standard setters also value strategy-related disclosure in their efforts to optimise information flows in capital markets (Gu & Li, 2007).

Although there is an increasing recognition among accounting standard setters, researchers and practitioners of the usefulness of strategy disclosures in financial reporting (Gu & Li, 2007), there is still limited research available that looks at the extent of strategy disclosures in the annual reports of companies (Padia, 2012; Padia & Yasseen, 2011; Santema et al., 2005; Santema & Van de Rijt, 2001).

Santema and Van de Rijt (2001) investigated the extent of strategy disclosures in the annual reports of Dutch listed firms. Subsequently, the main findings of the study indicated that Dutch firms do not disclose a lot of corporate strategy information in their annual reports.

Santema et al. (2005) investigated whether the extent to which strategy is disclosed differs across five culturally different European countries; namely, the Netherlands, Germany, France, the United Kingdom (UK) and Poland. These researchers ultimately came to the general conclusion that these European listed firms generally do not disclose sufficient information about their corporate strategy. The researchers further found evidence indicating that national corporate governance and culture have an influence on the extent to which companies disclose their corporate strategy. From this study it is therefore anticipated that there would be differences in the extent to which the developed market and the emerging market provide strategy disclosures in annual reports.

Padia and Yasseen (2011) analysed the strategy disclosure practices of South African listed companies; the results showed that these companies generally have good strategy disclosure but that maximum disclosure per criteria was low.

In addition, Padia (2012) evaluated the correlation between the amount of non-financial information on strategy disclosed in the annual reports of JSE companies for the years 2005 and 2008. The study also focused on assessing the impact of non-financial information on the *Financial Mail* ranking. The results of the study indicated that South African listed companies generally have good strategy disclosure with an insignificant increase in disclosure being noted from 2005 to 2008. Furthermore, the study found a positive correlation between non-financial information on strategy and the *Financial Mail* ranking.

2.5 Corporate disclosure practices of the emerging and developed markets

2.5.1 Level of disclosures in the developed market

(Meek et al., 1995) conclude that the country/region is one of the most important factors explaining the voluntary disclosure practices of companies when they looked at the United States of America (USA), the UK and Continental Europe multinational corporations. The researchers accordingly found that Continental European multinational corporations voluntarily disclose more strategic information than either American or British multinational corporations in their annual reports. The US and the UK are among the top developed countries and the low amount of strategic information found by Meek et al. (1995) in these two countries would therefore support the premise that the developed market will disclose low strategic information.

Santema and Van de Rijt (2001) found that Dutch firms do not disclose a lot of corporate strategy information in their annual reports. Holland (the Netherlands) is also a developed country and the conclusions drawn by Santema and Van de Rijt (2001) support the premise that the developed market will have low strategy disclosure.

Santema et al. (2005) concluded that European listed firms generally do not disclose sufficient information about their corporate strategy. The European listed firms from which this conclusion was drawn by Santema et al. (2005) included firms listed in the UK, the Netherlands, Germany, France and Poland. As these are all developed countries the conclusions drawn would therefore support the premise that the developed market will have low strategy disclosure.

The studies on strategy disclosure discussed here and which were performed on the developed market have resulted in the first research question:

Research Question one:

To what extent do companies representing the developed market disclose their strategy in their annual reports?

2.5.2 Level of strategy disclosures in the emerging market

There have been very limited studies that have investigated the extent of strategy disclosures in countries that form part of the emerging market. The only studies that were found to focus on strategy disclosures in an emerging market context were Padia and Yasseen (2011) and Padia (2012). These two studies analysed the extent of strategy disclosure in South African listed companies. It was therefore necessary for the researcher in this study to analyse other studies that did not have a strategy disclosure focus but rather a general non-financial disclosure focus to formulate the appropriate research question.

Padia (2012) and Padia and Yasseen (2011) found evidence indicating that the level of strategy disclosure in the annual reports of South African listed companies is good. This conclusion supports the premise that the emerging market would have good strategy disclosures in their annual reports since South Africa is an emerging market country.

Khanna et al. (2004) looked at the level of disclosure interaction between the US market and the European, Asia and Asia-Pacific markets for countries that have significant interactions with US product, labour and financial markets. The researchers reached the following conclusions to support the premise that emerging market may have better disclosure practices in comparison to the developing market, since the emerging market is more likely to be seeking to attract foreign investment into their economies:

Firstly, the researchers concluded that managers may voluntarily increase their disclosure to draw the interest of US investors (Khanna et al., 2004).

Secondly, foreign investors with better disclosure and governance regulation may expect increased disclosure and better governance in the companies and countries in which they have invested (Khanna et al., 2004).

Lastly, countries may improve their mandatory reporting requirements and governance regulation in order to market themselves to foreign investors (Gray et al., 1995; Khanna et al., 2004).

The premise that the emerging market would be more likely to increase its voluntary strategy disclosures to attract investors was further highlighted by research conducted by Durnev and Kim (2005), who found that the quality of governance and disclosure practices across 27 countries had a positive relationship with investment opportunities, external financing and ownership structure. Corporations that compete for funds in international capital markets provide a wide variety of voluntary disclosures (Gray et al., 1995; Meek et al., 1995) because they face both local and international disclosure of information pressures which may result in improved voluntary disclosures in the annual reports (Gray et al., 1995).

Hossain (2008) studied the level of mandatory and voluntary disclosures in the annual reports of Indian banking companies and found evidence to suggest the satisfactory compliance of Indian banks with the mandatory disclosure rules; however they were lacking in terms of voluntary disclosures. Nevertheless, Hossain's (2008) conclusions are inconsistent with the results of Padia and Yasseen (2011), who indicate low voluntary strategy disclosures in the annual reports of the emerging market of which market India is part.

The above studies on strategy disclosure and voluntary disclosure provide evidence of possible disclosure practices in the emerging market, accordingly resulting in the second research question:

Research Question two:

To what extent do companies representing the emerging market disclose their strategy in their annual reports?

2.5.3 Differences in the extent of strategy disclosures in the emerging and developed markets

Limited research is available that analyses the strategy disclosure differences between different countries. The only study that was found to compare the extent of strategy disclosures across different countries was Santema et al. (2005), who looked at the extent of strategy disclosures across five European countries. In order to formulate an appropriate research question, it was therefore necessary for the researcher in this study to analyse other studies that, although not having a strategy disclosure focus, focus on general voluntary disclosure.

This study anticipates that different countries and developmental level markets will have varying levels of strategy disclosure owing to the commentary and findings in the following studies: Gruning (2007) identifies the country of origin of the company as being a contributory factor to corporate disclosure quality; Berglof and Pajuste (2005) state that corporate disclosure depends on the legal framework and practice in a given country; Santema et al. (2005) obtained evidence indicating that national corporate governance and culture have an influence on the extent to which companies disclose their corporate strategy; while Meek et al. (1995) state that the differences in national and regional reporting requirements across different countries would result in variations in voluntary disclosures and predictions about voluntary disclosure practices and would therefore not be independent of disclosure requirements.

This research will explore the differences in the level of strategy disclosure between the emerging and developed market by answering the third research question:

Research Question three:

Are there any differences to the extent to which the emerging market companies and developed market companies disclose their strategies in their annual reports?

2.6 Conclusion

The literature review highlighted the importance of both strategy disclosures and non-financial voluntary disclosures in mitigating the conflicts of interest that arise as a result of the agency relationship. This supports the premise that companies should provide strategy disclosure in their annual reports. It was, however, indicated that strategy disclosures and other non-financial voluntary information also have some costs attached to them (Elliott & Jacobson, 1994; Meek et al., 1995; Santema et al., 2005) and it is therefore important that management performs a disclosure cost and benefit trade-off (Meek et al., 1995) in order to obtain the optimum level of strategy disclosure to provide in their annual reports (Santema et al., 2005).

Over the past few years, there has been an increase in the number of studies analysing non-financial disclosures (Barac & Moloi, 2010; Meek et al., 1995; Padia, 2012) but the benefits of non-financial disclosure are still under great debate (Botosan, 1997). Research on strategy disclosures is, however, a new development in research (Padia, 2012; Padia & Yasseen, 2011; Santema et al., 2005; Santema & Van de Rijt, 2001). Current studies on strategy disclosure have been conducted mainly in the European market and limited, if any, research has a specific American, Asian or African focus. This research contributes to academia as it provides research that has an African, Asian, Australian and American focus, as well as providing comparisons between the developed and the emerging markets.

3 RESEARCH METHODOLOGY

3.1 Research methodology

This study is intended to analyse the extent of strategy disclosure in the annual reports of companies in the developed and the emerging markets, as well as to compare the extent of strategy disclosure in these two different developmental markets. In order to achieve its purpose, the study will follow a quantitative research methodology to summarise the extent of disclosure in the two developmental markets and statistically test the differences in the extent of disclosure of the developed and emerging markets. Quantitative research is aimed at making generalisations that contribute to existing theories (Leedy & Ormrod, 2013).

Descriptive quantitative research involves either identifying the characteristics of an observed phenomenon or exploring possible relationships between two or more phenomena (Leedy & Ormrod, 2013). From the definition provided by Leedy and Ormrod (2013), it can be confirmed that this study makes use of a descriptive quantitative research methodology, since the study will identify the characteristics of an observed phenomenon (the extent of strategy disclosures in the developed and emerging markets comparing the two) and explore possible relationships between two or more phenomena (analysing the groupings between the variables in the research instrument used).

3.2 Research design, data collection and data analysis

This research fulfils the research need identified by Santema and Van de Rijt (2001) for an international comparative study on strategy disclosure. Santema and Van de Rijt's (2001) study, which examined strategy disclosure by Dutch companies, and the studies by Padia and Yasseen (2011) and Padia (2012), which examined South African listed companies, also provided the inspiration for the current study. In line with Padia (2012), Padia and Yasseen (2011), and Santema and Van de Rijt (2001), the narrative section of all the annual reports of the companies that formed part of the sample (which is discussed in detail in section 3.3.2) was analysed using the 12 predetermined strategy criteria (see table 3.1).

Table 3.1: Strategy disclosure criteria

1	Mission: What does the company want to be?
2	Goal: What general controls does the company have?
3	Objectives: Which concrete quantitative goals does the company have?
4	Corporate strategy: What is the Corporate Strategy of the company?
5	Consistency: Is the corporate strategy in line with the statements on strategy in previous reports?
6	Monitoring: Are the goals and the objectives monitored?
7	Business unit goals: What are the goals of the business units?
8	Business unit strategies: What are the strategies of the business units?
9	Action plans (ex-post): What actions have been executed in the past year in relation to the strategy?
10	Actions plans (ex-ante): What action plans are to be executed in the next year in relation to the strategy?
11	HIV/AIDS: What is the company strategy with regard to HIV/AIDS?
12	Affirmative action/transformation related strategies

Source: Criteria (1) to (10) from Santema and Van de Rijt (2001). Criteria (11) and (12) from Padia and Yasseen (2011).

Ten of the 12 criteria were selected by Santema and Van de Rijt (2001), using standard textbooks on strategy, and the other two criteria were added by Padia and Yasseen (2011), as they are believed to have relevance for South Africa. The two criteria added by Padia and Yasseen (2011) are HIV/AIDS and black economic empowerment (BEE). This research includes these two variables because the researcher concluded that they also have international relevance although to differing degrees.

Although the two countries representing the emerging market have a high prevalence of HIV/AIDS, the developed market is also affected by HIV/AIDS as this is an international problem (although to a lesser degree than the two countries representing the emerging market). The World Economic Forum (WEF) Global Competitiveness Report ranked both emerging market countries examined in the research (South Africa and India) within the range of 99 and 135 in the Business impact of HIV/AIDS category of its rankings for the period between 2010 and 2013. By contrast, Australia was ranked in the range of 35 to 53 for the three years, while the USA fell within the range of 80 to 90. The rankings in the WEF report indicate that emerging market countries are less competitive than the developed market in the Business Impact of HIV/AIDS category but that HIV/AIDS also has a business impact for the developed market, especially in the USA. It would therefore be beneficial for the developed market to also have an HIV/AIDS strategy in place and to include disclosures on this strategy in its annual reports.

The last criterion will not be termed BEE as in Padia and Yasseen (2011) because this would limit the criterion to the South African context; hence, this criterion will be changed to the "affirmative action/transformation" criterion. The BEE criterion identified by Padia and Yasseen (2011) thus still maintains its practical applicability but is now inclusive of all the countries that represent both the developed market and the emerging market.

The two countries representing the emerging market both have preferential affirmative action/transformation policies. South Africa calls its policy BEE, while India's policy is known as the reservation system. The South African affirmative action policy focuses on citizens of the country that were previously disadvantaged by the apartheid system. The Indian reservation system applies a quota-based affirmative action programme in favour of the scheduled castes (SCs), scheduled tribes (STs) and other backward castes (OBCs).In the developed market, Australia has preferential affirmative policies which are embodied in the Australian Affirmative Action Act, which is focused on promoting employment opportunities for women, and the Reconciliation Action Plan (RAP), which is focused on promoting the employment position of the Indigenous Australians (a group which was disadvantaged in the past). In the USA, preferential affirmative action has been a contentious issue and common practice is mainly driven by case law based on Title VII of the Civil Rights Act (Equal Employment Opportunity). Racial and gender quota programmes have been outlawed and the country is focused on providing equal employment opportunities for all its citizens as is indicated in the amended Title VII of the Civil Rights Act of 1964. However, some states in the USA (e.g. California and Washington) abolished affirmative action measures in the 1990s. Preferential affirmative action policies will therefore apply to a limited extent in the developed market due to the affirmative action practices in the USA.

The two criteria identified by Padia and Yasseen (2011) were included in this study even though they have limited developed market applicability. This was done because it was considered interesting to see if the extent of disclosure in the emerging market for these two criteria is significantly greater than that for the developed market, owing to the fact that the emerging market is more affected by these issues.

As the criteria in Table 3.1 indicate, the study placed value on future-orientated strategy information and strategy information related to the past, because past information is useful for assessing information in the future (Santema & Van de Rijt, 2001).

The disclosure for each criterion was rated using a rating scale of between 0 and 1 (Padia & Yasseen, 2011; Santema & Van de Rijt, 2001) with increments of 0.25, where 0 represents no disclosure, 1 represents maximum disclosure, and partial disclosure is represented by 0.25, 0.5 and 0.75 (Padia & Yasseen, 2011).

The 12 criteria were weighted as equally important so that subjective judgements were kept to a minimum. The researchers aimed to exert maximum effort in ensuring uniform scoring for the sampled companies' disclosures when applying each criterion and this was assured by applying the same rating measurement to every annual report that was assessed (see Appendix 1 for the rating measurement used).

Although the research is similar to research performed by Santema and Van de Rijt (2001), Padia and Yasseen (2011) and Padia (2012), the following differences should be noted: (i) this study assesses the extent of disclosure of two developmental markets and compares the extent of disclosure in these two developmental markets with each other; and (ii) the extent of disclosure is assessed over three consecutive years (2011, 2012 and 2013) so that whether or not disclosure improves year on year can be assessed. It should, however, be noted that the study was not intended to provide explanations for the year-on-year differences in the extent of strategy disclosure, although it does provide commentary on the possible reasons for these differences.

The primary source of information required to analyse and rate the level of strategy disclosure in the two developmental markets is the annual reports of the sampled companies for the years 2011, 2012 and 2013. Annual reports are widely considered to be an important source of corporate information (Botosan, 1997). Research on non-financial disclosures usually makes use of annual reports as the primary source of information (Botosan, 1997; Meek et al., 1995; Padia & Yasseen, 2011; Richardson & Welker, 2001; Santema & Van de Rijt, 2001), since annual reports have been argued by Botosan (1997) and Gray et al. (1995) to be a good representation of the extent of voluntary disclosures presented by companies via other media streams. The annual reports for all the companies were sourced independently from the companies' websites.

The results of the ratings for the 12 criteria for the sampled companies were aggregated into developed and emerging markets and analysed as follows:

Firstly, the results were summarised and presented as a descriptive analysis. The descriptive analysis indicates the extent of disclosure of the two developmental markets and broadly indicates the differences in the extent of disclosure between the developed and emerging markets. The analysis was performed and presented using the four strategy disclosure categories which were identified by Padia and Yasseen (2011), namely, Category 1 (consisting of the mission, goal and objective criteria), Category 2 (consisting of corporate strategy, ex-post action plans and ex-ante action plans), Category 3 (consisting of monitoring, business unit strategies, consistency and business unit goals), and Category 4 (consisting of HIV/AIDS and affirmative action/transformation). The results of the descriptive analysis can be found in section 4.2. This section also includes a cluster analysis of the developed and emerging market for all three years. This is a multivariate, exploratory technique designed to reveal natural groupings that may exist between the data. The cluster analysis assessed the number of companies that obtained scores that are both above and below the total strategy disclosure mean scores.

Secondly, the data was tested for normality in order to determine whether to use parametric or non-parametric statistics to test for the presence of a statistically significant difference in the extent of strategy disclosure between the developed and emerging markets. The results of the normality test are summarised in section 4.3

and the results of the developmental level statistical analysis are also given in section 4.3. The disclosure criteria were used as the dependent variables and the development level of the countries were used as the independent variables. The following hypotheses were set up for this test in order to assess whether there is a difference in the extent of disclosure between the developed and emerging market:

Null hypothesis (H_0): There is no significant difference in the extent of strategy disclosure between the developed and the emerging market.

Alternate hypothesis (H_1): There is a significant difference between the extent of strategy disclosure between the developed and the emerging market.

Thirdly, the correlation and groupings that exist between the 12 strategy disclosure criteria year on year were identified using the biplot and the Pearson product-moment correlation coefficient. The biplot is a statistical diagram revealing the connectivity of the various variables and the relationships that exist between the variables. The Pearson correlation coefficient is a statistic used for measuring the strength and direction of a linear relationship between two random variables and is denoted by *r*.

The biplot was also used in Padia and Yasseen's (2011) study to assess the connectivity among the categories that they identified. In this study the biplot will be used to assess the variable groupings that exist in the developed and emerging market. In the biplot, the connectivity between variables is revealed by the angles between the lines as well as the length of the lines.

The Pearson correlation coefficient ranges between -1 and +1 and indicates that a relationship can either be positive or negative or that there is no association between the variables. The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of +1 or -1 indicates that the value of one variable can be precisely determined by knowing the value of the other variable. Although a correlation coefficient can indicate that there is a relationship between two variables, it cannot be considered to provide statistical proof that the one variable causes the other; only that it could be indicative of a possible predictive relationship between the variables, which can then be investigated.

Different authors have suggested different guidelines for evaluating the correlation coefficient when assessing the relationship between variables but this research will use the guidelines suggested by Cohen (1988) depicted in Table 3.2:

Table 3.2: Pearson coefficient interpretation guidelines

Pearson correlation coefficient range	Interpretation
$0.10 \leq r \leq 0.29$	Small negative correlation
$-0.29 \leq r \leq -0.10$	Small positive correlation
$0.30 \leq r \leq 0.49$	Medium positive correlation
$-0.49 \leq r \leq -0.30$	Medium negative correlation
$0.50 \leq r \leq 1.00$	Large positive correlation
$-1.00 \leq r \leq -0.50$	Large negative correlation

Lastly, the internal consistency between the strategy disclosure criteria for each developmental market for the three-year period will be measured using Cronbach's alpha. This is a statistic calculated by using the pairwise correlations between the variables and it measures the extent to which all of the items of a scale measure the same latent variable. The Cronbach's alpha ranges between 0 and 1.

The commonly accepted rule of thumb identified in George and Mallery (2003) for describing internal consistency is depicted in Table 3.3:

Table 3.3: Cronbach's Alpha Interpretation Guidance

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Streiner (2003) notes that very high reliabilities ($\alpha > 0.95$) are not necessarily appropriate, as these may indicate that the items are entirely redundant, since the objective of designing a reliable instrument is for the scores on similar variables to be associated (internally consistent) but for each to also contribute some unique information.

If the Cronbach's alpha for a developmental market in a specific year is below the acceptable level ($\alpha \leq 0.7$), as per George and Mallery (2003), then the Cronbach's alpha will be calculated using different scenarios by deleting each of the 12 criteria for scenario, that is, each developmental market will then have 12 deletion scenarios per year, thus generating 12 additional Cronbach's alphas per year. This was done in order to determine the variable(s) that result in unacceptable internal consistency.

3.3 Population and sample

3.3.1. Population

The population for this study included a purposive sample of companies (200 companies) listed on the Johannesburg Stock Exchange (JSE), the Bombay Stock Exchange (BSE), the Australian Stock Exchange (ASX) and the New York Stock Exchange (NYSE). The JSE and the BSE are stock exchanges in South Africa and

India respectively, the countries that represent the emerging market companies. The ASX and the NYSE are stock exchanges in Australia and USA respectively, which represent the developed market countries.

India and South Africa were selected to represent the emerging market as they form part of the BRICS nations. Goldman Sachs (2001, 2011) maintains that these nations will become some of the largest economies in the future. The researcher therefore considered a comparison of the extent of strategy disclosure of a sample of companies in the BRICS nations and the extent of strategy disclosure of a sample of companies in the developed market to make for interesting research.

Another reason for selecting South Africa for this research is that, from the financial year starting 1 March 2010, it was one of the first countries to require companies to produce integrated reports or to provide reasons for not doing so. It was felt that comparisons of the strategy disclosure contained in these integrated reports and the strategy disclosures contained in the annual reports of companies in the developed market would also make for interesting research.

3.3.2. Sample and sampling method

The sample consists of 200 companies with 100 companies representing the developed market and the other 100 companies representing the emerging market. The developed market is made up of the top 50 companies on the NYSE (USA) and ASX (Australia) by market capitalisation as per the relevant stock exchanges. The top 50 companies on the NYSE and the ASX were obtained from the NYSE US 100 Index components and ASX top 200 list as at April 2014 and February 2014 respectively. The emerging market is made up of the top 50 companies on the JSE (South Africa) and the BSE (India) by market capitalisation, as per the relevant securities exchanges. The JSE top 50 companies and the BSE top 50 companies were identified as at April 2014 from the Sharenet top 100 list and the BSE top 100 list, respectively. These lists represented the most recent top 50 lists by market capitalisation that could be obtained at the time that the annual reports were extracted for analysis. Only one dual-listed company was identified in the sample. This company, BHP Billiton, was listed on both the JSE and the ASX. However, no changes were made to the sample to take the dual-listed company into account as the impact of this dual listing was deemed to be immaterial. The names of the sampled companies for each country can be found in Appendix 2.

The main reason for the sample size is that the process of scoring the strategy disclosure contained in the annual reports of four different countries for three periods was time consuming and the objective of the researcher was to have a manageable sample.

4 RESULTS AND DISCUSSION

4.1 Introduction

Chapter 4 is structured as follows: the first section will present some descriptive statistics on the extent of strategy disclosures in the annual reports of the companies in both the developed market and the emerging market. The extent of disclosure will be presented by exploring the number and the percentage of companies representing the developed and emerging market that have obtained each score in the scale for each criteria. This is presented in terms of the years 2011, 2012 and 2013. A graphical representation of the percentage of companies attaining each score for the rating criteria is included in Appendix 3.

The extent of disclosure for the two markets will also be assessed on the basis of the mean scores and a cluster analysis for the three-year period. A summary of the descriptive statistics will be given and some possible reasons provided for the variations in the extent of strategy disclosure for the developed and the emerging markets.

The second section will present the normality test results. This section will also present the results of the Mann-Whitney test which was used to determine the significance of the difference in the extent of strategy disclosure between the developed and the emerging markets.

The third section will analyse any groupings and correlations that exist between the 12 strategy disclosure criteria in the developed and emerging market for the three years. The groupings and correlations analyses were performed using the biplot diagrams and the Pearson correlation procedure.

The last section will assess the internal consistency of the strategy disclosure criteria using Cronbach's alpha.

4.2 Descriptive statistics and discussion

For the descriptive analysis presented below, a score of 0.75 or 1 is considered a high disclosure score or as indicating significant disclosure on the specific criteria. A score of 0.5 for a criterion indicates average disclosure for the criterion or a medium disclosure score. When a score of 0.25 is obtained for a criterion, it is regarded as low disclosure or a low disclosure score. No disclosure occurs when a score of nil is obtained.

4.2.1 Extent of strategy disclosure

Extent of strategy disclosure for the year 2011

Tables 4.1 and 4.2 present the research criteria scores for the developed and emerging markets for the year 2011.

Table 4.1: Developed market research criteria scores- 2011 financial year

Category	0	0.25	0.5	0.75	1
Mission	26	27	15	18	14
Goal	47	24	3	20	6
Objective	51	23	6	14	6
Corporate strategy	11	25	22	22	20
Consistency	17	1	3	4	75
Monitoring	5	61	15	9	10
Business unit goals	84	3	2	1	10
Business unit strategies	84	7	3	1	5
Action plans (ex-post)	5	25	42	28	0
Action plans (ex-ante)	12	43	26	18	1
HIV/Aids	92	6	0	2	0
BEE/Transformation	55	9	7	8	21

Table 4.2: Emerging market research criteria scores- 2011 financial year					
Category	**0**	**0.25**	**0.5**	**0.75**	**1**
Mission	12	12	11	34	31
Goal	30	10	5	23	32
Objective	28	15	6	19	32
Corporate strategy	7	22	14	25	32
Consistency	15	3	1	2	79
Monitoring	5	54	8	8	25
Business unit goals	70	13	5	2	10
Business unit strategies	65	16	3	4	12
Action plans (ex-post)	6	22	47	24	1
Action plans (ex-ante)	11	44	15	30	0
HIV/Aids	55	21	13	8	3
BEE/Transformation	31	24	13	10	22

In category 1, a majority of the companies in the developed market made little to no disclosure in terms of all three criteria in contrast to the majority of companies in the emerging market, which obtained high disclosure scores in all three Category 1 criteria.

Most of the companies in both the developed and the emerging market had average to significant scores for corporate strategy and ex-post action plans. Twenty per cent of the developed market companies and 32% of the emerging market companies obtained the maximum score of 1 for the corporate strategy criterion. Twenty-eight per cent of the developed market companies obtained high scores for the ex-post action plans criterion, while only 25% of the emerging market companies obtained high scores for the same criterion. 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.

The majority of companies in both the emerging market countries obtained high disclosure scores for the consistency of their corporate strategy but nil scores for the rest of the criteria in Category 3 (i.e. business unit goals and business unit strategies). Eighty-four per cent of companies in the developed market had a score of nil for both the business unit goals and the business unit strategies criteria, in contrast to 70% and 65% of the companies in the emerging market with a score of nil for the business unit goals and business unit strategies criteria, respectively.

A majority of both the developed and the emerging market companies made little to no disclosure for both the criteria in Category 4, but the developed market performed worse in this category than the emerging market. Ninety-two per cent of the developed market companies as compared to only 55% of the emerging market companies made no disclosure of their HIV/AIDS strategy. In addition, 55% of the developed market companies compared to only 31% of the emerging market companies made no disclosure of their affirmative action strategy.

The emerging market therefore displayed better strategy disclosure than the developed market for the following criteria: mission, goal, objective, affirmative action/transformation, monitoring and corporate strategy.

Similar disclosure scores were noted for the developed and the emerging market in the following criteria: consistency (75% of the developed market companies and 79% of the emerging market companies obtained a score of 1), ex-post action plans (70% of the developed market companies and 72% of the emerging companies obtained an average to high score) and ex-ante action plans (45% of both the developed and emerging market companies had average to significant disclosure scores).

Many companies in both the developed and the emerging markets obtained a score of nil for business unit goals (84% for the developed and 70% for the emerging), business unit strategies (84% for the developed and 65% for the emerging) and HIV/AIDS (92% for developed and 55% for emerging). Although a majority of companies in both the developed and the emerging markets obtained nil scores for these criteria, the developed market obtained more nil scores than the emerging market.

From the 2011 data and the above discussion it can be concluded that on average the emerging market displayed a greater degree of strategy disclosure than the developed market.

Extent of strategy disclosure for the year 2012

Tables 4.3 and 4.4 present the 2012 research criteria scores for both the developed and emerging market.

Table 4.3: Developed market research criteria scores- 2012 financial year

Category	0	0.25	0.5	0.75	1
Mission	24	21	16	24	15
Goal	50	20	6	20	4
Objective	55	21	4	14	6
Corporate Strategy	14	16	21	23	26
Consistency	20	11	8	3	58
Monitoring	5	55	21	11	8
Business Unit Goals	83	5	1	0	11
Business Unit Strategies	90	5	1	1	3
Action Plans (ex-post)	4	35	37	24	0
Action Plans (ex-ante)	10	52	17	18	3
HIV/Aids	92	6	1	1	0
BEE/Transformation	52	4	8	6	30

Table 4.4: Emerging market research criteria scores- 2012 financial year

Category	0	0.25	0.5	0.75	1
Mission	9	14	14	31	32
Goal	33	10	5	20	32
Objective	31	12	6	19	32
Corporate Strategy	6	22	11	28	33
Consistency	10	3	4	13	70
Monitoring	3	45	11	6	35
Business Unit Goals	65	15	6	0	14
Business Unit Strategies	64	14	2	2	18
Action Plans (ex-post)	4	16	42	36	2
Action Plans (ex-ante)	9	33	27	29	2
HIV/Aids	56	20	13	7	4
BEE/Transformation	24	25	18	11	22

There was an improvement in the extent to which the developed market companies disclosed their mission in the 2012 financial year, but similar scores were obtained by market for the rest of the Category 1 criteria (objectives and goals) for the financial years 2011 and 2012. The developed market companies obtaining high scores between 2011 and 2012 for the mission criterion moved from 32 to 39%. In line with the 2011 financial year, the majority of the emerging market companies obtained high scores for the Category 1 criteria, with approximately 30% of the companies obtaining the maximum score for all three criteria.

The corporate strategy criterion scores for both markets improved slightly in the 2012 financial year; 49% of the developed market companies and 61% of the emerging market companies obtained high scores for the criterion. The developed market companies disclosed less of their ex-post and ex-ante action plans, as the number of companies obtaining low to nil scores increased for both criteria. Companies in the emerging market improved the disclosure of their ex-post and ex-ante action plans, which is indicated by the decrease in the number of companies obtaining a score 0.25 and nil for both criteria, although the number of companies obtaining a score of 0.75 for the ex-post action plans and a score of 0.5 for the ex-ante action plans increased.

There was a significant decline in the percentage of developed market companies that maintained the consistency of their strategy in 2012, resulting in a 17% decline in the number of companies obtaining the maximum score of 1 for the consistency criterion. However, the emerging market only experienced a 9% decline in the number of companies obtaining a score of 1 for the consistency criteria between 2011 and 2012. The emerging market companies experienced an improvement in the scores for the monitoring criterion since the percentage of companies obtaining the maximum score of 1 moved from 25 to 35% between 2011 and 2012. The developed market monitoring criterion scores remained relatively consistent as the majority of the companies obtained a score of 0.25 for both years. The extent of disclosure of business unit goals and business unit strategies criteria remained relatively consistent for both developmental markets with the majority of the companies having no disclosure for these criteria.

The disclosure score of the affirmative action/transformation criterion improved in the developed market companies (the percentage of companies obtaining the maximum score of 1 moved from 21% in 2011 to 30% in 2012), whereas the scores remained relatively consistent for the emerging market. The disclosure scores for the HIV/AIDS criterion remained relatively consistent in both markets.

On average, the emerging market displayed a better extent of strategy disclosure than the developed market for the 2012 financial year.

Extent of strategy disclosure for the year 2013

Tables 4.5 and 4.6 present research criteria scores for the developed and the emerging markets for the year 2013.

Table 4.5: Developed market research criteria scores- 2013 financial year

Category	0	0.25	0.5	0.75	1
Mission	25	21	13	28	13
Goal	47	18	6	22	7
Objective	48	22	4	18	8
Corporate Strategy	10	17	21	24	28
Consistency	13	13	8	5	61
Monitoring	6	56	15	11	12
Business Unit Goals	81	4	1	2	12
Business Unit Strategies	91	5	0	1	3
Action Plans (ex-post)	5	34	29	32	0
Action Plans (ex-ante)	19	43	14	23	1
HIV/Aids	91	8	1	0	0
BEE/Transformation	49	8	8	5	30

Table 4.6: Emerging market research criterion scores- 2013 financial year					
Category	**0**	**0.25**	**0.5**	**0.75**	**1**
Mission	8	9	15	34	34
Goal	30	11	7	18	34
Objective	27	13	7	17	36
Corporate Strategy	5	15	15	29	36
Consistency	10	2	6	12	70
Monitoring	3	40	11	6	40
Business Unit Goals	62	12	6	1	19
Business Unit Strategies	63	14	3	1	19
Action Plans (ex-post)	4	11	40	42	3
Action Plans (ex-ante)	7	25	29	35	4
HIV/Aids	59	20	12	7	2
BEE/Transformation	22	24	17	11	26

The Category 1, Category 3 and Category 4 disclosure scores between 2012 and 2013 remained relatively constant for both the developed market and the emerging market.

In Category 2, there was a small improvement in the percentage of companies in the developed market obtaining a high score for the corporate strategy criterion. This moved from 49% in 2012 to 52% in 2013, resulting in a majority of developed market companies obtaining high disclosure scores for the corporate strategy criterion. There was an improvement in the percentage of companies obtaining high scores for the action plans (ex-post) criterion for both developmental markets. In the developed market the percentage of companies that obtained high scores for action plans (ex-post) increased from 24% in 2012 to 32% in 2013 and the emerging market scores increased from 38 to 45% between 2012 and 2013. The scores for the action plans (ex-ante) criterion in the developed market remained relatively consistent where a majority of the companies showed little to no disclosure for this criterion. In contrast, there was a slight improvement in the disclosure scores for the emerging market for the same criterion, where the percentage of companies obtaining high scores improved by 8%.

On average, the emerging market displayed a greater extent of strategy disclosure than the developed market for the 2013 financial year.

Overall extent of strategy disclosure

While the analysis was performed on the sampled companies' annual reports, it was noted that most of the companies make very few alterations to the type of non-financial voluntary disclosures made in their annual reports. This explains the small changes to the year-on-year score for each research instrument variable.

In Category 1, an annual average of 33% of the emerging market companies scored the maximum score of 3 (a maximum score of 1 for the three Category 1 criteria), in contrast to an annual average of just 9% for the developed market companies that scored the maximum score. An annual average of 41% of the developed market companies scored the lowest score of nil in contrast to only an annual average of 23% of the emerging market that scored the minimum score. The annual average indicates that the bulk of the emerging market companies' scores (57%) are between 2.25 (a score of 0.75 for the three Category 1 criteria) and 3, thus indicating a high extent of disclosure in Category 1; while the bulk of the developed market companies' scores (63%) are between nil and 0.75 (a score of 0.25 for the three Category 1 criteria), thus indicating a low extent of disclosure in Category 1. The Category 1 emerging market results are consistent with Padia and Yasseen's (2011) study, which found that South African listed companies tend to disclose a lot of information for the Category 1 strategy disclosure criteria. The developed market results are consistent with Santema and Van de Rijt's (2001) study, where it was found that Dutch companies (a developed market country) have little strategy disclosure in their annual reports for the mission, goals and objective variables.

In Category 2, an annual average of 13% of the emerging market companies and 9% of the developed market companies scored the maximum score of 3 (a maximum score of 1 for the three Category 2 criteria). In contrast, an annual average of 7% of the emerging market companies and 10% of the developed market companies scored the minimum score of nil. These annual averages indicate that most of the developed market (58%) and the emerging market (50%) companies obtained a score in the range of 0.75 (a score of 0.25 for the three Category 2 criteria) and 1.5

(a score of 0.5 for the three Category 2 criteria). The extent of disclosure for Category 2 is therefore similar in the developed and the emerging market, as most of the companies in both of these markets indicate an average to low extent of disclosure. This is consistent with Padia and Yasseen's (2011) study and is mainly due to the competitive disadvantage cost. The results are, however, inconsistent with the results of Santema and Van de Rijt's (2001) study, as the extent of disclosure for two of the criteria (corporate strategy and ex-post action plans) was found to be high. This inconsistency may be due to differences in the reporting practices of European developed market countries for the corporate strategy category.

In Category 3, an annual average of 34% of the emerging market companies and 22% of the developed market companies scored the maximum score of 4 (a maximum score of 1 for the four Category 3 criteria); whereas an annual average of 36% of the emerging market scored the minimum score of nil and 48% of the developed market companies scored the minimum score. These annual averages indicate that most of the companies in the emerging market (56%) and developed market (67%) obtained scores in the range of 0 and 1 (a score of 0.25 for the four Category 3 criteria). The extent of disclosure for Category 3 is therefore greater in the emerging market than the developed market; nevertheless, both markets indicate a very low extent of disclosure with the bulk of these companies having no disclosure for the Category 3 criteria. This low disclosure could be as a result of companies not having sufficient strategy in place for these variables (Padia & Yasseen, 2011).

In Category 4, an annual average of 13% of the emerging market companies scored the maximum score of 1 and an annual average of 14% of the developed market companies scored the maximum score of 1. On the other hand, an annual average of 41% of the emerging market scored the minimum score of nil and 72% of the developed market companies scored the minimum score. However, 46% of the emerging market companies made partial disclosure for Category 4 which constitutes the largest portion of the disclosure scores. The largest portion of the disclosure scores for the developed market lies in the nil score, since 72% of the developed market companies obtained this score. The extent of disclosure for Category 4 is therefore greater in the emerging market than the developed market. The extent of disclosure in the emerging market is, however, also low and this is in accordance with Padia and Yasseen's (2011) study, which found that very few South African listed companies disclose their HIV/AIDS and affirmative action strategies. The developed market extent of disclosure for Category 4 indicates that, on average, a majority of the listed companies make no disclosure of their HIV/AIDS and affirmative action policies, which is in accordance with expectations because HIV/AIDS and affirmative action strategies were concluded to have greater relevance for the emerging market than the developed market in the research methodology chapter (chapter 3).

4.2.2 Mean analysis

Figures 4.1 to 4.12 indicate the mean scores for the 12 strategy disclosure variables; displaying the average score (between 0 and 1) for each strategy disclosure criterion. The means are represented for both the developed market and emerging market (for the years 2011, 2012 and 2013) and comparisons made. The overall preliminary analysis indicates a greater extent of disclosure in the emerging market than in the developed market.

In general, the disclosure means improve year on year from 2011 to 2013 for both the emerging and the developed market; with the exception of the developed market mission mean, business unit strategy mean, ex-post action plans mean, and HIV/AIDS mean; as well as the emerging market goal mean and HIV/AIDS mean. The possible reasons for these year-on-year deviations are explained in the relevant sections.

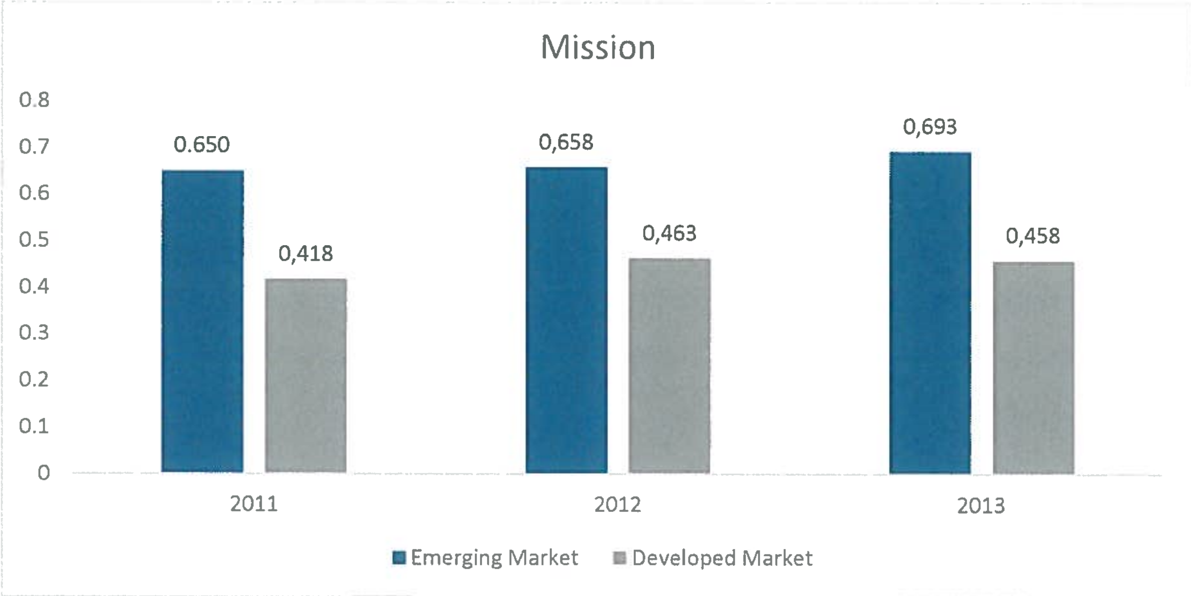


Figure 4.1: Mission mean scores

The emerging market mission criterion means are higher than the developed market means for all three years. The South African and Indian companies' mean scores are similar for the mission criterion and the increase in the year-on-year mean scores is therefore driven by the companies in both countries. There has been a small increase in the emerging market means for the mission criterion, indicating general improvement in the disclosures made by companies, which could be as a result of companies getting more comfortable with the concept of integrated reporting in the South African context and additional companies adopting the disclosure practices of other listed companies for the Indian context.

The low year-on-year mean scores for the developed market are mainly driven by the Australian listed companies, as many of them do not disclose their mission in their annual reports. The low mean score for the Australian companies may be attributable to the fact that the *Australian Corporate Governance Principles and Recommendations* (3rd edition) does not require companies to disclose their mission. The developed market experienced a small improvement in the extent of disclosures made between 2011 and 2012 and then a slight decrease between 2012 and 2013. The decrease was caused by a rise in the number of Australian listed companies omitting their mission in their annual reports for the year 2013, which may be as a result of the Australian companies pursuing more concise corporate reporting.

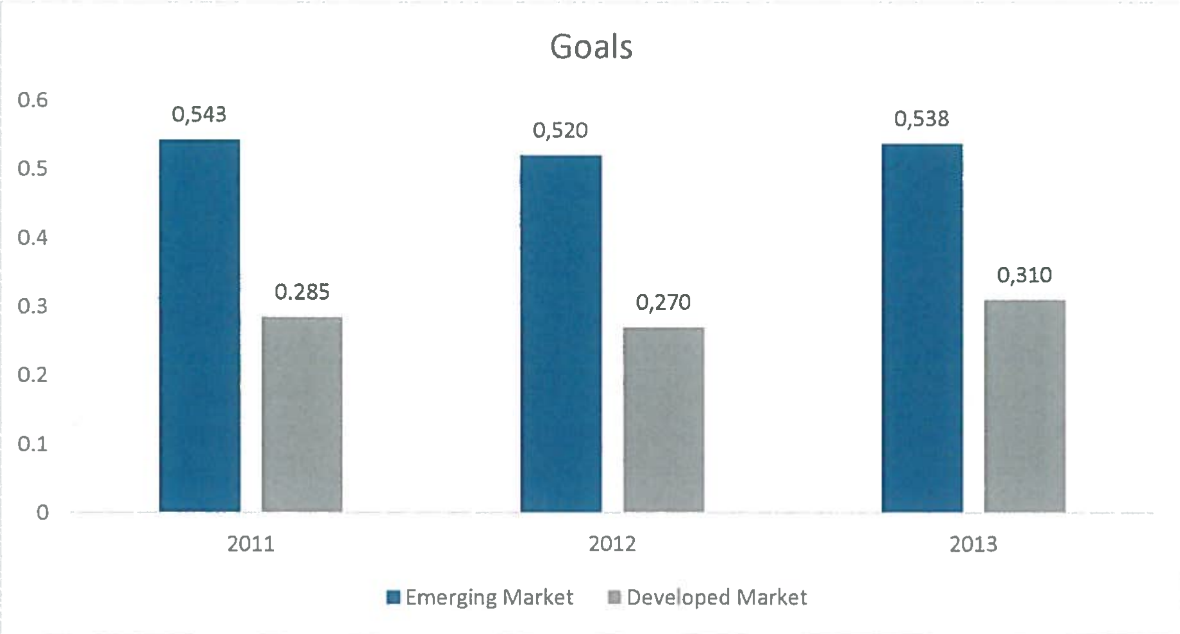


Figure 4.2: Goal mean score

The emerging market goal criterion means are higher than the developed market means for all three years. The low aggregated developed market disclosure means are representative of the disaggregated means for both the American and Australian listed companies. The higher emerging market means are mainly attributable to the good South African listed companies' means. The good disclosure means for the South African companies may be due to the King III report which encourages integrated reporting.

There has been a small increase in the developed market means for the goal criterion between 2011 and 2013, thus indicating general improvement in the disclosures made by the listed companies in that market. The slight decrease in the emerging market means between 2011 and 2013 was driven by the Indian listed companies that decreased their disclosure of company goals, possibly because they were aiming to be more concise in their disclosure.

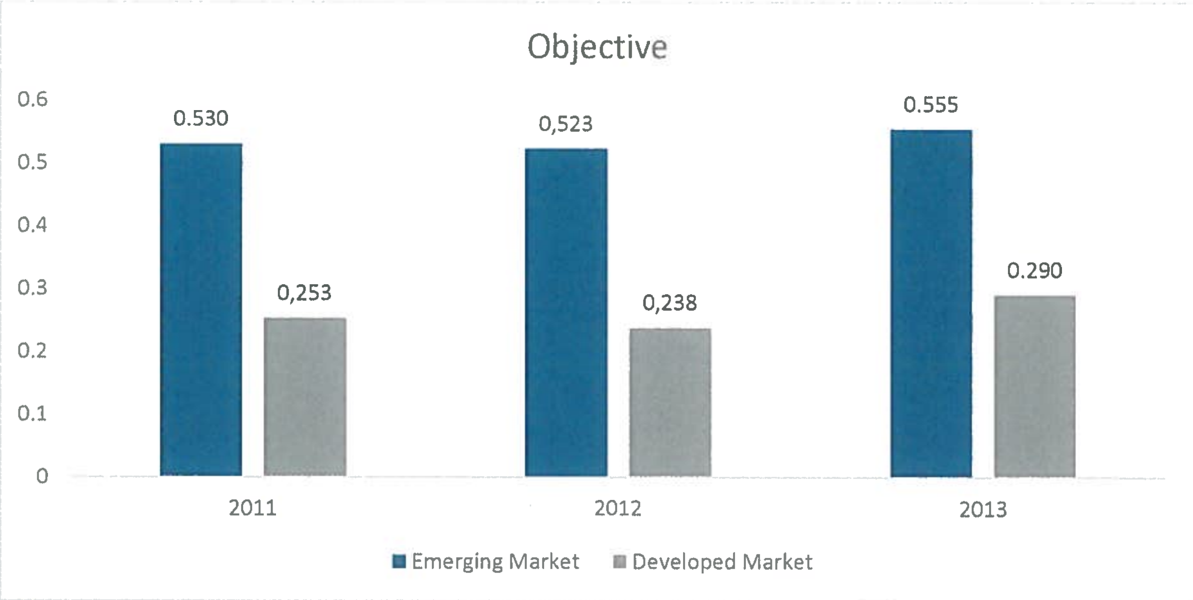


Figure 4.3: Objective mean scores

The emerging market objective criterion means are higher than the developed market means for all three years. Similar to the goal criterion, the average emerging market mean scores are attributable to the high scores of South African listed companies while the disclosure mean scores for Indian listed companies are relatively similar to the disclosure mean scores of the developed market listed companies (for both Australia and America).

There has been a small increase in the developed and emerging market means between 2011 and 2013, which indicates a general improvement in the disclosures made by the companies on their objectives.

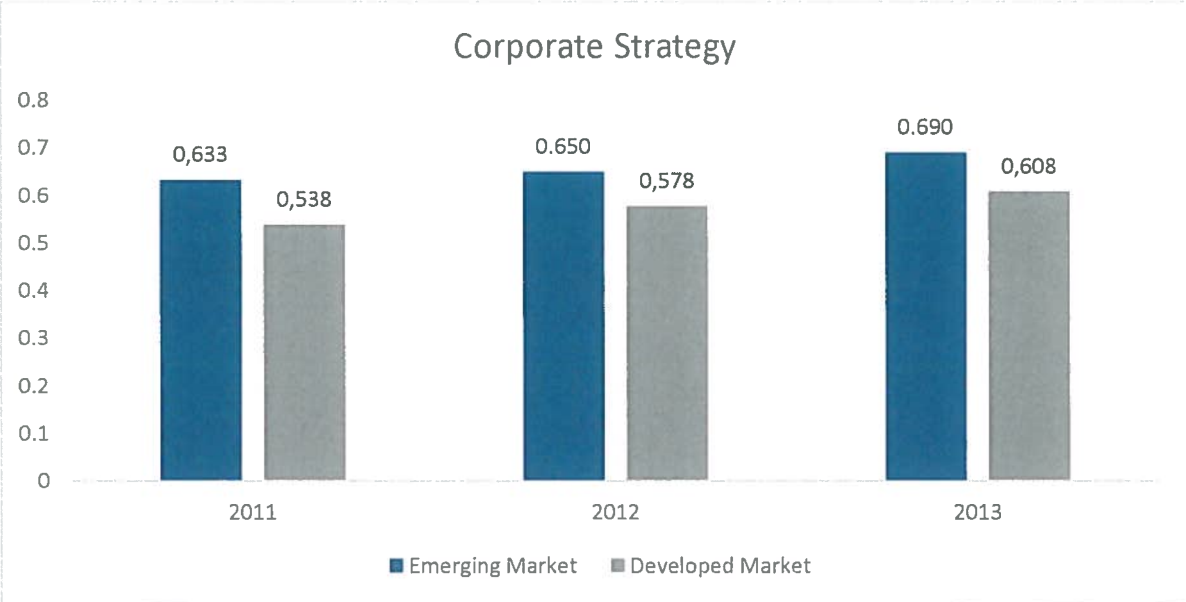


Figure 4.4: Corporate strategy mean scores

The emerging market corporate strategy criterion means are slightly higher than the developed market means for all three years. The mean scores for all four countries were relatively consistent with the aggregated mean scores.

There has been small year-on-year growth in the means for both the developed and the emerging markets, indicating general improvement in the corporate strategy disclosures made by the companies.

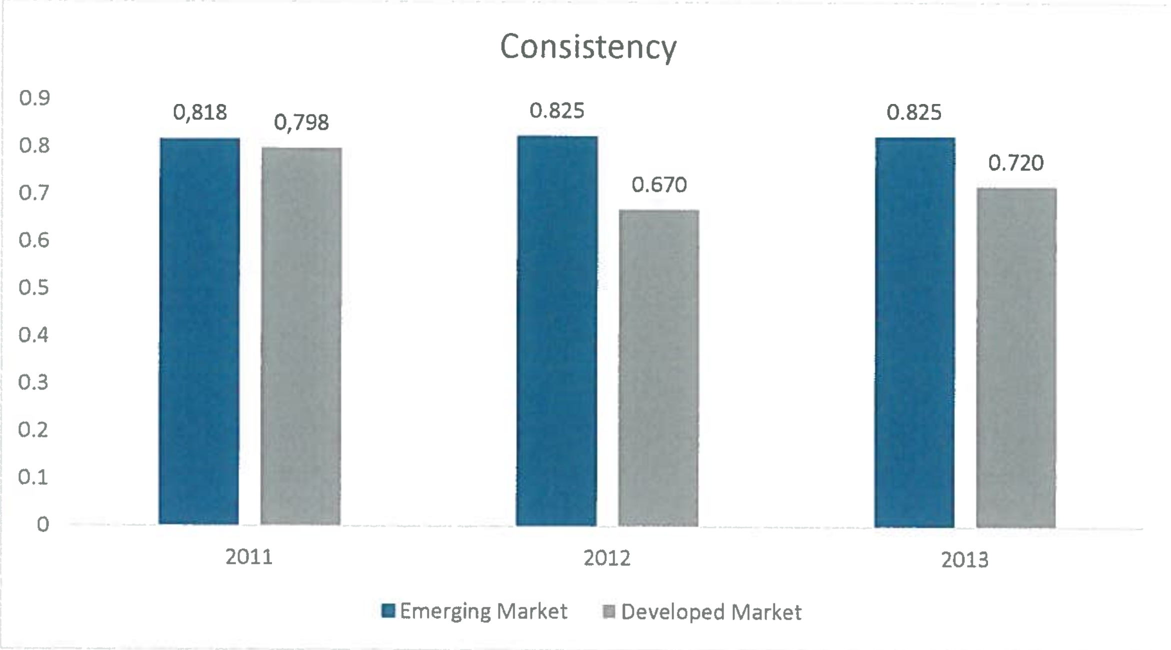


Figure 4.5: Consistency mean scores

The emerging market consistency criterion mean for 2011 is slightly higher than the developed market mean. The difference in the mean grew by 675% from 2011 to 2012, but the developed market mean shows some improvement between 2012 and 2013 when the mean difference between the emerging and developed market decreased by 35% between the two years.

There has been a small increase in the emerging market consistency means due to both the Indian and the South African listed companies keeping their corporate strategies relatively constant. The high decrease in the 2012 mean is mainly attributable to the Australian listed companies (although there was also a slight decline in the American mean scores). Many of the developed market listed companies did not necessarily change their corporate strategy in 2012 but many increased the details of their corporate strategy, which resulted in an improvement in corporate strategy disclosure in the annual reports. This further supports the improvement in the developed market corporate strategy criterion mean scores between 2011 and 2012.

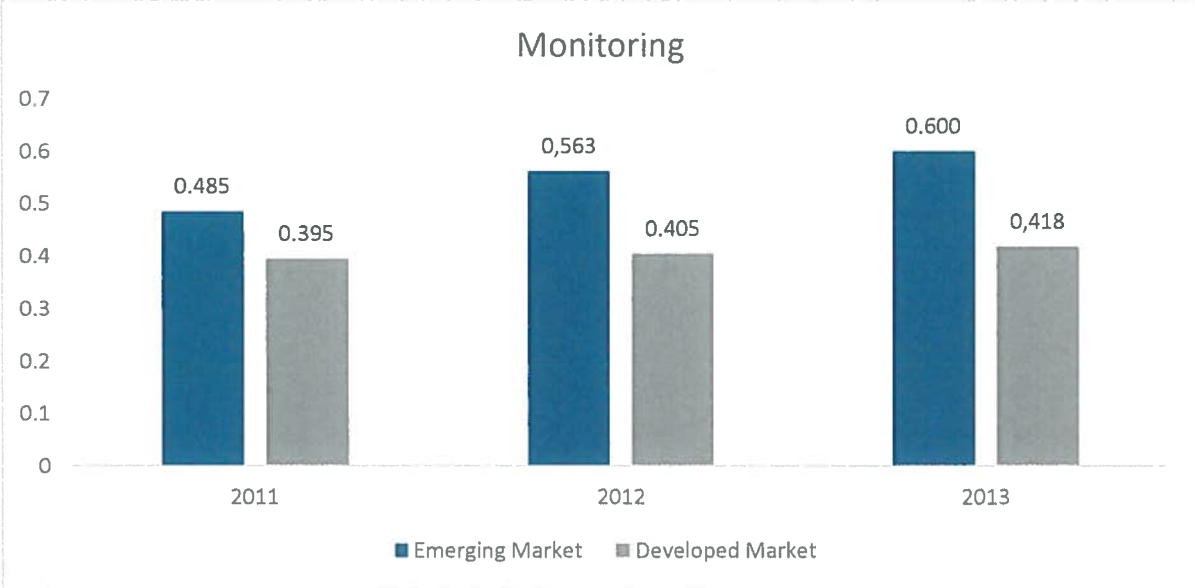


Figure 4.6: Monitoring mean scores

The emerging market monitoring criterion means are higher than the developed market means for all three years. The higher emerging market mean scores are mainly due to the good mean scores obtained by the South African listed companies, since the Indian listed companies' mean scores are lower than those of the Australian and American listed companies.

There has been a slight increase in the developed and emerging market means for the monitoring criterion, indicating a general improvement in the monitoring of their goals, objectives and action plans in both developmental markets.

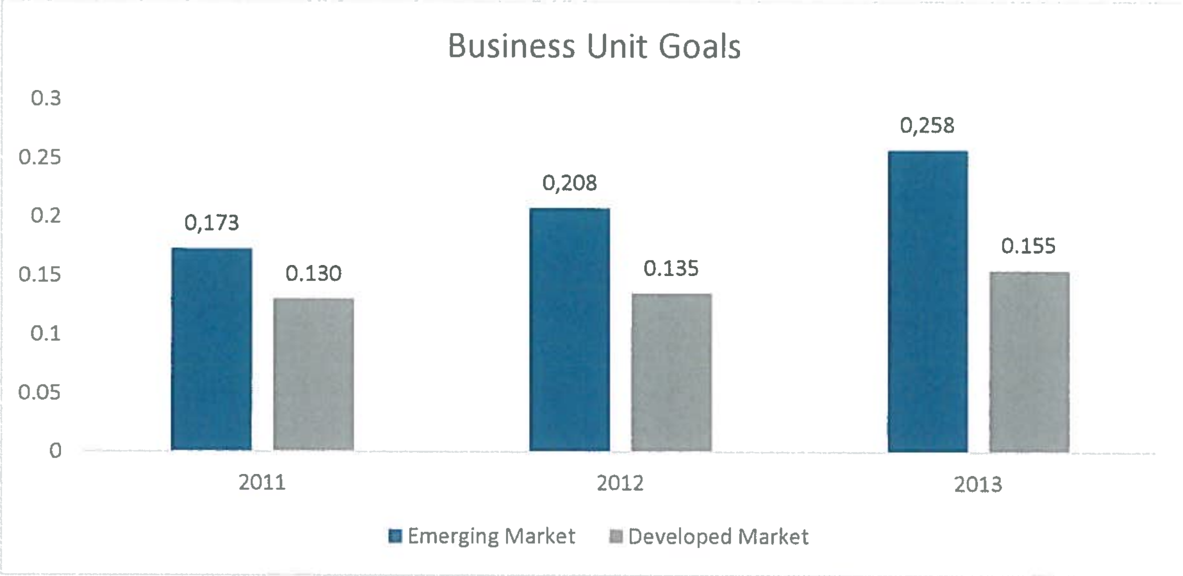


Figure 4.7: Business unit goals mean scores

The mean scores for the listed companies in all four countries are low, which may be due to a lack of information on goals at a business unit level for many of the listed companies. The emerging market business unit goals criterion means are higher than the developed market for all three years. The higher mean scores for the emerging market are attributable to the South African listed companies' mean scores, since the Indian listed companies' mean scores are lower than those of the Australian listed companies and similar to those of the American listed companies.

There has been a small increase in the developed market means for the business unit goals criterion, indicating a general improvement in the disclosures made at a business unit level. The emerging market experienced a slight increase in the extent of its business unit goals disclosure in the period between 2011 and 2012 but a relatively average improvement of 24% in the extent of its business unit goals disclosure in 2013 over 2012; this also indicates a general improvement in the disclosures made at a business unit level.

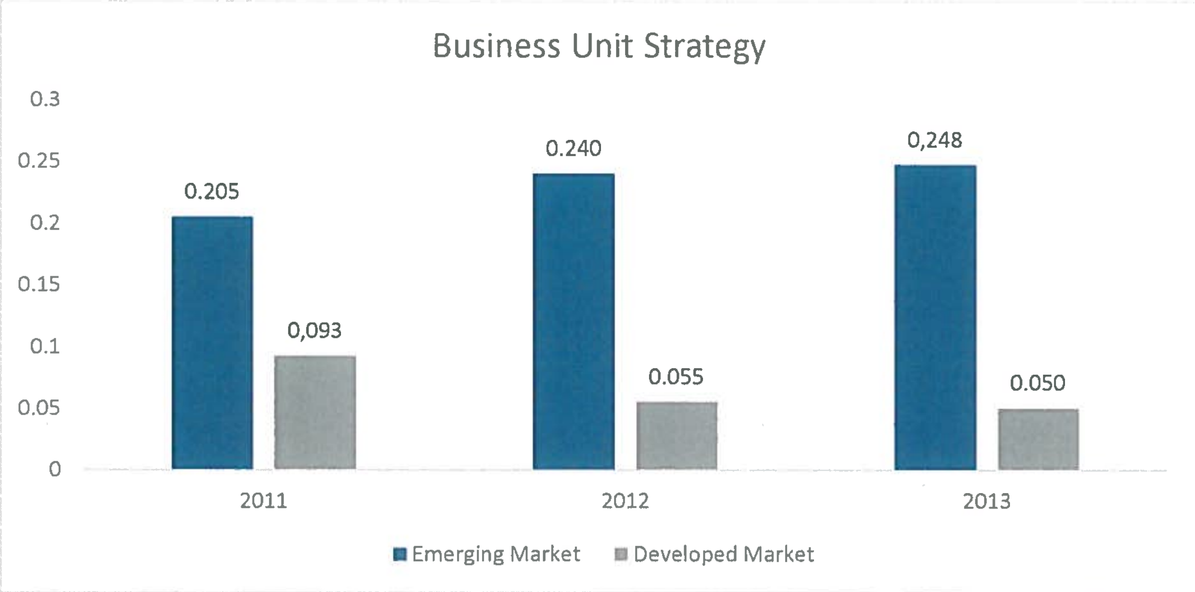


Figure 4.8: Business unit strategy mean scores

The mean scores for the listed companies in all four countries are low, which may be due to a lack of implementation of business unit level strategy. The emerging market business unit strategy criterion means are higher than the developed market for all three years. The higher emerging market mean scores are attributable to the South African listed companies, as the Indian listed companies' mean scores are relatively consistent with those of the Australian and American companies.

There has been a year-on-year increase in the emerging market business unit strategy criterion means, thus indicating a general improvement in the business unit level disclosures. The extent of the developed market business unit strategy disclosure experienced year-on-year declines, however. Both the Australian and the American listed companies contribute to this year-on-year decline, which may indicate that the developed market does not consider this level of strategy disclosure important as the overall corporate strategy criterion mean scores improved.

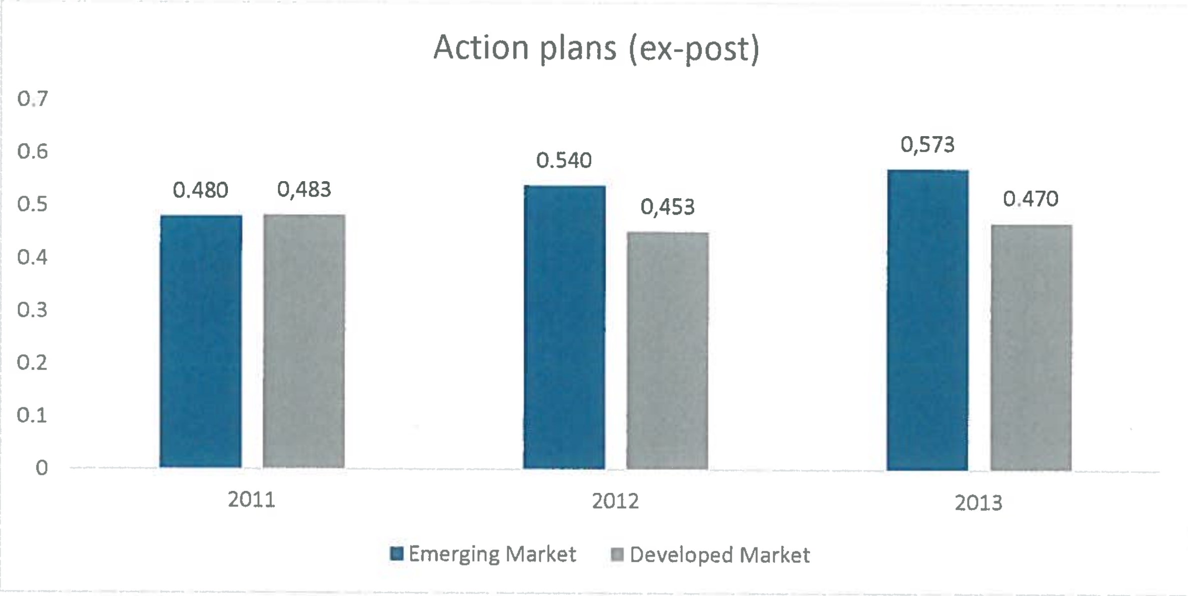


Figure 4.9: Ex-post action plans mean scores

The emerging market ex-post action plans criterion means for 2011 are similar for both the emerging and the developed market, as all the four countries obtained similar average mean scores. However, the means in 2012 and 2013 are higher for the emerging market than the developed market due to a slight decrease in the developed market disclosure on this (for both the American and the Australian listed companies) and a slight increase in the emerging market disclosure (for both the Indian and the South African listed companies).

There is therefore an improvement in the action plans (ex-post) disclosure for the emerging market. The developed market declines may indicate that the developed market is extremely cautious about revealing elements of their competitive advantage. Although the information in ex-post action plans relates to the past, it may still be replicated by competitors.

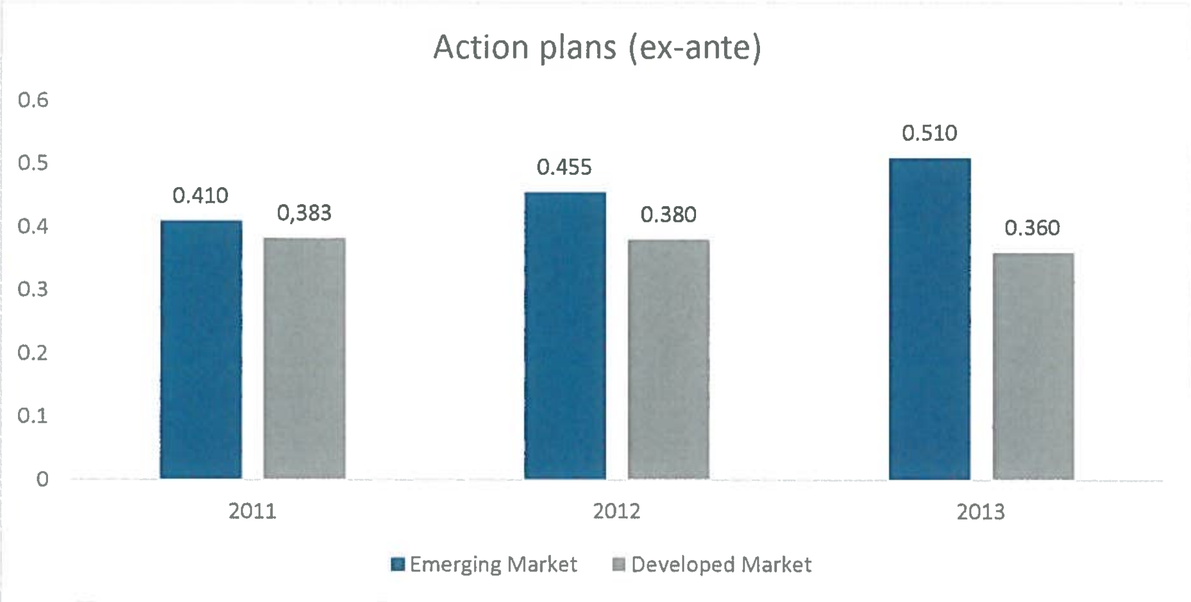


Figure 4.10: Ex-ante action plans mean scores

The emerging market ex-ante action plans criterion means are higher than the developed market means for all three years, but these are low for both developmental markets. The low ex-ante action plans mean scores are consistent with Santema and Van de Rijt's (2001) study, which found that the ex-ante action plans are almost never present in the annual reports of Dutch listed companies. The aggregated developmental market level mean scores are representative of the disaggregated mean scores for the four countries. It should also be noted that the mean scores for the ex-ante action plans are lower than the ex-post action plans as the companies in all four countries reveal less of their future action plans than their past action plans.

There has been a small increase in the emerging market means for the ex-ante action plans criterion, indicating general improvement in the disclosures made by the companies. There has been a slight decrease in the ex-ante action plans disclosure between 2011 and 2013 in the developed market, which is attributable to the American listed companies; this may be due to a growing hesitance on the part of companies on the NYSE to disclose their ex-ante action plans as these reveal details of their competitive advantage.

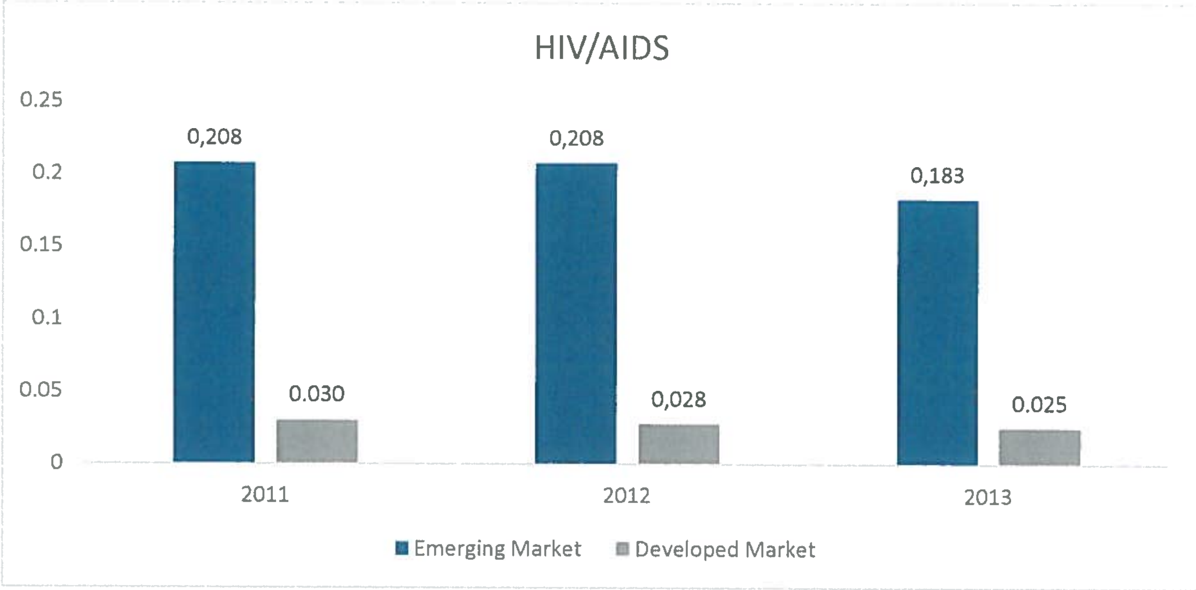


Figure 4.11: HIV/AIDS mean scores

The emerging market HIV/AIDS criterion means are significantly greater than the developed market means for all three years, which is in accordance with expectations, as the two countries representing the emerging market have a higher prevalence of HIV/AIDS (United Nations, 2011) and the companies in that market would therefore be more affected by HIV/AIDS than the developed market. The higher emerging market mean scores are attributable to the South African listed companies' mean scores, as these are significantly higher than those of the Indian, and the American and Australian listed companies. This is also expected as South Africa has the highest prevalence of HIV/AIDS in the world (United Nations, 2011) and companies in this country would therefore be more affected.

There has been a slight decrease in the developed market and emerging market means for the HIV/AIDS criterion; this is consistent with Padia's (2012) study, where a decrease in HIV/AIDS strategy disclosure was noted for the JSE listed companies between the year 2005 and 2008. The reason for a decrease in disclosure may be a result of the year-on-year improvements made by the World Health Organization (WHO) in managing the HIV/AIDS pandemic by ensuring that more people obtain access to anti-retroviral medication (United Nations, 2013). These WHO improvements will decrease the impact that the pandemic has on companies and they will therefore tend to disclose less of their HIV/AIDS strategy as the business impact of the pandemic decreases.

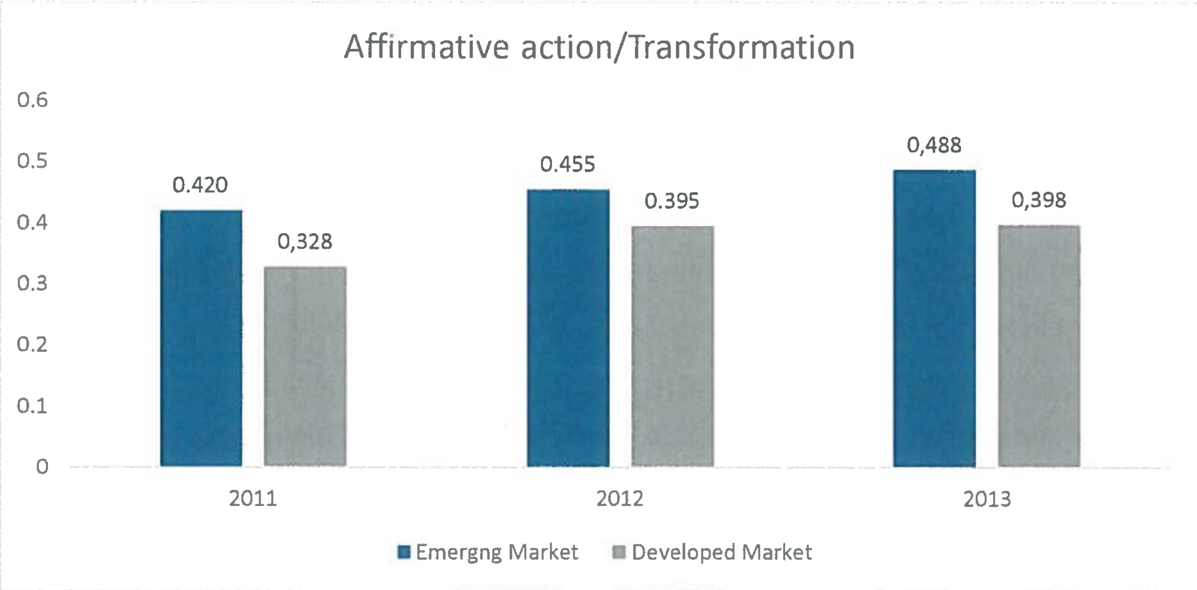


Figure 4.12: Affirmative action/transformation mean scores

The emerging market affirmative action/transformation criterion means are higher than the developed market means for all three years, which is in accordance with expectations, as companies in both the emerging market countries have preferential affirmative action policies. In the developed market, however, the USA preferential affirmative action policies remain a contentious issue with these having been abolished in some American states. The mean scores in the emerging market are driven mainly by the South African listed companies' mean scores and the developed market mean scores are mainly driven by the Australian companies' mean scores.

There has been a small increase in the emerging and developed market mean scores for the affirmative action/transformation criterion, indicating a general improvement in the disclosures made by both developmental markets.

4.2.3 Cluster analysis

In 2011, 51 of the companies representing the developed market obtained total strategy disclosure scores which were below the mean and only 45 of the emerging market companies fell into this category. This indicates that most of the companies in the emerging market had strategy disclosure scores above the mean whereas most of the developed market companies had disclosure scores that were below the mean. The above-average extent of the emerging market was mainly thanks to South Africa, where 42 of the 55 companies were South African companies.

A significant improvement was noted in the developed market for 2012, as 70 companies obtained total disclosure scores that were above the mean. This is concluded as being an improvement as the means for most of the criteria remained fairly constant in the developed market between 2011 and 2012; the only criteria which showed a significant decrease in mean scores between the two years were consistency and business unit strategy. The number of companies obtaining above-average total strategy disclosure scores in the emerging market remained relatively constant between 2011 and 2012, with this moving from 55 in 2011 to 58 in 2012. It should, however, be noted that the results should not be interpreted as a better extent of disclosure by the developed market companies, as the mean of the developed market is significantly lower than that of the emerging market for most of the criteria.

The developed market total strategy disclosure scores decreased for most of the companies as the number of companies that obtained below-average scores increased from 30 in 2012 to 66 in 2013. The decrease was a result of the companies in the USA, as the number of companies in this category for Australia remained constant at 24 for both 2012 and 2013. The mean scores remained relatively constant for the year 2012 and 2013 for the developed market and the performance of the US companies was therefore not attributable to a higher average but a decrease in strategy disclosure. This decrease may be attributable to companies pursuing more concise disclosure by focusing more on disclosure required by regulation and less on voluntary reporting practices. The emerging market strategy disclosure scores remained relatively constant between 2012 and 2013, with the number of companies obtaining higher than average strategy disclosure scores moving from 58 to 57.

4.3 Primary analysis

4.3.1 Normality analysis results

In the years 2011, 2012 and 2013, the Kolmogorov-Smirnov and Shapiro-Wilk tests indicate p-values of less than 0.001 for both tests (as can be seen in the "Sig." columns of the tables included in Appendix 4). One can therefore conclude (at the 1% level of significance) that the data significantly deviates from normality in the case of each criterion for the years 2011, 2012 and 2013. Since the data deviates from normality, non-parametric testing was used to statistically test the differences in the extent of strategy disclosure between the developed and emerging market.

4.3.2 Mann-Whitney test results

2011 Mann-Whitney test results

The total Mann-Whitney U analysis for the 2011 financial year in Table 4.7 revealed that the total disclosure scores for the developed market significantly differ from the disclosure scores of the emerging market ($p < 0.050$). This indicates that the total strategy disclosures of the developed market significantly differ from the total strategy disclosures of the emerging market.

Table 4.7: 2011 Total Mann-Whitney test statistics

Total disclosure score 2011	Mann-Whitney U	3247
	Wilcoxon W	8297
	Z	-4.286
	Asymp. Sig. (2-tailed)	0.000

The criteria level Mann-Whitney U analysis in Table 4.8 revealed significant differences between the developed and emerging market's disclosure of the mission ($z = -4.493$, $p < 0.001$), goal ($z = -4.311$, $p < 0.001$), objectivity ($z = -4.765$, $p < 0.001$), corporate strategy ($z = -2.052$, $p < 0.050$), business units goals ($z = -2.000$, $p < 0.050$), business unit strategy ($z = -3.043$, $p < 0.010$), HIV/AIDS (z = 5.965, $p < 0.001$) and affirmative action/transformation (z = -2.253, $p < 0.050$) criteria for the year 2011.

In all of the significant differences above, the emerging market exhibits a larger ranking of disclosure scores than the developed market (see the ranks table in Appendix 5), indicating better strategy disclosures in the emerging market than in the developed market.

The test also revealed that there is no significant difference between the developed and emerging market in their disclosure of the consistency (z = -0.609, $p > 0.050$), monitoring (z = -1.573, $p > 0.050$), ex-post action plans (z = -0.102, $p > 0.050$) and ex-ante action plans (z = -0.502, $p > 0.050$) criteria for the year 2011.

Table 4.8: 2011 Criteria level Mann-Whitney test statistics[a]

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mission	3203.500	8253.500	-4.493	0.000
Goal	3306.500	8356.500	-4.311	0.000
Objectivity	3129.500	8179.500	-4.765	0.000
Corporate strategy	4181.500	9231.500	-2.052	0.040
Consistency	4817.000	9867.000	-0.609	0.543
Monitoring	4423.500	9473.500	-1.573	0.116
Business unit goals	4397.500	9447.500	-2.000	0.046
Business unit strategy	4048.000	9098.000	-3.043	0.002
Action plans ex-post	4961.000	10011.000	-0.102	0.919
Action plans ex-ante	4740.000	9790.000	-0.672	0.502
HIV/Aids	3109.000	8159.000	-5.965	0.000
Affirmative action/Transformation	4123.000	9173.000	-2.253	0.024

a. Grouping Variable: Developed

2012 Mann-Whitney test results

The total Mann-Whitney U analysis in Table 4.9 reveals that the total disclosure scores of the developed market differ significantly from the disclosure scores of the emerging market ($p < 0.05$). This indicates that the total strategy disclosures of the developed market differ significantly from the total strategy disclosures of the emerging market.

Table 4.9: 2012 Total Mann-Whitney test statistics[a]

Total disclosure score 2012	Mann-Whitney U	2941
	Wilcoxon W	7991
	Z	-5.034
	Asymp. Sig. (2-tailed)	0.000

The criteria level Mann-Whitney U analysis table in Table 4.10 revealed significant differences between emerging market and developed market in their disclosure of the mission ($z = -3.894$, $p < 0.001$), goal ($z = -4.213$, $p < 0.001$), objectivity ($z = -4.787$, $p < 0.001$), consistency ($z = -2.320$, $p < 0.050$), monitoring ($z = -2.962$, $p < 0.010$), business units goals ($z = -2.548$, $p < 0.050$), business units strategy ($z = -4.423$, $p < 0.001$), action plans ex-post ($z = -2.932$, $p < 0.010$), action plans ex-ante ($z = -2.282$, $p < 0.050$) and HIV/AIDS ($z = -5.884$, $p < 0.001$) criteria in 2012.

In all of the significant differences above, the emerging market exhibits a larger ranking of disclosure scores than the developed market (see the ranks table in Appendix 5).

The test also revealed that there is no significant difference between the developed market's and emerging market's disclosure of the corporate strategy ($z = -1.489$, $p > 0.050$) and affirmative action/transformation ($z = -1.682$, $p > 0.050$) criteria.

Table 4.10: 2012 Criteria level Mann-Whitney test statistics[a]

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mission	3444.000	8494.000	-3.894	0.000
Goal	3354.000	8404.000	-4.213	0.000
Objectivity	3136.500	8186.500	-4.787	0.000
Corporate strategy	4407.500	9457.500	-1.489	0.137
Consistency	4187.000	9237.000	-2.320	0.020
Monitoring	3875.500	8925.500	-2.962	0.003
Business unit goals	4197.500	9247.500	-2.548	0.011
Business unit strategy	3668.000	8718.000	-4.423	0.000
Action plans ex-post	3865.000	8915.000	-2.932	0.003
Action plans ex-ante	4114.500	9164.500	-2.282	0.022
HIV/Aids	3147.000	8197.000	-5.884	0.000
Affirmative action/Transformation	4339.000	9389.000	-1.682	0.093

a. Grouping Variable: Developed

2013 Mann-Whitney test results

The total Mann-Whitney U analysis in Table 4.11 revealed that the total disclosure scores of the developed market significantly differ from the disclosure scores of the emerging market ($p < 0.050$). This indicates that the total strategy disclosures of the developed market significantly differ from the total strategy disclosures of the emerging market.

Table 4.11: 2013 Total Mann-Whitney test statistics[a]

Total disclosure score 2013	Mann-Whitney U	2835
	Wilcoxon W	7885
	Z	-5.294
	Asymp. Sig. (2-tailed)	0.000

The criteria level Mann-Whitney U analysis for the year 2013 (Table 4.12) revealed significant differences between the developed and emerging market in their disclosure of the mission ($z = -4.691$, $p < 0.001$), goal ($z = -3.952$, $p < 0.001$), objectivity ($z = -4.536$, $p < 0.001$), monitoring ($z = -3.639$, $p < 0.010$), business units goals ($z = -2.693$, $p < 0.010$), business units strategy ($z = -4.754$, $p < 0.001$), action plans ex-post ($z = -3.148$, $p < 0.010$), action plans ex-ante ($z = -3.915$, $p < 0.001$), HIV/AIDS ($z = -5.408$, $p < 0.001$) and affirmative action/transformation ($z = -2.032$, $p < 0.050$) criteria in 2013.

In all of the significant differences above, the emerging market exhibits a larger ranking of disclosure scores than the developed market (see the ranks table in the Appendix 5).

The test also revealed that there is no significant difference between the developed and emerging market in their disclosure of the corporate strategy ($z = -1.768$, $p > 0.050$) and consistency ($z = -1.695$, $p > 0.050$) criteria for the year 2013.

Table 4.12: 2013 Criteria level Mann-Whitney test statistics[a]

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mission	3132.000	8182.000	-4.691	0.000
Goal	3446.000	8496.000	-3.952	0.000
Objectivity	3214.000	8264.000	-4.536	0.000
Corporate strategy	4299.000	9349.000	-1.768	0.077
Consistency	4413.000	9463.000	-1.695	0.090
Monitoring	3611.500	8661.500	-3.639	0.000
Business unit goals	4125.000	9175.000	-2.693	0.007
Business unit strategy	3568.500	8618.500	-4.754	0.000
Action plans ex-post	3780.000	8830.000	-3.148	0.002
Action plans ex-ante	3459.500	8509.500	-3.915	0.000
HIV/Aids	3321.500	8371.500	-5.408	0.000
Affirmative action/Transformation	4199.500	9249.500	-2.032	0.042

a. Grouping Variable: Developed

Overall primary analysis

For an alpha level of 0.05, the total Mann-Whitney U test indicated that the mean ranks of the total disclosure scores differ significantly between emerging and developed countries in 2011, 2012 and 2013. At a total disclosure strategy disclosure level the null hypothesis can therefore be rejected and the alternate hypothesis accepted.

The criteria level Mann-Whitney U test results indicated that there is a significant difference in strategy disclosure for all three years for the following criteria: mission, goal, objectivity, business unit goals, business unit strategy and HIV/AIDS. The null hypothesis can therefore be rejected for the criteria and the alternate hypothesis accepted.

In 2011, the criteria level Mann-Whitney U test results indicated an insignificant difference between the developed and emerging market strategy disclosure in the following criteria: consistency, monitoring, ex-post action plans and ex-ante action plans. This is because both the developmental markets obtained high scores for the consistency criterion and low scores for the monitoring and action plans criteria. The null hypothesis can therefore be accepted for the four criteria for the 2011 financial year.

In 2012, the Mann-Whitney U test results indicated that there is an insignificant difference between the developed and emerging market strategy disclosure in the following criteria: corporate strategy and affirmative action/transformation. In 2012, the extent of the developed market disclosure on the corporate strategy criterion showed greater improvement than that of the emerging market, which decreased in terms of significant statistical difference from 2012 onwards. The improvement in the extent of affirmative action disclosure was also greater for the developed market than the emerging market, which decreased the statistical difference from significant to non-significant for the criterion but only for the current financial year. The null hypothesis can therefore be accepted for the two criteria. The monitoring, action plans (ex-post) and action plans (ex-ante) criteria displayed a significant statistical difference in the two developmental markets from 2012 onwards. This happened because the emerging market improved its year-on-year disclosure on all three criteria, whereas the developed market disclosure of both the action plans (ex-post) and monitoring remained relatively flat and decreased for the action plans (ex-ante).

In 2013, the criteria level Mann-Whitney U tests indicated that no significant difference between the developed and emerging market strategy disclosure in the corporate strategy and consistency criteria. The significant difference for the consistency criterion in 2012 was due to a decrease in the consistency for the criterion in the 2012 financial year for the developed market, which is explained in section 4.2.1. The null hypothesis can therefore be accepted for the both criteria.

Also in 2013, a significant difference arises for 10 of the 12 criteria owing to the fact that the emerging market improved the extent of its disclosure for the action plans (ex-post), action plans (ex-ante) and monitoring criteria. The corporate strategy and consistency criteria on average do not show a significant difference across the years (showed a significant difference for one of the three years only), which is appropriate as (i) all the companies usually disclose their corporate strategy in their annual reports with less than 15% of companies in each developmental market for the three years not disclosing any details of their corporate strategy; and (ii) the corporate strategy of a company is in the main kept constant; the only alteration being made (if any) is improving the detail provided on this in the annual reports. However, a significant difference is detected between the developed and emerging market disclosure of the affirmative action/transformation policies (this difference was significant for two of the three years). This is appropriate, as both countries representing the emerging market have preferential affirmative action policies, while in the developed market, although Australia has preferential affirmative action policies such policy remains a contentious issue in the USA, with affirmative action having been abolished in some of the states.

4.4 Variable groupings and correlation

<u>2011 Developed market variable groupings and correlation</u>

In the developed market biplot for 2011 (Figure 4.13), the business unit goals, business unit strategy and affirmative action criteria are situated quite a distance away from the rest of the criteria; this is mainly because these criteria obtained the lowest scores. The affirmative action criterion is isolated from all the other variables indicating that this variable has very little, if any, correlation with the rest of the variables. The Pearson co-efficient correlation, in Table 4.13 below, also indicates that the affirmative action criterion has very low correlation with the rest of the variables.

The biplot indicates that the corporate strategy, action plans (ex-ante), action plans (ex-post), monitoring and consistency variables are grouped for the developed market. The corporate strategy, action plans (ex-post) and action plans (ex-ante) grouping, as well as the monitoring and consistency variables grouping, are in accordance with Padia and Yasseen's (2011) study, which identified these as the

Category 2 and Category 3 variables respectively. The close correlation of the Category 2 and Category 3 variables is also consistent with Padia and Yasseen's (2011) study. The Pearson co-efficient identified significantly correlated pairs in the identified group; namely, monitoring and action plans (ex-post), monitoring and action plans (ex-ante) and, action plans (ex-post) and action plans (ex-ante).

Both the biplot and the Pearson correlation indicate the following two large correlation pairs: business unit goals and business unit strategy variables, and goals and objectivity variables. Both these correlations are consistent with the correlations identified in Padia and Yasseen's (2011) study, as they were classified as Category 1 and Category 2 variables respectively.

The inconsistencies identified between this study and Padia and Yasseen's (2011) study include (1) the very small correlation between the mission variable and the other variables in Category 1; (2) the small correlation between the HIV/AIDS and affirmative action/transformation variables; and (3) the small correlation between the business unit strategy and the other variables in Category 3, as well as the small correlation between the business unit goals and the other variables in Category 3. These inconsistencies are representative of the significant differences between the developed and emerging market strategy disclosure practices.

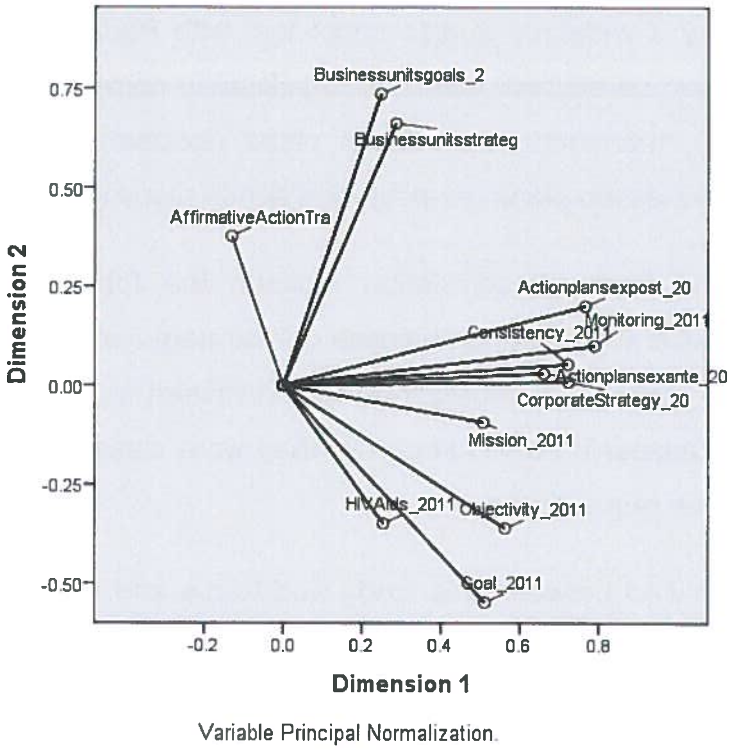


Figure 4.13: 2011 Developed market biplot

Table 4.13: 2011 Developed Market Pearson Correlation

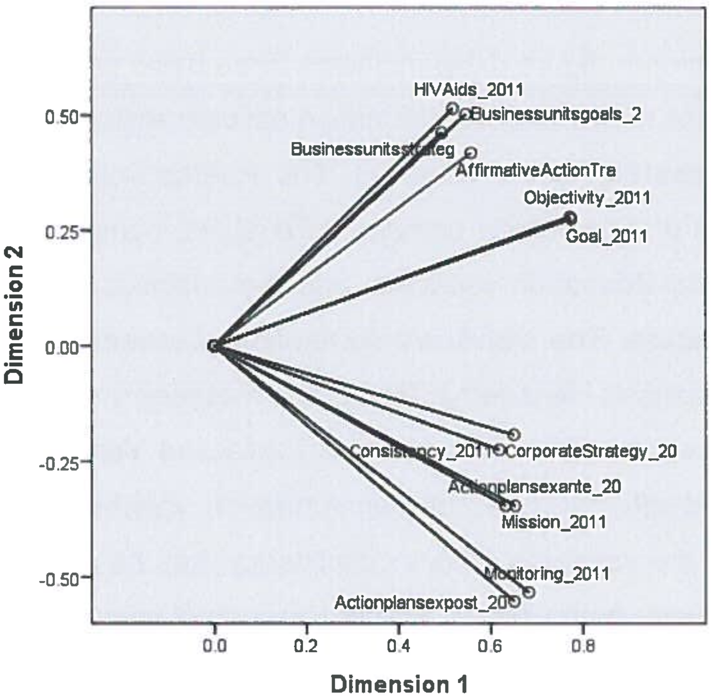
Criteria	Mission 2011	Goal 2011	Objectivity 2011	Corporate Strategy 2011	Consistency 2011	Monitoring 2011	BU goals 2011	BU strategy 2011	Ex-post 2011	Ex-ante 2011	HIVAids 2011	Affirmative 2011
Mission	1											
Goal	0.248*	1										
Objectivity	0.107	0.538**	1									
Strategy	0.359**	0.279**	0.321**	1								
Consistency	0.308**	0.182	0.314**	0.441**	1							
Monitoring	0.103	0.300**	0.361**	0.416**	0.229*	1						
BU goals	0.052	-0.102	0.070	0.056	0.178	0.201*	1					
BU strategy	0.153	0.036	0.028	0.112	0.198*	0.100	0.372**	1				
Ex-post	0.141	0.104	0.210*	0.480**	0.350**	0.588**	0.220*	0.196	1			
Ex-ante	0.184	0.245*	0.239*	0.259**	0.262**	0.616**	0.203*	0.078	0.526**	1		
HIV/Aids	-0.046	0.255*	0.275**	0.084	0.135	0.180	-0.037	-0.009	0.120	0.147	1	
Affirmative	-0.246*	-0.060	-0.001	-0.133	-0.171	0.012	0.196	0.149	-0.127	0.016	0.016	1

2011 Emerging market variable groupings and correlation

The emerging market biplot (in figure 4.14) indicates three basic groupings. The first group identified constitutes the HIV/AIDS, affirmative action/transformation, business unit strategy and business unit goals variables. The Pearson coefficient (in table 4.14) indicates two pairs of significantly correlated variables; namely, the HIV/AIDS and affirmative action/ transformation variables, and the business unit strategy and business unit goals variables. The significant correlations between the two pairs is consistent with the correlations identified in Padia and Yasseen's (2011) study. The results of this study, however, differ from those of Padia and Yasseen (2011) who found the HIV/AIDS and affirmative action/transformation variables to have been isolated from the rest of the variables. This inconsistency may be attributable to the fact that the two studies were performed in different periods of time.

The second grouping consists of the corporate strategy, consistency, action plans (ex-ante), action plans (ex-post), mission and monitoring variables, consisting of the Category 1, Category 2 and Category 3 variables in Padia and Yasseen's (2011) study. The grouping is therefore broadly consistent with the groupings identified in the Padia and Yasseen (2011) study, as the researchers found close correlation between the Category 2 and Category 3 variables. The inconsistency in this grouping is the mission variable (a Category 1 variable) being closely correlated to the Category 2 and Category 3 variables, which may be due to the fact that the studies were performed at different periods of time.

The third grouping, which, according to the biplot and the Pearson correlation, has the strongest correlation, consists of the goals and objectivity variables. The grouping of the two variables is consistent with Padia and Yasseen's (2011) study.



Variable Principal Normalization.

Figure 4.14: 2011 Emerging market biplot

Table 4.14: 2011 Emerging market Pearson Correlation

Criteria	Mission 2011	Goal 2011	Objectivity 2011	Corporate Strategy 2011	Consistency 2011	Monitoring 2011	BU goals 2011	BU strategy 2011	Ex-post 2011	Ex-ante 2011	HIVAids 2011	Affirmative 2011
Mission	1											
Goal	0.421**	1										
Objectivity	0.439**	0.926**	1									
Strategy	0.455**	0.367**	0.388**	1								
Consistency	0.319**	0.321**	0.314**	0.361**	1							
Monitoring	0.295**	0.490**	0.498**	0.209*	0.248*	1						
BU goals	0.108	0.287**	0.278**	0.162	0.150	0.506**	1					
BU strategy	0.161	0.297**	0.323**	0.223*	0.073	0.437**	0.606**	1				
Ex-post	0.370**	0.374**	0.389**	0.391**	0.277**	0.542**	0.288**	0.124	1			
Ex-ante	0.380**	0.287**	0.286**	0.259**	0.143	0.556**	0.304**	0.117	0.503**	1		
HIV/Aids	0.141	0.435**	0.408**	0.061	0.191	0.433**	0.230*	0.169	0.122	0.200*	1	
Affirmative	0.083	0.451**	0.457**	0.167	0.223*	0.392**	0.260**	0.286**	0.171	0.232*	0.535**	1

2012 Developed market variable groupings and correlation

Similar to the 2011 financial year, the 2012 developed market biplot (refer to figure 4:15) and Pearson coefficient (refer to table 4.15) indicate a very low correlation between the affirmative action variable and the rest of the variables. In 2012, the mission variable enters the grouping that consists of the corporate strategy, action plans (ex-ante), action plans (ex-post), monitoring and consistency variables. The mission variable is, however, not closely related to the variables in this group (indicated by both the Pearson co-efficient correlation and the biplot).

The goals and objectivity variables are still closely related in the developed market for the 2012 financial year, which is consistent with the Padia and Yasseen (2011) study. As per the biplot, the two variables are also grouped with the business unit goals, business unit strategy and HIV/AIDS criteria, but this grouping will have very low correlations as is indicated by the Pearson coefficient as well as the biplot. Table 4.15 below also indicates that the affirmative action criterion has very low correlation with the rest of the variables.

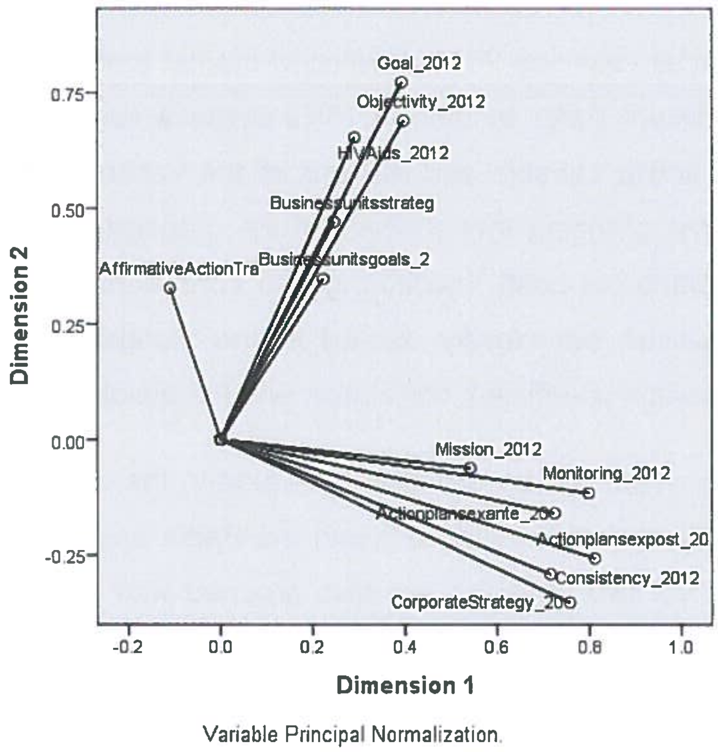


Figure 4.15: 2012 Developed market biplot

Table 4.15: 2012 Developed market Pearson correlation

Criteria	Mission 2012	Goal 2012	Objectivity 2012	Corporate Strategy 2012	Consistency 2012	Monitoring 2012	BU goals 2012	BU strategy 2012	Ex-post 2012	Ex-ante 2012	HIVAids 2012	Affirmative 2012
Mission	1											
Goal	0.174	1										
Objectivity	0.056	0.514^{**}	1									
Strategy	0.364^{**}	0.353^{**}	0.339^{**}	1								
Consistency	0.361^{**}	0.208^{*}	0.029	0.408^{**}	1							
Monitoring	0.239^{*}	0.361^{**}	0.349^{**}	0.470^{**}	0.105	1						
BU goals	-0.049	0.016	-0.062	-0.066	0.118	-.011	1					
BU strategy	0.066	0.080	-0.029	-0.054	-0.007	0.168	0.190	1				
Ex-post	0.228^{*}	0.158	0.174	0.472^{**}	0.268^{**}	0.591^{**}	0.168	0.124	1			
Ex-ante	0.205^{*}	0.390^{**}	0.175	0.328^{**}	0.214^{*}	0.531^{**}	0.117	-0.031	0.498^{**}	1		
HIV/Aids	-0.023	0.220^{*}	0.302^{**}	0.062	0.050	0.214^{*}	0.093	0.018	0.227^{*}	0.221^{*}	1	
Affirmative	-0.076	-0.097	-0.009	-0.158	-0.269^{**}	0.132	0.177	0.130	-0.020	0.072	-0.045	1

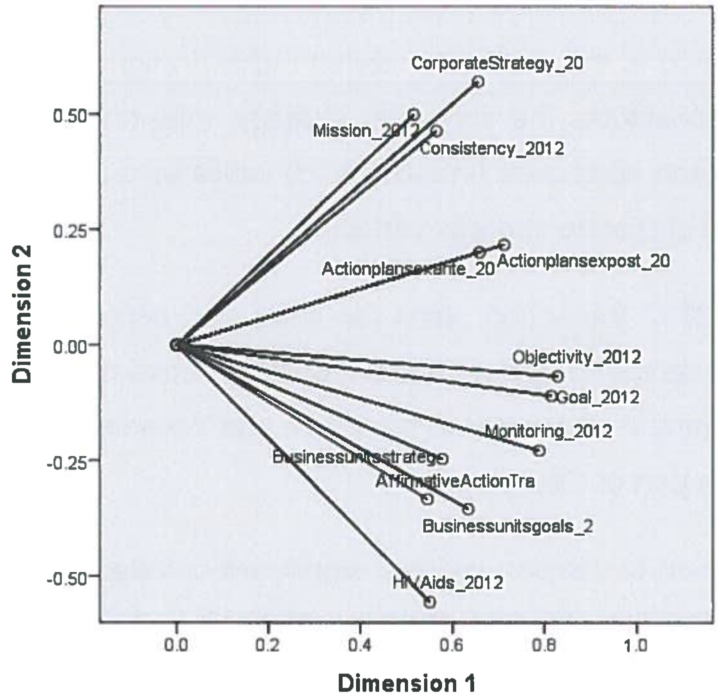
2012 Emerging market variable groupings and correlation

The first grouping identified in the emerging market biplot (in figure 4:16) was also identified in 2011 and constitutes the corporate strategy, mission and consistency variables while the Pearson coefficient (in table 4.16) indicates a strong correlation between the mission and corporate strategy variables.

In contrast to 2011, in 2012 the action plans (ex-ante) and action plans (ex-post) were no longer included as part of the grouping identified above but moved to their own grouping. This grouping is consistent to the Padia and Yasseen (2011) study as both these variables form part of Category 2.

The biplot and the Pearson correlation indicate significant correlations between the objectivity, goal and monitoring variables. This is mainly as a result of many of the emerging market companies monitoring their goals and objectives year on year and disclosing this in their annual reports.

In 2012, the biplot indicates a similar grouping as that identified in 2011 (consisting of the business unit strategy, business unit goals, HIV/AIDS and affirmative action/transformation variables), but HIV/AIDS is positioned further away from the rest of the variables in 2012. This indicates that HIV/AIDS is not as closely correlated with the rest of the variables as it was in 2011. The reason for this is that the HIV/AIDS disclosure scores remained flat between 2011 and 2012, while the other variables experienced slight increases over the same period.



Variable Principal Normalization.

Figure 4.16: 2012 Emerging market biplot

Table 4.16: 2012 Emerging market Pearson Correlation

Criteria	Mission 2012	Goal 2012	Objectivity 2012	Corporate Strategy 2012	Consistency 2012	Monitoring 2012	BU goals 2012	BU strategy 2012	Ex-post 2012	Ex-ante 2012	HIVAids 2012	Affirmative 2012
Mission	1											
Goal	0.370*	1										
Objectivity	0.432*	0.935*	1									
Strategy	0.526*	0.429*	0.450**	1								
Consistency	0.274*	0.303*	0.315**	0.445**	1							
Monitoring	0.330*	0.587*	0.576**	0.350**	0.190	1						
BU goals	0.131	0.369*	0.353**	0.161	0.073	0.477**	1					
BU strategy	0.188	0.323*	0.319**	0.222*	0.213*	0.422**	0.534*	1				
Ex-post	0.385*	0.465*	0.476**	0.478**	0.300**	0.599**	0.358*	0.354**	1			
Ex-ante	0.351*	0.385*	0.403**	0.437**	0.156	0.475**	0.424*	0.227*	0.494*	1		
HIV/Aids	-0.015	0.440*	0.389**	0.129	0.116	0.439**	0.202*	0.093	0.253*	0.268*	1	
Affirmative	0.111	0.449*	0.423**	0.223*	0.312**	0.399**	0.200*	0.209*	0.237*	0.240*	0.434**	1

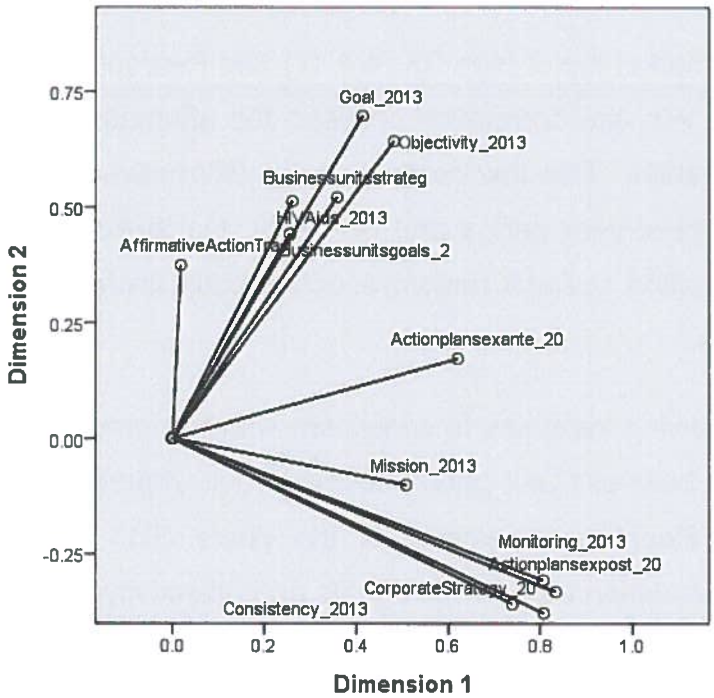
2013 Developed market variable groupings and correlation

In 2013, the developed market biplot (see figure 4.17) and Pearson coefficient (refer to table 4.17) indicate a very low correlation between the affirmative action variable and the rest of the variables. This low correlation for affirmative action has been identified for the entire three-year period and is mainly due to the fact in the USA preferential affirmative action policies remain a contentious issue and have been abolished in some states.

The grouping of the following variables is consistent with the grouping identified in 2012: goals, objectivity, business unit goals, business unit strategy and HIV/AIDS. The developed market Pearson correlation for the years 2011, 2012 and 2013 indicated a significant correlation between the goals and objectivity variable, which is in accordance to Padia and Yasseen's (2011) study, as both the variables are included in Category 1.

Both the biplot and the Pearson coefficient indicate a decline in the correlation of the action plans (ex-post) and action plans (ex-ante) between 2012 and 2013. This decline is a result of the decrease in the extent of disclosure of the action plans (ex-ante) in the developed market between 2012 and 2013, while the extent of the action plans (ex-post) increased for the same period.

The grouping of the following variables is consistent with the grouping identified in 2012: mission, monitoring, action plans (ex-post), corporate strategy and consistency. The Pearson coefficient indicated an increase in the correlation between monitoring and action plans (ex-post), while the correlation between corporate strategy and consistency declined for the period 2012 to 2013.



Variable Principal Normalization.

Figure 4.17: 2013 Developed market biplot

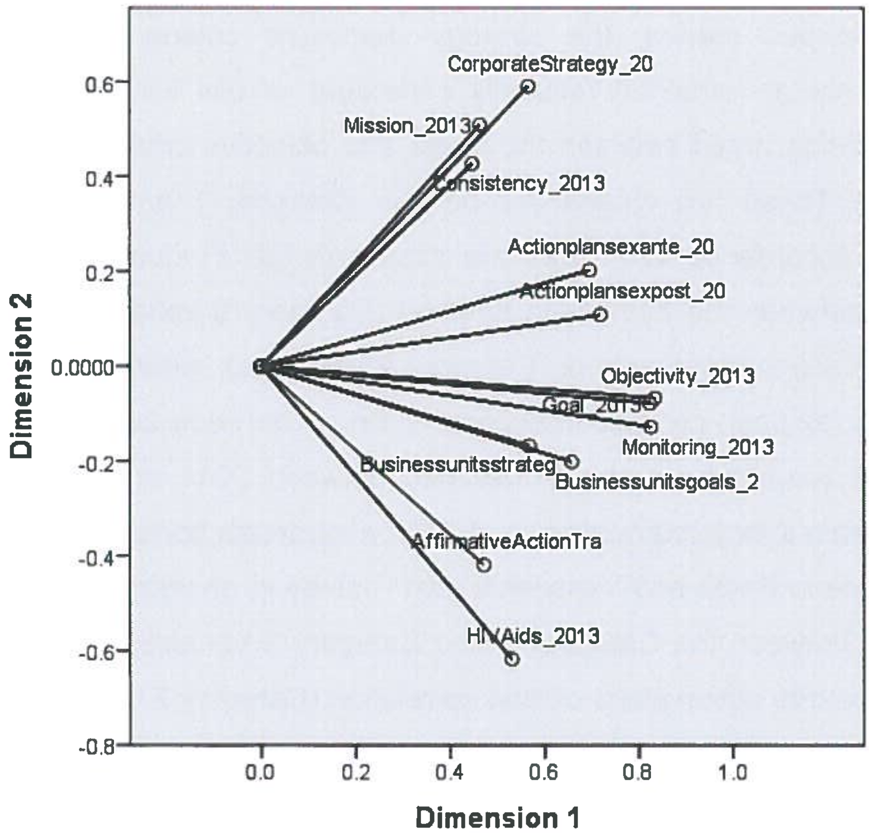
Table 4.17: 2013 Developed market Pearson Correlation

Criteria	Mission 2013	Goal 2013	Objectivity 2013	Corporate Strategy 2013	Consistency 2013	Monitoring 2013	BU goals 2013	BU strategy 2013	Ex-post 2013	Ex-ante 2013	HIVAids 2013
Mission	1										
Goal	0.096	1									
Objectivity	0.004	0.614**	1								
Strategy	0.384**	0.332**	0.311**	1							
Consistency	0.171	0.055	0.131	0.340**	1						
Monitoring	0.285**	0.407**	0.345**	0.416**	0.173	1					
BU goals	0.024	0.011	0.127	-0.004	0.031	0.055	1				
BU strategy	0.172	0.244*	0.244*	0.103	0.003	0.158	0.382**	1			
Ex-post	0.239*	0.123	0.124	0.306**	0.386**	0.606**	0.131	0.149	1		
Ex-ante	0.255*	0.354**	0.288**	0.354**	0.263**	0.491**	0.217*	0.199*	0.399**	1	
HIV/Aids	-0.071	0.077	0.182	0.016	0.043	0.168	0.151	0.000	0.236*	0.073	1
Affirmative	-0.068	0.003	0.149	0.063	-0.195	0.102	0.284**	0.150	-0.055	0.138	-0.101

2013 emerging market variable groupings and correlation

The 2013 emerging market biplot (see figure 4.18) indicates similar groupings to those identified in 2012 but with differing correlations. The Pearson coefficient indicates that, on average, the correlation between the corporate strategy, mission and consistency variables declined between 2012 and 2013. The coefficient further indicates an increase in the correlation between action plans (ex-post) and action plans (ex-ante), as well as an increase in the correlation between business unit goals and business unit strategy. Although the correlation between the goals and objectivity variables decreased between 2012 and 2013, this still remains significant.

In 2013, the isolation of the HIV/AIDS and affirmative action/transformation variables from the rest of the variables is similar to the grouping identified in Padia and Yasseen's (2011) study. The Pearson coefficient also indicates a strong correlation between the HIV/AIDS and affirmative action/transformation variables for 2013.



Variable Principal Normalization.

Figure 4.18: 2013 Emerging market biplot

Table 4.18: 2013 Emerging market Pearson Correlation

Criteria	Mission 2013	Goal 2013	Objectivity 2013	Corporate Strategy 2013	Consistency 2013	Monitoring 2013	BU goals 2013	BU strategy 2013	Ex-post 2013	Ex-ante 2013	HIV/Aids 2013	Affirmative 2013
Mission	1											
Goal	0.268*	1										
Objectivity	0.278*	0.917*	1									
Strategy	0.473*	0.386*	0.393**	1								
Consistency	0.366*	0.211*	0.180	0.325**	1							
Monitoring	0.292*	0.632*	0.631**	0.354**	0.214*	1						
BU goals	0.097	0.353*	0.356**	0.124	0.125	0.451**	1					
BU strategy	0.255*	0.322*	0.314**	0.225*	0.207*	0.460**	0.508*	1				
Ex-post	0.283*	0.535*	0.561**	0.402**	0.058	0.573**	0.347*	0.252*	1			
Ex-ante	0.294*	0.423*	0.431**	0.416**	0.182	0.534**	0.478*	0.234*	0.586*	1		
HIV/Aids	-0.002	0.381*	0.344**	-0.012	0.149	0.408**	0.189	0.183	0.233*	0.160	1	
Affirmative	0.102	0.358*	0.312**	0.134	0.313**	0.327**	0.141	0.227*	0.167	0.249	0.518**	1

Overall correlation analysis

In the developed market, the strategy disclosure criteria correlations for the developed market remained relatively consistent across the years, with a large correlation being noted between the goals and objective criteria across the three-year period. These two criteria are both in Category 1 and this relationship is therefore in accordance with Padia and Yasseen's (2011) study. A large correlation was noted between the monitoring criterion (Category 3 variable) with the ex-ante and ex-post action plans criteria (Category 2 variables), where the monitoring and action plans (ex-post) correlation became stronger between 2011 and 2013 but the action plans (ex-ante) correlation declined between 2011 and 2013, moving the correlation from a large correlation in 2011 to a moderate correlation in 2013. This is in accordance to Padia and Yasseen's (2011) study in general, as they found close correlations between the Category 2 and Category 3 variables. The ex-post action plans and ex-ante action plans criteria correlation (Category 2 criteria) moved from a large correlation in 2011 to a medium correlation in 2013, which is mainly due to the increase in the extent of the ex-post action plans variable disclosure in the year 2012 and 2013, while the extent decreased for the ex-ante action plans variable. This correlation is consistent with Padia and Yasseen (2011) initially but was inconsistent by 2013. The inconsistency is probably due to the fact that Padia and Yasseen's 2011 study was performed in the emerging market context, while these results are for the developed market; differences in disclosure practices are therefore to be expected.

In the emerging market, a significant correlation is noted between two of the Category 1 variables (goals and objectives) across the three-year period. This is consistent with the correlation results in Padia and Yasseen's (2011) study. The correlation between the mission criteria (the other Category 1 variable) and the goals and objective variables is not significant even though this variable also forms part of the Category 1 variables, moving from a medium to a low correlation. The ex-post action plans and ex-ante action plans correlation (Category 2 variables) remains medium from 2011 to 2013. This is consistent with the correlation results found in Padia and Yasseen's (2011) study. The correlation between the corporate strategy variable (the other Category 2 variable) and the ex-post and ex-ante action plans becomes stronger from 2011 to 2013. The consistency variable (Category 3 variable) does not show significant correlations with the other Category 3 variables (business unit strategies, business unit goals and monitoring), which have medium to large correlations. This is in accordance with Padia and Yasseen's (2011) study. The correlations for Category 4 variables are medium to large between 2011 and 2013, which is in line with Padia and Yasseen's (2011) study. From 2012 onwards the goals and objectives criteria displayed a good correlation with the monitoring criterion, representing a Category 1 and Category 3 correlation. This is due to the fact that many of the emerging market annual reports indicated how their action plans are incorporated in their goals and objectives and this monitored. Further good correlations were noted between a Category 3 variable (monitoring) and variables in Category 2 (ex-post and ex-ante action plans) for the three-year period. This relationship is also generally consistent with the correlation findings in Padia and Yasseen (2011), as these researchers noted close correlations between Category 2 and Category 3 strategy disclosure variables. This relationship is also deemed appropriate as most companies disclosing both ex-post and ex-ante action plans indicate how the company performed in terms of their previous years' action plans. These are then used as a basis for formulating their ex-ante action plans. This is one example of how monitoring relates to ex-post and ex-ante action plans.

4.5 Internal consistency

To determine the extent to which the 12 criteria of disclosure all measure some dimension of the same construct (i.e. strategy disclosure) across the years, the Cronbach's alpha was calculated per developmental level market (developed and emerging market) per year. The Cronbach's alphas for the years 2011, 2012 and 2013 can be found in tables 4.19, 4.20 and 4.21 respectively.

Table 4.19: 2011 Internal consistency statistics

Developmental level	Cronbach's Alpha	No. of Items
Emerging Market	0.847	12
Developed Market	0.685	12

Table 4.20: 2012 Internal consistency statistics

Developmental level	Cronbach's Alpha	No. of Items
Emerging Market	0.860	12
Developed Market	0.642	12

Table 4.21: 2013 Internal consistency statistics

Developmental level	Cronbach's Alpha	No. of Items
Emerging Market	0.848	12
Developed Market	0.696	12

Based on the rule of thumb noted in George and Mallery's (2003) study, the internal consistency in the emerging market for all the variables for the three years is good, while the internal consistency of the developed market for the three years is questionable. It was, however, further noted that the developed market Cronbach's alpha result improves from 0.685 in 2011 to 0.696 in 2013 (a result very close to 0.7, which is an acceptable internal consistency as per the rule of thumb). This indicates that there is an improvement across the sampled years in the internal consistency of the criteria in the developed market.

It was also noted that the deletion of any of the 12 variables does not significantly change the internal consistency of the emerging market, which still approximates 0.8 for all the deletion scenarios for the three years (Appendix 6 contains the deletion scenarios results); this further supports the premise that there is good internal consistency in the emerging market strategy disclosure variables. The results of the emerging market Cronbach's alpha are similar to the internal consistency results identified in Padia and Yasseen's (2011) study and are therefore deemed appropriate.

The questionable internal consistency results for the developed market indicate that not all the criteria in the research instrument may be measuring the same latent variable in the developed market context (i.e. strategy disclosure). The variable deletion scenarios included in Appendix 6 indicate that the affirmative action/transformation variable does not have appropriate consistency with the rest of the items in the research instrument because when this variable is deleted the internal consistency results of the Cronbach's alpha move to a result of greater than 0.7 for all three years. The deletion of the affirmative action/transformation variable therefore improves the internal consistency relationship from being questionable to being acceptable (in accordance with the rule of thumb).

This is deemed appropriate, as affirmative action/transformation strategy disclosures were found in the main to have relevance for the emerging market, since both India and South Africa have frameworks which drive affirmative action initiatives; in the developed market, however, the USA preferential affirmative action policies remain a contentious issue and have been abolished in some states. The disclosure of affirmative action policies in the developed market is therefore not expected to show a good correlation with the rest of the variables in the research instruments; this is also noted in section 4.4 of the study, where the developed market affirmative action variable was found to have a low correlation with the rest of the variables for the three years.

As was stated in Padia and Yasseen's (2011) study, internal consistency is expected for the ten variables identified in the Santema and Van de Rijt's (2001) study. Accordingly, the Cronbach's alpha results for the current study indicate acceptable and good correlation for the developed and emerging market respectively, for the ten variables that were used in Santema and Van de Rijt's (2001) study.

5 CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

5.1 Conclusion

The purpose of this study was to assess the extent of strategy disclosures in the annual/integrated reports of the developed (American and Australian listed companies) and emerging (South African and Indian listed companies) markets over a three-year period. The study also aimed to contrast the extent of strategy disclosure between the two developmental level markets.

This study makes an important contribution to the limited body of literature on strategy disclosure by assessing the extent of strategy disclosure in the developed market and the emerging market. To date, no study has been found that compares the extent of strategy disclosure between two different developmental level markets. Consequently, this was the largest contribution made by this study, as it also contrasted the extent of disclosure between two different developmental markets. This focus of the research also fulfilled the research need identified by Santema and Van de Rijt (2001) for an international comparative study on strategy disclosure.

This research has made a number of important findings, which are discussed in the following paragraphs:

Firstly, the overall preliminary descriptive statistics results indicated that the extent of strategy disclosure in the emerging market is greater than the extent of strategy disclosure in the developed market. The greater extent of disclosure found in the emerging market context was driven mainly by the variable scores of the South African listed companies. The companies obtained good disclosure scores for most of the variables, thus indicating good strategy disclosure in the South African context.

This may be due to the King III Report, which requires all South African listed companies to either issue an integrated report or provide justifiable reasons for not doing so for financial years starting on or after 1 March 2010. The issuing of these integrated reports by most of the top JSE-listed companies means that most of the annual reports deal specifically with strategy disclosure, since the IIRC has identified the "strategic focus and future orientation" principle as one of the guiding principles of integrated reporting. A survey undertaken in August 2012 by the Institute of Directors Southern Africa (IoDSA) revealed that there is a strong indication that the boards of South African companies understand the integration of strategy, risk, sustainability and performance in the context of reporting (IoDSA, & University of Pretoria, 2013), which further indicates that strategy disclosure is a key factor of quality reporting in South Africa.

In contrast, the disclosure sections of the codes of corporate governance of India, Australia and America do not deal with strategy disclosure. This has influenced the extent of the strategy disclosure made by the companies in these countries.

In line with the findings of Santema and Van de Rijt's (2001) study, the current study found that the corporate strategy, consistency and ex-post action plans criteria are present in almost all the annual reports of companies in both the developed and the emerging markets for the three-year period. The monitoring and ex-ante action plans criteria are also present in almost all the annual reports of both the developmental markets. The least disclosure for the two markets was identified for the following criteria– business unit goals, business unit strategies and HIV/AIDS.

Secondly, the Mann-Whitney analysis indicated that there is a significant difference between emerging market and developed market disclosure for most of the strategy disclosure variables. In 2011, significant differences were found between the following strategy disclosure variables: mission, goal, objectivity, corporate strategy, business unit goals, business unit strategy, HIV/AIDS and affirmative action/transformation (8 of the 12 variables). In 2012, significant differences were found for the following strategy criteria: mission, goal, objectivity, consistency, monitoring, business unit goals, business unit strategy, action plans (ex-post), action plans (ex-ante) and HIV/AIDS (10 of the 12 variables). In 2013, significant differences were found for the following strategy criteria: mission, goal, objectivity, monitoring, business unit goals, business unit strategy, action plans (ex-post), action plans (ex-ante), HIV/AIDS and affirmative action (10 of the 12 variables). The Mann-Whitney analysis further indicated that the total strategy disclosures of the developed market significantly differ from the total strategy disclosures of the emerging market for 2011, 2012 and 2013. At a total disclosure strategy disclosure level the null hypothesis can therefore be rejected and the alternate hypothesis accepted for the three year period.

Thirdly, the correlations and groupings noted between the developed market variables, as per the biplot and Pearson coefficient, remained relatively consistent over the three years. These indicate a very low correlation between the affirmative action variable and the rest of the variables. This low correlation for affirmative action has been identified for the entire three-year period and is due to the fact that preferential affirmative action policies in the USA remain a contentious issue and have been abolished in some states. The correlations and groupings noted between the emerging market variables, as per the biplot and Pearson coefficient, also remained relatively consistent over the years. The changes in these relationships are relatively small year on year (see section 4.4 – the chapter on variable groupings and correlation). The correlations and groupings noted in the emerging market are in some instances in accordance to Padia and Yasseen's (2011) study, while some of the relationships are inconsistent with this study.

Lastly, the internal consistency test indicated that the strategy criteria used in the study measure the same latent variable (i.e. strategy disclosures) in the emerging market for all the criteria; this is consistent with Padia and Yasseen's (2011) findings. Although it was found that internal consistency in the developed market was questionable when all the criteria were included, this improved to acceptable when the affirmative action criterion was excluded. This indicates that, in the developed market, affirmative action disclosures are not included as part of the strategy disclosures. This results from the fact already mentioned that preferential affirmative action policies are a contentious issue in America. As was stated in Padia and Yasseen's (2011) study, internal consistency is expected for the ten variables identified in Santema and Van de Rijt's (2001) study. Accordingly, the Cronbach's alpha results for the current research indicate acceptable and good correlation for the developed and the emerging market respectively for the ten variables that were used in the Santema and Van de Rijt (2001) study.

In addition, Padia (2012) found a positive correlation between the overall strategy disclosure made by companies and the *Financial Mail* ranking gain between 2005 and 2008. Durnev and Kim (2005) similarly conclude that the quality of governance and disclosure practices has a positive relationship with investment opportunities, external financing and ownership structure. The benefits identified by Padia (2012) and Durnev and Kim (2005), in relation to having quality disclosure practices, highlight the important implications that the results of this study have for emerging market countries endeavouring to improve their economies. The regulators in emerging market countries should therefore formalise their strategy disclosure practices by introducing regulations that require these disclosures and frameworks to be in place, in addition to providing some guidance for the companies, since increased strategy disclosure has the potential to attract foreign investments to the emerging market.

5.2 Recommendations for future research

In the light of the annual report limitations identified in chapter 1, the first recommendation for future research could be to assess the extent of strategy disclosure provided through other measures such as SENS announcements, press releases and website information so as to provide a holistic assessment of the extent of strategy disclosure.

Secondly, further research could apply a qualitative research methodology to assess qualitative aspects of the strategy information provided in the annual reports of different countries.

Lastly, an empirical study could be performed to assess the relationship between strategy disclosure and the value of the company.

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APPENDIX 1: STRATEGY DISCLOSURE RATING MEASUREMENT

Company name:

Reporting year:

Mission	
0	No evidence of mission statement
0,25	Evidence exists of a vaguely defined mission
0,5	Mission is available out of no value as it does not indicate what the company strives to become
0,75	Well defined mission statement which has a vision
1	Mission is well defined and clearly explain what the company strives to be

Corporate Strategy	
0	No corporate strategy is available
0,25	Corporate Strategy exists but is vague
0,5	There is a corporate strategy but it is not well defined
0,75	Corporate Strategy is defined and conveys the message
1	Well defined Corporate Strategy

Consistency	
0	The Corporate Strategy is not in line with the statements on strategy in previous annual reports
0,25	The Corporate Strategy is partially in line with statements on strategy in previous annual reports
0,5	The Corporate Strategy is approximately more than 50% consistent with the strategy in the previous annual report
0,75	The Corporate Strategy is approximately more than 75% consistent with the strategy in the previous annual report
1	The Corporate Strategy is consistently aligned with the strategy in the previous annual report

Monitoring	
0	The goals and objectives are not monitored
0,25	Some evidence of monitoring exists
0,5	More than 50% of the goals and objectives are monitored
0,75	More than 75% of the goals and objectives are monitored
1	Strong Monitoring control are in place over goals and objectives

Business units goals	
0	No goals at the level of business units
0,25	Goals for some of the business units
0,5	Goals for approximately 80% of the business units
0,75	Goals for almost all the business units
1	Goals for all the business units

Business units strategy	
0	No strategy defined at business unit level
0,25	Strategies for some of the business units
0,5	Strategies for approximately 50% of the business units
0,75	Strategies for almost all the business units
1	Strategies for all the business units

Action plans (ex-post)	
0	No actions have been executed in the past year in relation to the strategy
0,25	Some action taken has been executed in the past year in relation to the strategy
0,5	Action for approximately 50% of the strategy has been executed in the past year
0,75	Action for almost all strategies have been executed
1	All actions have been executed in the past year in relation to the strategy

Action plans (ex-ante)	
0	No action has been planned to be executed in the next year in relation to the strategy
0,25	Some action has been planned to be executed in the next year in relation to the strategy
0,5	Action for approximately 50% of the strategy has been planned to executed in the next year
0,75	Action for almost all strategies have been planned to be executed in the next year
1	All action have been planned to executed in the next year in relation to the strategy

HIV/Aids	
0	The company does not have an HIV/Aids strategy
0,25	Some HIV/Aids strategy in place
0,5	The company has an adequate HIV/Aids strategy in place
0,75	There is a well-defined HIV/Aids strategy
1	There is a comprehensive HIV/Aids strategy in place

Affirmative Action	
0	The company does not have affirmative action strategy
0,25	Some affirmative action strategy is in place
0,5	The company has an adequate affirmative action strategy in place
0,75	There is a well-defined affirmative action strategy
1	There is comprehensive affirmative action strategy in place

APPENDIX 2: SAMPLE COMPANIES

Emerging Market

No.	South Africa	India
1	BRITISH AM. TOBACCO PLC	ITC LTD.
2	SABMILLER PLC	COAL INDIA LTD.
3	GLENCORE XSTRATA PLC	INFOSYS LTD.
4	BHP BILLITON PLC	HDFC BANK LTD.
5	COMPAGNIE FIN RICHEMONT	STATE BANK OF INDIA
6	NASPERS LIMITED	ICICI BANK LTD.
7	ANGLO AMERICAN PLC	HOUSING DEVELOPMENT FINANCE CORP.LTD.
8	MTN GROUP LIMITED	BHARTI AIRTEL LTD.
9	SASOL LIMITED	SUN PHARMACEUTICAL INDUSTRIES LTD.
10	STANDARD BANK GROUP LIMITED	WIPRO LTD.
11	Firstrand Limited	LARSEN & TOUBRO LTD.
12	VODACOM GROUP LIMITED	HINDUSTAN UNILEVER LTD.
13	OLD MUTUAL PLC	TATA MOTORS LTD.
14	ANGLO AMERICAN PLATINUM CORPORATION LIMITED	HCL TECHNOLOGIES LTD.
15	Barclays Africa Grp Ltd	NTPC LTD.
16	Aspen Pharmacare Hldgs	AXIS BANK LTD.
17	Kumba Iron Ore Ltd	MAHINDRA & MAHINDRA LTD.
18	Sanlam Limited	INDIAN OIL CORPORATION LTD.
19	STEINHOFF INTERNATIONAL HOLDINGS LIMITED	CAIRN INDIA LTD.
20	NEDBANK GROUP LTD	KOTAK MAHINDRA BANK LTD.
21	REMGRO LIMITED	NMDC LTD.
22	SHOPRITE HOLDINGS LIMITED	MARUTI SUZUKI INDIA LTD.
23	THE BIDVEST GROUP LIMITED	ULTRATECH CEMENT LTD.
24	IMPALA PLATINUM HOLDINGS LIMITED	Sesa Sterlite Limited
25	ANGLOGOLD ASHANTI LIMITED	BAJAJ AUTO LTD.
26	RMB HOLDINGS LIMITED	HINDUSTAN ZINC LTD.
27	MONDI PLC PRE	POWER GRID CORPORATION OF INDIA LTD.
28	INTUPROP	ASIAN PAINTS LTD.
29	WOOLWORTHS HOLDINGS LIMITED	ADANI ENTERPRISES LTD.
30	MEDICLINIC INTERNATIONAL	IDEA CELLULAR LTD.
31	ASSORE LTD	GAIL (INDIA) LTD.
32	INVESTEC PLC	BHARAT HEAVY ELECTRICALS LTD.
33	GROWTHPOINT PROPERTIES LIMITED	NESTLE INDIA LTD.
34	TIGER BRANDS LTD	DR.REDDY'S LABORATORIES LTD.
35	DISCOVERY HOLDINGS LIMITED	LUPIN LTD.
36	EXXARO RESOURCES LIMITED	TECH MAHINDRA LTD.
37	REINET INVESTMENTS SCA	HERO MOTOCORP LTD.
38	CAPITAL & COUNTIES PROP PLC	BHARTI INFRATEL LTD.
39	RAND MERCH INS HLDGS LTD	UNITED SPIRITS LTD.
40	AFRICAN RAINBOW MINERALS	ADANI PORTS AND SPECIAL ECONOMIC ZONE LTD.
41	LIFE HEALTHCARE GRP HLDG LTD	TATA STEEL LTD.
42	MMI HOLDINGS LTD	BANK OF BARODA

43	IMPERIAL HOLDINGS LTD	BHARAT PETROLEUM CORPORATION LTD.
44	MR PRICE GROUP LIMITED	BOSCH LTD.
45	NETCARE LIMITED	CIPLA LTD.
46	LIBERTY HOLDINGS LTD ORD	AMBUJA CEMENTS LTD.
47	Coronation Fund Managers Limited	DABUR INDIA LTD.
48	TRUWORTHS INTERNATIONAL LIMITED	OIL INDIA LTD.
49	GOLD FIELDS LIMITED	PUNJAB NATIONAL BANK
50	TSOGO SUN HOLDINGS LIMITED	STEEL AUTHORITY OF INDIA LTD.

Developed Market

No.	USA	Australia
1	Exxon Mobil Corp.	Common Wealth Bank of Australia
2	International Business Machines Corp.	BHP Billiton Limited
3	Chevron Corp.	Westpac Banking Corporation
4	General Electric Co.	Australia and New Zealand Banking Group Limited
5	Procter & Gamble Co.	National Australia Bank Limited
6	AT&T Inc.	Telstra Corporation Limited
7	Johnson & Johnson	Wesfarmers Limited
8	Pfizer Inc.	Woolworths Limited
9	Wells Fargo & Co.	CSL Limited
10	Philip Morris International Inc.	Woodside Petoleum Limited
11	JPMorgan Chase & Co.	Rio Tinto Limited
12	Coca-Cola Co.	Westfield Group Details
13	Merck & Co. Inc.	Macquarie Group Limited
14	Verizon Communications Inc.	Fortescue Metals Group Ltd
15	Schlumberger Ltd.	Orgin Energy Limited
16	Wal-Mart Stores Inc.	Suncorp Group Limited
17	McDonald's Corp.	QBE Insurance Group Limited
18	PepsiCo Inc.	Brambles Limited
19	ConocoPhillips	Santos Limited
20	Citigroup Inc.	AMP Limited
21	Abbott Laboratories	Amcor Limited
22	Occidental Petroleum Corp.	Insurance Australia Group Limited
23	Bank of America Corp.	Crown Resorts Limited
24	Berkshire Hathaway Inc. Cl B	Oil Search Limited
25	Home Depot Inc.	Aurizon Holdings Limited
26	Walt Disney Co.	Transurben Group
27	Caterpillar Inc.	WestField Retail Trust
28	United Technologies Corp.	Coca-Cola Amatil Limited
29	Altria Group Inc.	Stockland
30	Kraft Foods Inc. Cl A	Orica Limited
31	VISA Inc. Cl A	AGL Energy Limited
32	UnitedHealth Group Inc.	Ramsay Healthcare Limited

33	CVS Caremark Corp.	Sydney Airport details
34	3M Co.	Newcrest Mining Limited
35	United Parcel Service Inc. Cl B	Goodman Group
36	EMC Corp.	Resmed Inc
37	Bristol-Myers Squibb Co.	ASX Limited
38	U.S. Bancorp	Sonic Healthcare Limited
39	American Express Co.	Computershare Limited
40	Union Pacific Corp.	Twenty-First Century Fox Inc
41	Hewlett-Packard Co.	Lend Lease Group
42	Boeing Co.	Mirvac Group
43	Goldman Sachs Group Inc.	Rea Group Limited
44	E.I. DuPont de Nemours & Co.	GPT Group
45	Ford Motor Co.	Fletcher Builing Limited
46	MasterCard Inc. Cl A	James Hardie Industries Plc
47	Anadarko Petroleum Corp.	CFS Retail Property Trust Group
48	Apache Corp.	Asciano Limited
49	Monsanto Co.	Leighton Holdings Limited
50	Honeywell International Inc.	Caltex Australia Limited

APPENDIX 3: PERCENTAGE REPRESENTATION

<u>Developed market</u>

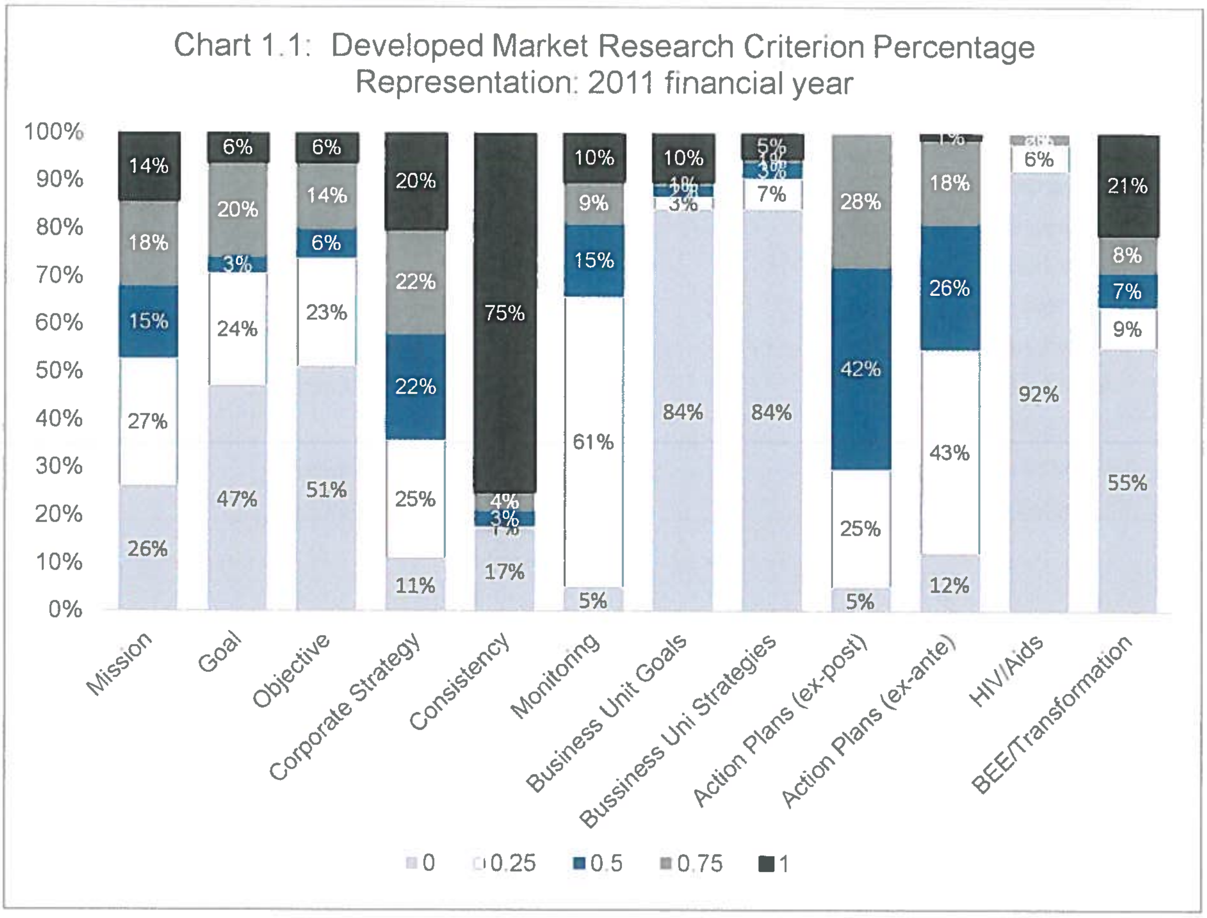


Chart 1.1: Developed Market Research Criterion Percentage Representation: 2011 financial year

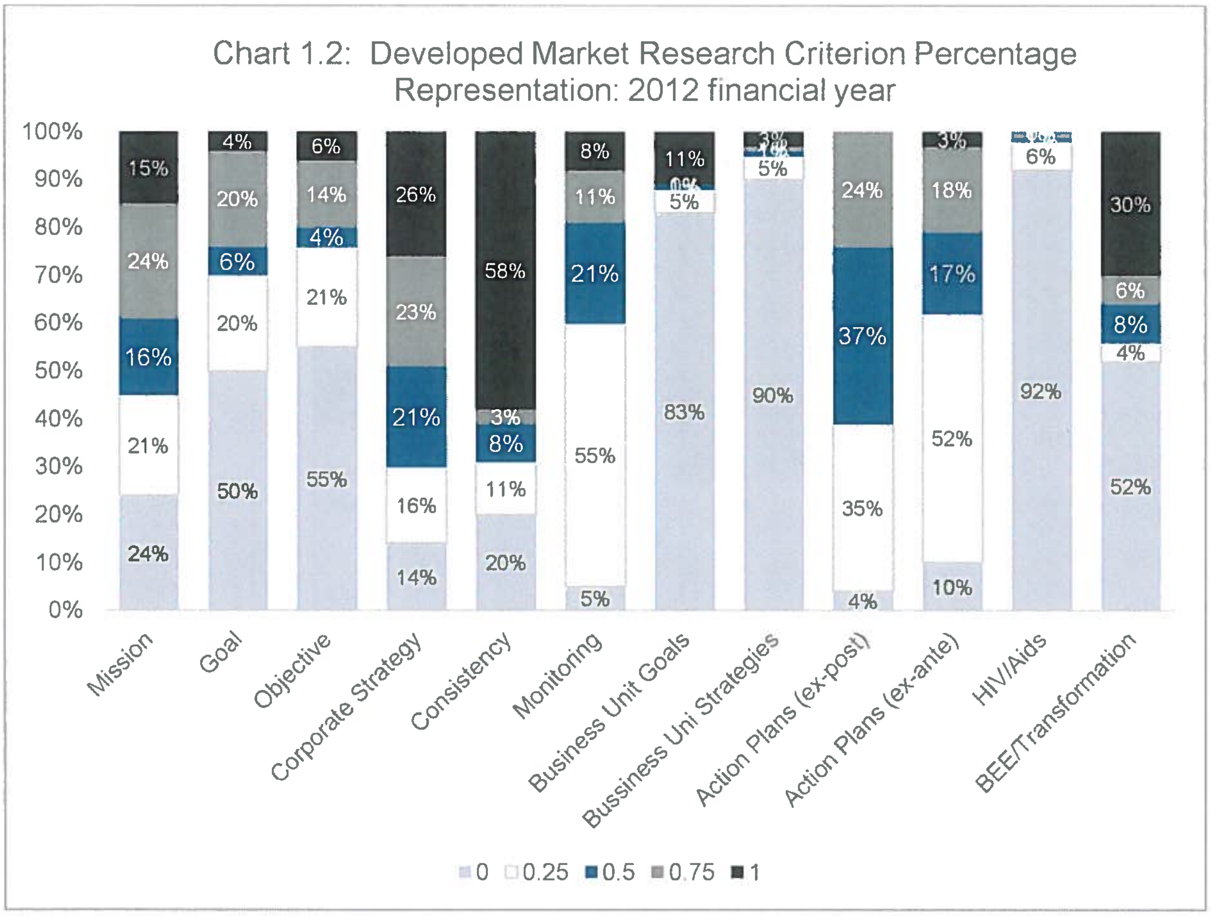


Chart 1.2: Developed Market Research Criterion Percentage Representation: 2012 financial year
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Mission: 24%, 21%, 16%, 24%, 15%
Goal: 50%, 20%, 6%, 20%, 4%
Objective: 55%, 21%, 4%, 14%, 6%
Corporate Strategy: 14%, 16%, 21%, 23%, 26%
Consistency: 20%, 11%, 8%, 3%, 58%
Monitoring: 5%, 55%, 21%, 11%, 8%
Business Unit Goals: 83%, 5%, 11%
Bussiness Uni Strategies: 90%, 5%
Action Plans (ex-post): 4%, 35%, 37%, 24%
Action Plans (ex-ante): 10%, 52%, 17%, 18%, 3%
HIV/Aids: 92%, 6%
BEE/Transformation: 52%, 4%, 8%, 6%, 30%
0 0.25 0.5 0.75 1

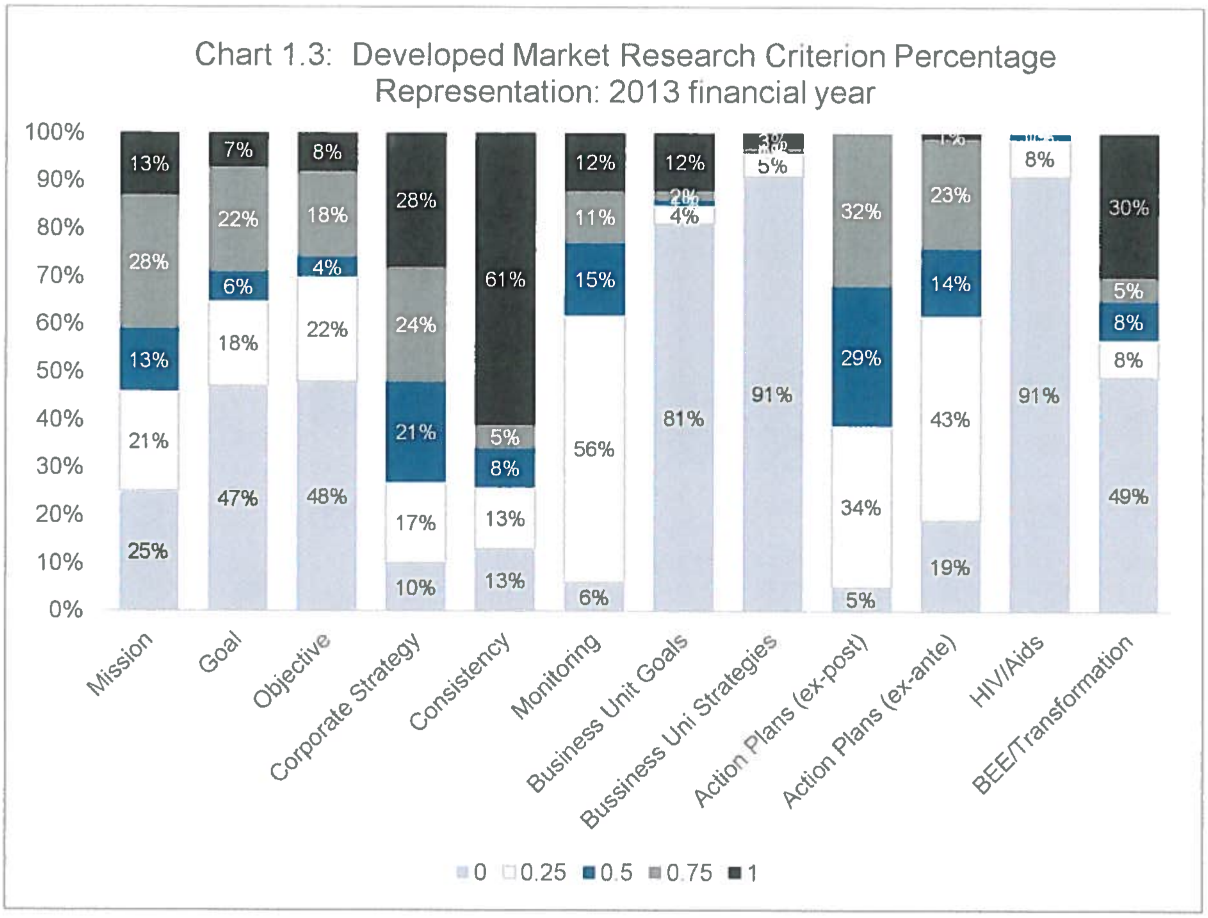


Chart 1.3: Developed Market Research Criterion Percentage Representation: 2013 financial year
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Mission
Goal
Objective
Corporate Strategy
Consistency
Monitoring
Business Unit Goals
Bussiness Uni Strategies
Action Plans (ex-post)
Action Plans (ex-ante)
HIV/Aids
BEE/Transformation
0
0.25
0.5
0.75
1

Emerging market

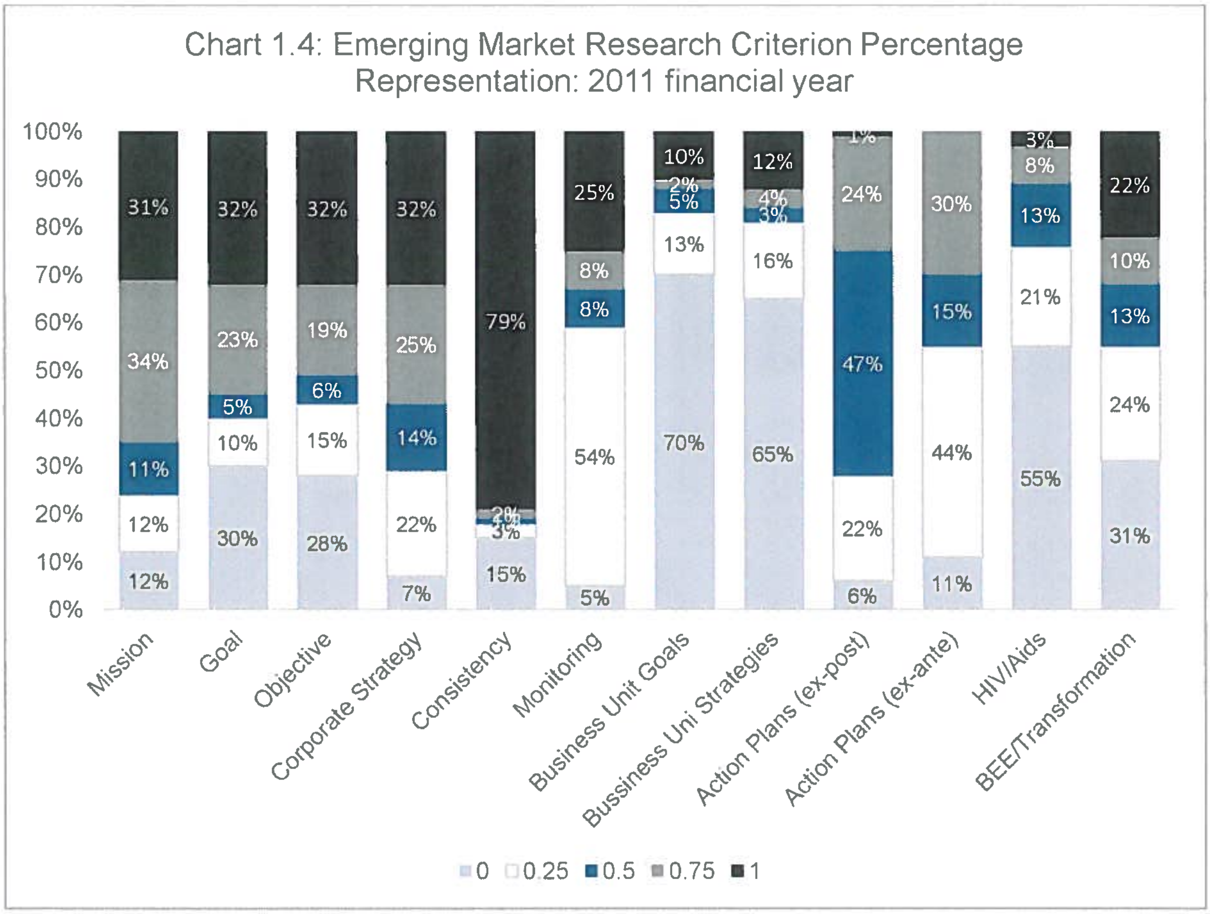


Chart 1.5: Emerging Market Research Criterion Percentage Representation: 2012 financial year

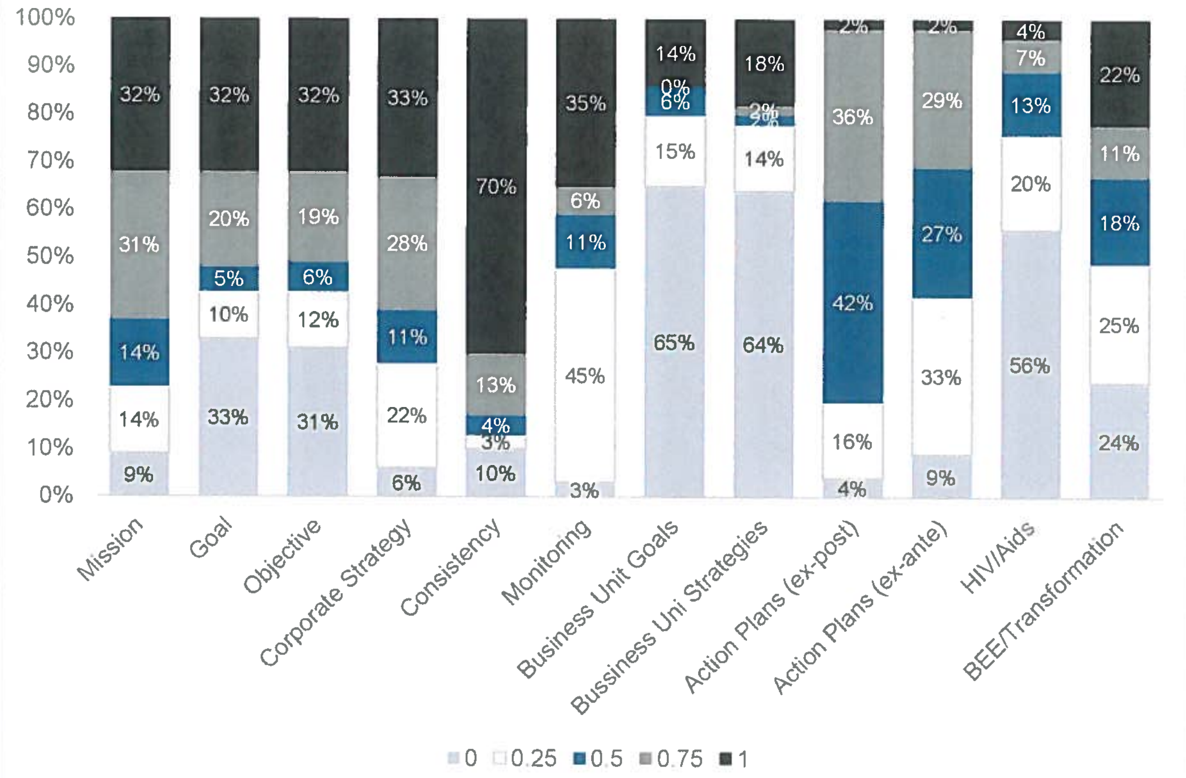
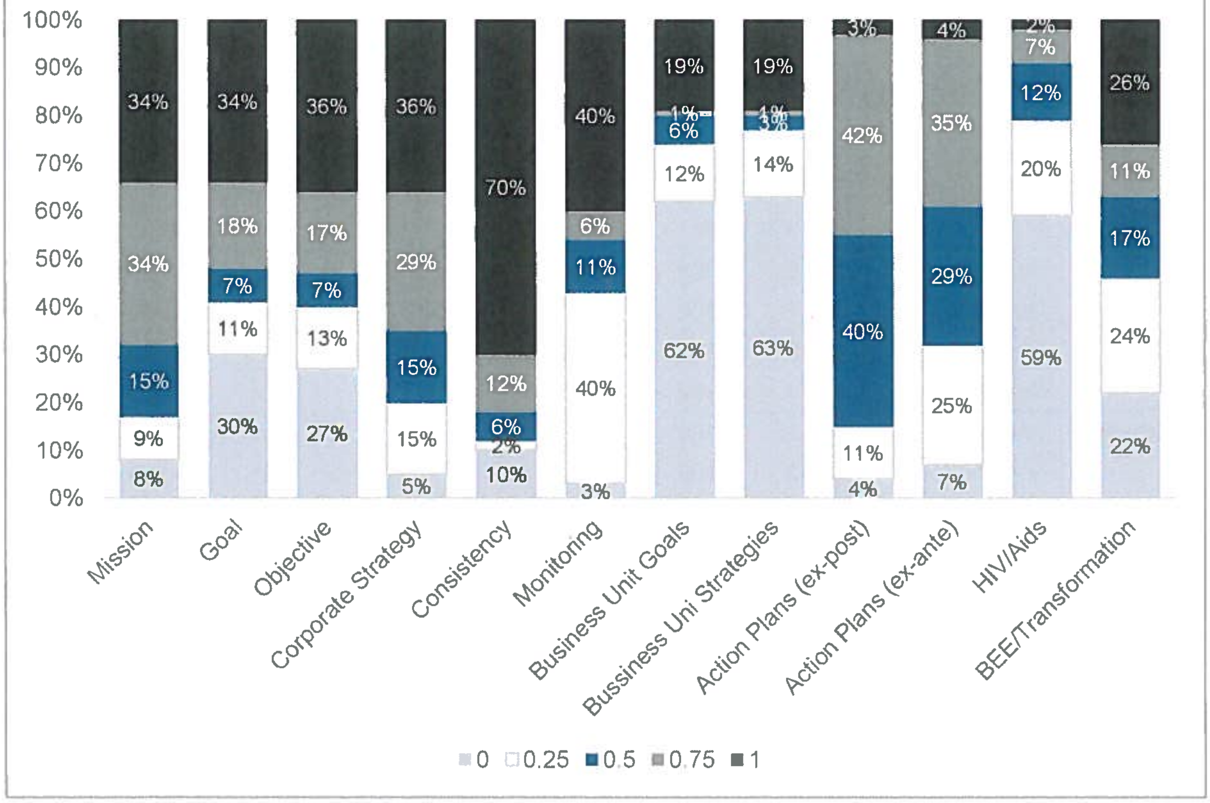


Chart 1.5: Emerging Market Research Criterion Percentage Representation: 2013 financial year



APPENDIX 4: KILMOGOROV-SMIRNOV AND SHAPRIO-WILK TEST RESULTS

2011 Kilmogorov-Smirnov and Shaprio-Wilk test results

2011 Criteria	Developmental Market	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Mission	Emerging	0.266	100	0.000	0.837	100	0.000
	Developed	0.214	100	0.000	0.874	100	0.000
Goal	Emerging	0.240	100	0.000	0.795	100	0.000
	Developed	0.270	100	0.000	0.770	100	0.000
Objectivity	Emerging	0.212	100	0.000	0.810	100	0.000
	Developed	0.292	100	0.000	0.754	100	0.000
Corporate Strategy	Emerging	0.208	100	0.000	0.861	100	0.000
	Developed	0.171	100	0.000	0.901	100	0.000
Consistency	Emerging	0.478	100	0.000	0.507	100	0.000
	Developed	0.452	100	0.000	0.543	100	0.000
Monitoring	Emerging	0.346	100	0.000	0.756	100	0.000
	Developed	0.367	100	0.000	0.748	100	0.000
Business units goals	Emerging	0.404	100	0.000	0.583	100	0.000
	Developed	0.499	100	0.000	0.444	100	0.000
Business units strategy	Emerging	0.374	100	0.000	0.624	100	0.000
	Developed	0.484	100	0.000	0.417	100	0.000
Action plans (ex-post)	Emerging	0.257	100	0.000	0.874	100	0.000
	Developed	0.233	100	0.000	0.855	100	0.000
Action plans (ex-ante)	Emerging	0.283	100	0.000	0.826	100	0.000
	Developed	0.260	100	0.000	0.880	100	0.000
HIV/Aids	Emerging	0.321	100	0.000	0.747	100	0.000
	Developed	0.519	100	0.000	0.270	100	0.000
Affirmative Action	Emerging	0.220	100	0.000	0.834	100	0.000
	Developed	0.335	100	0.000	0.717	100	0.000

a, Lilliefors Significance Correction

2012 Kilmogorov-Smirnov and Shaprio-Wilk test results

2012 Criteria	Developmental Market	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Mission	Emerging	0.241	100	0.000	0.852	100	0.000
	Developed	0.182	100	0.000	0.881	100	0.000
Goal	Emerging	0.225	100	0.000	0.789	100	0.000
	Developed	0.294	100	0.000	0.763	100	0.000
Objectivity	Emerging	0.215	100	0.000	0.799	100	0.000
	Developed	0.317	100	0.000	0.725	100	0.000
Corporate Strategy	Emerging	0.230	100	0.000	0.849	100	0.000
	Developed	0.181	100	0.000	0.883	100	0.000
Consistency	Emerging	0.405	100	0.000	0.584	100	0.000
	Developed	0.364	100	0.000	0.708	100	0.000
Monitoring	Emerging	0.292	100	0.000	0.764	100	0.000
	Developed	0.328	100	0.000	0.799	100	0.000
Business units goals	Emerging	0.373	100	0.000	0.618	100	0.000
	Developed	0.492	100	0.000	0.451	100	0.000
Business units strategy	Emerging	0.373	100	0.000	0.623	100	0.000
	Developed	0.510	100	0.000	0.308	100	0.000
Action plans (ex-post)	Emerging	0.226	100	0.000	0.863	100	0.000
	Developed	0.220	100	0.000	0.854	100	0.000
Action plans (ex-ante)	Emerging	0.210	100	0.000	0.888	100	0.000
	Developed	0.319	100	0.000	0.842	100	0.000
HIV/Aids	Emerging	0.325	100	0.000	0.738	100	0.000
	Developed	0.522	100	0.000	0.285	100	0.000
Affirmative Action	Emerging	0.200	100	0.000	0.863	100	0.000
	Developed	0.330	100	0.000	0.716	100	0.000

a, Lilliefors Significance Correction

<u>2013 Kilmogorov-Smirnov and Shaprio-Wilk test results</u>

2013 Criteria	Developmental Market	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Mission	Emerging	0.254	100	0.000	0.835	100	0.000
	Developed	0.206	100	0.000	0.873	100	0.000
Goal	Emerging	0.213	100	0.000	0.797	100	0.000
	Developed	0.280	100	0.000	0.782	100	0.000
Objectivity	Emerging	0.216	100	0.000	0.800	100	0.000
	Developed	0.277	100	0.000	0.768	100	0.000
Corporate Strategy	Emerging	0.227	100	0.000	0.846	100	0.000
	Developed	0.186	100	0.000	0.883	100	0.000
Consistency	Emerging	0.406	100	0.000	0.589	100	0.000
	Developed	0.376	100	0.000	0.699	100	0.000
Monitoring	Emerging	0.269	100	0.000	0.767	100	0.000
	Developed	0.342	100	0.000	0.786	100	0.000
Business units goals	Emerging	0.365	100	0.000	0.650	100	0.000
	Developed	0.485	100	0.000	0.483	100	0.000
Business units strategy	Emerging	0.367	100	0.000	0.630	100	0.000
	Developed	0.513	100	0.000	0.281	100	0.000
Action plans (ex-post)	Emerging	0.246	100	0.000	0.846	100	0.000
	Developed	0.219	100	0.000	0.843	100	0.000
Action plans (ex-ante)	Emerging	0.216	100	0.000	0.891	100	0.000
	Developed	0.279	100	0.000	0.855	100	0.000
HIVAids	Emerging	0.346	100	0.000	0.719	100	0.000
	Developed	0.528	100	0.000	0.327	100	0.000
Affirmative Action	Emerging	0.195	100	0.000	0.858	100	0.000
	Developed	0.305	100	0.000	0.730	100	0.000

a, Lilliefors Significance Correction

APPENDIX 5: MANN-WHITNEY TEST RANKS

2011 Mann-Whitney test ranks

Criteria	Developed	N	Mean Rank	Sum of Ranks
Mission	Developing Country	100	118.470	11846.500
	Developed Country	100	82.540	8253.500
	Total	200		
Goal	Developing Country	100	117.440	11743.500
	Developed Country	100	83.570	8356.500
	Total	200		
Objectivity	Developing Country	100	119.210	11920.500
	Developed Country	100	81.800	8179.500
	Total	200		
Corporate Strategy	Developing Country	100	108.690	10868.500
	Developed Country	100	92.320	9231.500
	Total	200		
Consistency	Developing Country	100	102.330	10233.000
	Developed Country	100	98.670	9867.000
	Total	200		
Monitoring	Developing Country	100	106.270	10626.500
	Developed Country	100	94.740	9473.500
	Total	200		
Business unit goals	Developing Country	100	106.530	10652.500
	Developed Country	100	94.480	9447.500

	Total	200		
Business unit strategy	Developing Country	100	110.020	11002.000
	Developed Country	100	90.980	9098.000
	Total	200		
Action plans (ex-post)	Developing Country	100	100.110	10011.000
	Developed Country	100	100.890	10089.000
	Total	200		
Action plans (ex-ante)	Developing Country	100	103.100	10310.000
	Developed Country	100	97.900	9790.000
	Total	200		
HIV/Aids	Developing Country	100	119.410	11941.000
	Developed Country	100	81.590	8159.000
	Total	200		
Affirmative action/Transformation	Developing Country	100	109.270	10927.000
	Developed Country	100	91.730	9173.000
	Total	200		

2012 Mann-Whitney test ranks

Criteria	**Developed**	N	**Mean Rank**	**Sum of Ranks**
Mission	Developing Country	100	116.060	11606.000
	Developed Country	100	84.940	8494.000
	Total	200		

Goal	Developing Country	100	116.960	11696.000
	Developed Country	100	84.040	8404.000
	Total	200		
Objectivity	Developing Country	100	119.140	11913.500
	Developed Country	100	81.870	8186.500
	Total	200		
Corporate Strategy	Developing Country	100	106.430	10642.500
	Developed Country	100	94.580	9457.500
	Total	200		
Consistency	Developing Country	100	108.630	10863.000
	Developed Country	100	92.370	9237.000
	Total	200		
Monitoring	Developing Country	100	111.750	11174.500
	Developed Country	100	89.260	8925.500
	Total	200		
Business unit goals	Developing Country	100	108.530	10852.500
	Developed Country	100	92.480	9247.500
	Total	200		
Business unit strategy	Developing Country	100	113.820	11382.000
	Developed Country	100	87.180	8718.000
	Total	200		
Action plans (ex-post)	Developing Country	100	111.850	11185.000
	Developed Country	100	89.150	8915.000
	Total	200		

Action plans (ex-ante)	Developing Country	100	109.360	10935.500
	Developed Country	100	91.650	9164.500
	Total	200		
HIV/Aids	Developing Country	100	119.030	11903.000
	Developed Country	100	81.970	8197.000
	Total	200		
Affirmative action/Transformation	Developing Country	100	107.110	10711.000
	Developed Country	100	93.890	9389.000
	Total	200		

2013 Mann-Whitney test ranks

Criteria	Developed	N	Mean Rank	Sum of Ranks
Mission	Developing Country	100	119.180	11918.000
	Developed Country	100	81.820	8182.000
	Total	200		
Goal	Developing Country	100	116.040	11604.000
	Developed Country	100	84.960	8496.000
	Total	200		
Objectivity	Developing Country	100	118.360	11836.000
	Developed Country	100	82.640	8264.000
	Total	200		
Corporate Strategy	Developing Country	100	107.510	10751.000

	Developed Country	100	93.490	9349.000
	Total	200		
Consistency	Developing Country	100	106.370	10637.000
	Developed Country	100	94.630	9463.000
	Total	200		
Monitoring	Developing Country	100	114.390	11438.500
	Developed Country	100	86.620	8661.500
	Total	200		
Business unit goals	Developing Country	100	109.250	10925.000
	Developed Country	100	91.750	9175.000
	Total	200		
Business unit strategy	Developing Country	100	114.820	11481.500
	Developed Country	100	86.190	8618.500
	Total	200		
Action plans (ex-post)	Developing Country	100	112.700	11270.000
	Developed Country	100	88.300	8830.000
	Total	200		
Action plans (ex-ante)	Developing Country	100	115.910	11590.500
	Developed Country	100	85.100	8509.500
	Total	200		
HIV/Aids	Developing Country	100	117.290	11728.500
	Developed Country	100	83.720	8371.500
	Total	200		

Affirmative action/Transformation	Developing Country	100	108.510	10850.500
	Developed Country	100	92.500	9249.500
	Total	200		

APPENDIX 6: CRONBACH'S ALPHA DELETION SCENARIOS

For all the sampled years it was noted that in the emerging market a deletion of any of the variables does not reduce the Cronbach's Alpha to below 0.7 but this is maintained as an approximate alpha of 0.8.

It was also noted that the deletion of the Affirmative action/ transformation variable in the developed market results in a Cronbach's Alpha which is above 0.7.

2011 Cronbach's Alpha Deletion Scenario

Emerging market Cronbach's Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	4.903	5.369	0.461	0.839
Goal	5.010	4.708	0.728	0.817
Objectivity	5.023	4.708	0.737	0.816
Corporate strategy	4.920	5.409	0.445	0.840
Consistency	4.735	5.409	0.381	0.846
Monitoring	5.068	5.064	0.675	0.823
Business unit goals	5.380	5.419	0.459	0.839
Business unit strategy	5.348	5.418	0.417	0.842
Action plans (ex-post)	5.073	5.634	0.516	0.838
Action plans (ex-ante)	5.143	5.581	0.460	0.839
HIV/Aids	5.345	5.539	0.448	0.840
Affirmative action/ Transformation	5.133	5.205	0.485	0.838

Developed market Cronbach's Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	3.713	2.604	0.249	0.679
Goal	3.845	2.510	0.357	0.660
Objectivity	3.878	2.445	0.451	0.644
Corporate strategy	3.593	2.400	0.496	0.636
Consistency	3.333	2.354	0.434	0.645
Monitoring	3.735	2.476	0.551	0.634
Business unit goals	4.000	2.646	0.254	0.676
Business unit strategy	4.038	2.719	0.274	0.672
Action plans (ex-post)	3.648	2.618	0.498	0.649
Action plans (ex-ante)	3.748	2.570	0.496	0.645
HIV/Aids	4.100	2.913	0.199	0.683
Affirmative action/ Transformation	3.803	2.947	-0.078	0.747

2012 Cronbach's Alpha Deletion Scenario

Emerging market Cronbach's Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	5.185	5.859	0.432	0.856
Goal	5.323	5.009	0.762	0.831
Objectivity	5.320	5.025	0.764	0.831
Corporate strategy	5.193	5.698	0.540	0.849
Consistency	5.018	5.944	0.380	0.859
Monitoring	5.280	5.375	0.704	0.838
Business unit goals	5.635	5.745	0.466	0.854
Business unit strategy	5.603	5.691	0.440	0.857
Action plans (ex-post)	5.303	5.941	0.631	0.848
Action plans (ex-ante)	5.388	5.913	0.542	0.850
HIV/Aids	5.635	6.011	0.396	0.858
Affirmative action/ Transformation	5.388	5.692	0.465	0.855

Developed market Cronbach's Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	3.605	2.369	0.308	0.617
Goal	3.798	2.286	0.439	0.591
Objectivity	3.830	2.404	0.316	0.615
Corporate strategy	3.490	2.204	0.493	0.578
Consistency	3.398	2.313	0.267	0.630
Monitoring	3.663	2.309	0.588	0.576
Business unit goals	3.933	2.608	0.113	0.652
Business unit strategy	4.013	2.713	0.123	0.643
Action plans (ex-post)	3.615	2.431	0.535	0.593
Action plans (ex-ante)	3.688	2.373	0.513	0.589
HIV/Aids	4.040	2.740	0.228	0.637
Affirmative action/ Transformation	3.673	2.722	-0.063	0.711

2013 Cronbach's Alpha Deletion Scenario

Emerging market Cronbach Coefficient Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	5.465	5.643	0.383	0.845
Goal	5.620	4.770	0.733	0.817
Objectivity	5.603	4.806	0.720	0.818
Corporate strategy	5.468	5.540	0.460	0.840
Consistency	5.333	5.681	0.336	0.848
Monitoring	5.558	4.999	0.736	0.819
Business unit goals	5.900	5.313	0.462	0.841
Business unit strategy	5.910	5.296	0.475	0.840
Action plans (ex-post)	5.585	5.654	0.591	0.836
Action plans (ex-ante)	5.648	5.535	0.581	0.834
HIV/Aids	5.975	5.744	0.387	0.844
Affirmative action/ Transformation	5.670	5.438	0.408	0.845

Developed market Cronbach Coefficient Alpha (with deleted variable)

Variable (deleted)	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Mission	3.803	2.868	0.259	0.689
Goal	3.950	2.698	0.413	0.663
Objectivity	3.970	2.658	0.459	0.655
Corporate strategy	3.653	2.645	0.507	0.648
Consistency	3.540	2.863	0.222	0.698
Monitoring	3.843	2.681	0.581	0.642
Business unit goals	4.105	2.923	0.224	0.694
Business unit strategy	4.210	3.038	0.343	0.680
Action plans (ex-post)	3.790	2.894	0.453	0.666
Action plans (ex-ante)	3.900	2.721	0.574	0.646
HIV/Aids	4.235	3.260	0.120	0.699
Affirmative action/ Transformation	3.863	2.976	0.084	0.731