Strategy formulation approaches and success factors in selected JSE listed companies

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DECLARATION

I, Simphiwe Freedman Lukhele, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Lukhele.

Simphiwe Freedman Lukhele

Signed at ……Sandton……………………………………

On the ……16'…………………….. Day of ……September……… 20.18

DEDICATION

This study is dedicated to the only 3 people that matter:

1. To my mother, Margaret Dimakatso Lukhele who, after supporting me financially in my undergrad and did everything she could to see me live a better life than my dad, suffered a stroke in my last year of the MBA. May her name and wisdom be forever remembered!
2. To my son, Ramses Siyabonga Warona, Lukhele who gave me so much to live for, may you live to enjoy the fruits of my work and do much better than me and your mom did.
3. And to you, for your time and how you will use the knowledge contained in this study!

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SUPPLEMENTARY INFORMATION

Nominated journal:	Journal of Business Strategy
Supervisor	Aidan-John Rothman
Supplementary files:	Participant invitation Cover Letter (annexure 1), Schedule of interview questions (Annexure 2) Participant Consent Form (Annexure 3) Future work (Annexure 4)

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ABSTRACT

This research extends previous research on strategy formulation. Specifically it investigates the patterns identified in strategy formulation approaches employed by 16 JSE listed companies in the South African context. Companies listed on the Johannesburg Stock Exchange (JSE) are perceived to be operating in a demanding and dynamic environment. As such, management's approach in formulating strategies is one of the determinants of the future of the organisation and an enabler for future capital raising as it determines how well it is perceived by its shareholders.

Strategy formulation tools and methods are indoctrinated in MBA programmes, but business managers have invented and deduced intrinsic and tacit strategy formulation methods which are specific to and work well for their organisation. Identifying patterns in how managers in stock-exchange listed companies approach the strategy formulation process reveals the value in the tacit knowledge utilized by strategists and business managers in demonstrating their strategic expertise, which contributes significantly to existing literature. By gathering strategy formulation insights, experiences and lessons from managers in listed companies, this study was able to articulate strategy formulation approaches in a focused yet descriptive context.

The findings in this study suggest four main strategy formulation approaches in this context. These were:

- Data Intensive strategy formulation approach (DISFA)
- Centralized Intelligence strategy formulation approach (CISFA)
- Market intelligence strategy formulation approach (MISFA)
- All-inclusive strategy formulation approach (AISFA)

Key words

Strategy, Strategy formulation, Approaches, Johannesburg Stock Exchange, listed companies, Management, Competition.

1 CHAPTER 1: Introduction

1.1 Research Background

The changing landscape of the global economy and business environment perpetuates the need for companies to constantly and consistently outperform their competitors. Most companies struggle to survive in a competitive environment while others have had to maximize shareholder value amid the changing market environment. The unremitting pressure imposed on public companies (listed on a stock exchange) can be detrimental to the success of the organisation and range from: Compliance regulations from the stock exchange; the rising expectations of shareholders who require a set return on investment; the movement of the All Share Index; employees that require compensation in line with labour laws to ensure high tenure and high employee morale; competitors that constantly invest in innovative means to unlock competitive advantage and stay one step ahead of the market; suppliers who depend on a sustainable business model to conduct business; and customers that demand better services or products.

It is inevitable then, that management in listed companies approach these challenges strategically, not only by considering the shareholders', stakeholders' and constituents' expectations but by also ensuring that they are better equipped to formulate and execute robust strategies that will sustain the business. Questions to be asked, however, are: how has management in Stock Exchange listed companies managed to derive strategies for business sustainability in spite of internal and external pressures? What approaches do they employ in ensuring that their strategy formulation process contributes to a robust strategy? And what makes these approaches effective?

The term "strategy formulation" (or strategy development, or "creation") is used instead of strategy-making since the term "making" implies not only creating a strategy but also operationalizing it (Harrington, Lemak, & Kendall, 2004). This research seeks to explore strategy formulation in the context of listed companies and to understand the core elements that are crucial to making strategy formulation effective.

Various sources in literature have investigated strategy formulation approaches in the past, but not many were concerned specifically with stock exchange entities. Understanding the correlation between strategy formulation approaches and the perceived performance of the organisation could be beneficial for organisations who wish to overcome listed-company pressures. Eppler, Li, & Guohui (2008) further acknowledged that the procedural justice of strategy formulation provides a potentially useful but still unexplored way to mobilize a business's network.

Some literature sources (Park & Lee, 2008); (Pettigrew, 1977); (Westley, 1990) proclaim that managers who have gained international exposure to strategic concepts tend to add more value in strategy formulation, while other sources (Pretorius & Maritz, 2011); (Chandrasekhar, 2011) suggest that factors such as the size of the firm, CEO influence and environmental uncertainty are what drive the approach towards strategy formulation. Could there be similarities in how listed companies approach strategy formulation? And are there critical factors to be considered in making the approach effective? These questions present us with a basis for research to investigate approaches followed by listed companies in this regard. The following subsections will define, clarify and contextualizes the basis for this research.

1.2 The research question

How do *managers* in *stock-exchange listed companies approach* the *strategy formulation* process?

This research question can be broken down to its sub components (sorted by order of appearance in the research question) for the purpose of clarity and focus

a) In this context, the term "*Managers"* or collectively "*management*" refers to strategy practitioners or a group of individuals in middle or upper levels of management within listed firms who participate in strategy formulation for the organisation (for example: a Senior manager at a leading petrochemical company would have input into the business strategy informed by the corporate strategy)

b) "Stock Exchange" refers to an institution, organisation or association which provides a platform for company stocks, bonds, options, futures and commodities to be traded for raising capital (Kennon, 2017). An example of a stock exchange is the Johannesburg Stock Exchange (JSE) and the New York Stock Exchange (NSE).

c) In the context of the research question, the terms *"listed companies", "listed organisations"* or *"listed firms"* refer to companies listed or registered primarily on the Johannesburg Stock Exchange in South Africa (e.g. Sasol, BATSA, Dis-chem).

d) The term "*approach*" refers to the intrinsic perspective or way of addressing issues that is insinuated by management prior to conducting day to day strategy endeavors or efforts. Approaches are carried out to advance the company towards a long term goal.

e) *"Strategy formulation"* refers to the development and/or creation of a company's strategy at all levels of management. More context on strategy formulation is explained in the literature review.

Subsequent to defining the research question, the following sub-questions are derived to further breakdown the research question:

- What are the reasons for the chosen strategy-formulation approach?
- What are the underlying factors or considerations that drive effective strategy formulation approaches?
- Are these approaches new or similar to what is known in literature?
- What impact does listing in a stock exchange have on the approaches considered in strategy-formulation?
- How could current approaches in strategy formulation change in the near future given the future trends and ways of work?

1.3 Purpose and objectives

The main goal of this Research is to discover how companies in the JSE approach strategy formulation. This goal was achieved by means of the following objectives:

- To extract strategy formulation insights and experiences from middle to senior managers within JSE listed firms
- To establish key drivers that influence the strategy formulation approach in JSE listed companies
- To determine if a correlation exist between strategy formulation approaches and the perceived performance of the listed company

- To identify similarities and differences in how listed organisations approach strategy-formulation
- To establish the impact of being listed on the approaches employed by listed companies
- To describe critical factors in effective strategy formulation for listed companies
- To investigate which approaches work better than others and under what circumstances
- To establish whether the application of tools through various approaches has been modified by managers
- To verify the relevancy of strategy-formulation tools in literature within the South African context with reference to best practices.

The results of this study will educate managers about the approaches to consider in the near future. It will also provide a new dimension of approaches for companies that are already listed.

1.4 Significance of the research

By understanding strategy-formulation approaches in listed companies;

- ✓ Managers within can better prepare themselves for what is yet to come when formulating a strategy in the stock exchange environment.
- ✓ Managers within listed companies can also revise their strategy formulation approaches to take into account insights from the findings
- ✓ MBA candidates and other business scholars can learn to establish broader links in the application of strategy formulation tools
- ✓ The knowledge and understanding that middle and senior managers have on strategy formulation can be broadened. The research investigates a link between the tacit knowledge acquired by managers and the approaches used to formulate strategy.

1.5 Originality/Value

Managers in listed firms can gain insight on how to approach strategy formulation and this, combined with their exposure, could alleviate the pressure of poor strategy formulation in pursuit of shareholder value maximization.

2 CHAPTER 2: Literature Review

Strategy is a broad topic and has been of interest since its inception in the business environment (Barbuto, 2001). Whilst various authors (Hart & Banbury, 1994); (Porter, 2006); (Osandu, 2014) seem to have mastered the concept of strategy and its development, some of them (Johnson, Whittington, Scholes, Angwin, & Regner, 2014) & (Salih & Doll, 2013) seem to acknowledge that its development is of a 'messy' nature. This dissent is attributable to the vast outcomes and dynamics of strategy development approaches employed by different organisations in the past.

This section aims to clarify any existent contestations of strategy formulation approaches by:

- Defining the terms used to articulate the research question (i.e. "strategy" and strategy formulation) and by positioning the strategy topic in the broader business management framework
- Describing different lexicons that exist amongst strategists and other strategy constituents (consultants, employees, shareholders and the general public) used to communicate strategy
- Reviewing existing literature on strategy formulation within the past 10 years
- Summarising Management theories existent within the strategy
- An interrogation/exploration of best practices of strategy formulation as recommended by literature sources within a 10 year range (from 2008 to 2018) for relevancy.

Lastly, the section concludes the literature by drawing questions that emerge from the previous studies to assist in articulating the direction of the research problem.

2.1 Strategy Background and definitions

The origin of strategy dates as far back as 400 – 200 B.C from Chinese military warfare (Horwath, 2006). The term is said to have come from the Greek "Strategos", meaning "general-ship" which referred to planning to destroy enemies by effectively using resources (Athapaththu, 2016). Although the principle owes its origin to the military, it has been widely used in business as a guiding principle to help companies succeed.

Michael porter (Porter, 2006) defined business strategy in the context of competition as "*the creation of a unique and valuable position, involving a different set of activities"*. Through the constant creation of a unique mix of resources, an organisation can see itself sustainably compete with others in its market. Porter's definition is also in line with that of Johnson, Whittington, Scholes, Angwin, & Regner (2014) who defined strategy as "*the long term direction of an organisation*." Through their definition, Johnson et. Al (2014) insinuate that value is created when the organisation engages in activities that uniquely position it for the future.

Osandu (2014) suggests that managing a strategy (together with the activities required to execute it) or hereto referred to as strategic management, forms part of the broader business management framework. It is within this aspect of business management where the direction, goals and initiatives of the organisation is derived.

Figure 1: Business Management Framework (Osandu, 2014)

The Strategic Management Process as defined by Chandrasekhar (2011) can be defined in seven steps (see Figure 2 below) that range from defining the current state of the business and its mission to evaluating the performance of the organisation and evaluating the success of the strategy.

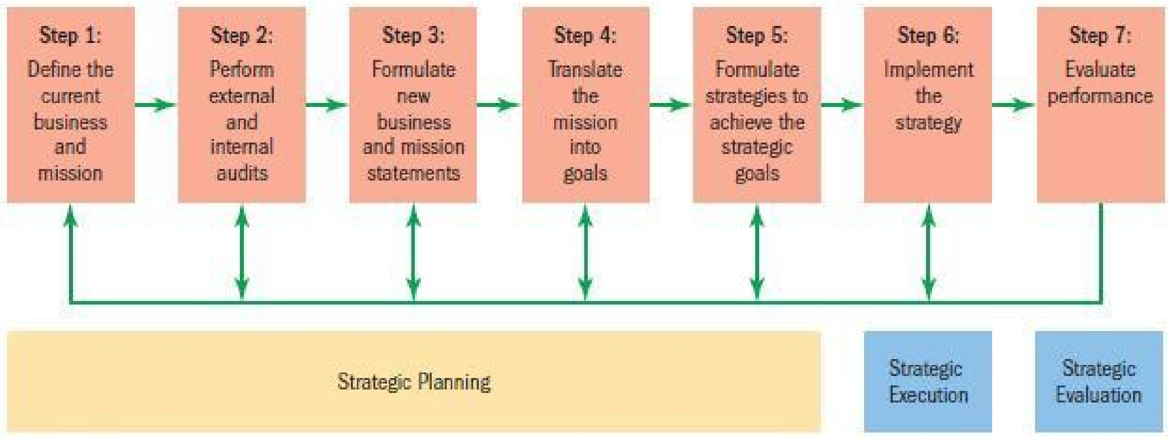


Figure 2: The Strategic Management Process. [Source: Chandrasekhar (2011)]

2.2 Strategy Formulation

Strategy formulation is an element of the broader Strategic Management Framework (Chandrasekhar, 2011) and is defined as the process by which an organisation chooses the most appropriate courses of action to achieve its defined goals (The Saylor Foundation, 2013)**.** In fact, Rajasekar (2014) defines it as an intellectual and creative strategic process that involves analysis and synthesis through choosing an appropriate course of action (Juneja, 2017). How an organisation approaches this process is crucial for its performance in the market and determines how effective its strategy is. The following sub-sections will review current literature on strategy formulation and uncover schools of thought employed by authors in studying strategy formulation.

2.2.1 Previous Research

In literature, theorists (Sveiby, 2001), practitioners (Mintzberg, 1978), scholars (Dange, 2009) and consultants (McKinsey&Company, 2013) have attempted to identify, capture and revise strategic approaches adopted by organisations since the early 1970's (Hashim, 2016). The following subsections critique, compare and critically assess literature pre-2008 (more than 10 years before this research was established) vs. post-2008 (Most recent literature relative to the study)

2.2.1.1 Pre-2008 literature

It is critical to note that there have been developments in the strategy formulation research and some studies have been challenged and enhanced overtime (e.g. (Pettigrew, 1977) vs. (Mintzberg, 1978); (Mintzberg, 1973) vs. (Westley, 1990) & (Barbuto, 2001)). For example, Mintzberg (1973), conducted a research on the three modes that are assumed by managers during strategy formulation activities in an organisation. In his research, Mintzberg (1973) discovered that the three modes (entrepreneurial, adaptive and planning) become the determinants of managements' ability to convince the organisation to implement deduced and emergent strategies. However, as comprehensive and well-articulated as Mintzberg's (1973) study was, his study failed to address the impact that these modes have on the strategy formulation process but focused purely on attributes and personality traits displayed by strategists in management. This approach to his research was rejected by Westley (1990) who argued that research in strategy formulation studies must also consider the involvement of other constituents because strategy formulation, depending on the structure and culture of the organisation, is not the responsibility of the executives only. However, it was later understood that Mintzberg (1973) was more concerned about the decisions makers and not the influencers of the decision makers (Mintzberg, 1978).

Whilst the personality traits in managers can influence the approach (Barbuto, 2001), it is critical to note that other strategy constituents' views may differ (e.g. equity investors), and as such, the formulation process could yield different results (Westley,1990). Schneider (1987) and (Hillman & Hitt, 1999) respectively assessed the impact of national culture and politics on strategy formulation which can be deemed relevant in South Africa for its diversity of cultures. In his research, Schneider (1987) argues that national culture can influence the approach and process to strategy formulation because it directly influences the nature of the relationship that the organisation has with its environment and people. Mintzberg (1978) critiques the approach used by Schneider (1987) and contends that defining strategies should be done from the perspective of both the strategies that were intended and those that were realized, despite the intentions.

Feurer, Chaharbaghi, & Wargin (1995) reviewed strategy-formulation at Hewlett Packard which uses a bottom-up approach using *Hoshin-kanri* (which means "Policy Deployment") as a tool in formulating a strategy. Hoshin-kanri suggests involving all employees of the business and considers their holistic views on where they believe the business should be headed. Feurer, Chaharbaghi, & Wargin (1995) also found that the tool was effective in aligning employees with the selected strategy and that the transfer of strategy ownership accelerated the implementation of strategy post the formulation phase. Carey (1989) also made a similar observation within banks.

Sources prior to 2008 give rise to the following questions: What research paradigm would be appropriate to research current strategy formulation approaches in the JSE? What strategy constituents are involved in the process of determining the approach? What tools and methods do South African listed businesses apply in formulating strategies?

2.2.1.2 Post-2008 literature

Whilst sources prior to 2008 seem to provide guidelines for future strategy research, literature in the last ten years has been more considerate in how strategy formulation is executed in various organisations. Pretorius & Maritz (2011) investigated reasons for selecting particular strategies in South African organisations using a positivism paradigm and found that the selected strategies depends on characteristics such as the 'degree of risk taking preferred', 'comfort with stability and predictability' as well as 'primarily autonomous or individual behaviour preferred' in organisations. Whilst these findings can be argued as valid, testing these results in stock exchange listed companies (or the exclusion of private companies in their data collection sample) could yield different results, hence an investigation of listed companies in particular is of paramount importance.

Lintvelt (2013) conducted a quantitative study on the concepts used by JSE companies in strategy formulation and assessed their impact on financial performance. Amongst the other concepts, Lintvelt (2013) identified "Strategic positioning, growth and shareholder value" as popular concepts used in strategy formulation. However, the focus of her research was purely on the usage of concepts and not on the actual approaches employed by listed companies.

Salih & Doll (2013) explored middle management's perspectives on strategy implementation through semi structured in-depth interviews and found that management style, strategy alignment, internal communication and middle management contribution are critical factors that influence strategy implementation. In the findings, Salih & Doll (2013) also found that when middle managers are included in formulating strategic initiatives, they feel more involved which as a result, makes them develop a sense of ownership. How does the perception of ownership in everyday activities influence the approach considered by management? Park & Lee (2008) answer this question suggesting that it would highlight the importance of inclusion during a strategy formulation approach and encourages buy-in during strategy implementation.

Eppler, Li, & Guohui (2008) conducted a literature review on factors that influence strategy implementation and acknowledged that a poor or vague strategy formulation process can limit implementation efforts drastically. Even though the author did not define what a poor strategy is**,** the respondents' knowledge of the difference between an effective strategy vs a poor strategy would have to be assessed. An example of a question to address this would be: "Can you provide examples of what a good strategy is vs a poor strategy for your organisation?" This question would extract events that inhibit strategy in the formulation process versus those that propel it to success.

Unfortunately, the effectiveness of a strategy can only be determined during and/or after its implementation (Grimsha, et al., 2004). This emphasizes the importance of getting strategy formulation right since strategy practitioners have no gauge to measure how effective a strategy will be before implementation.

The effectiveness of the strategy formulation process has a positive correlation on the commitment, trust and social harmony as well as the outcome satisfaction of managers in subsidiaries (Kinm & Mauborgne, 1993). The question however is whether managers in South African listed firms believe that factors such as 'outcome-satisfaction' would have an impact on the strategy formulation process. If this holds true, then surely organisations must focus on ensuring that the outcome-satisfaction of managers is met and that trust, commitment and social harmony are encouraged in an effective strategy approach. Our research approach must establish what impact such factors have on the strategy formulation approach.

2.3 Management Theories of strategy formulation

2.3.1 Deliberate and emergent strategies

Pretorius & Maritz (2011) established that organisations either use a deliberate or emergent approach or a combination of the two when deriving strategies. A deliberate strategy approach is more rational and comprehensive whereas an emergent strategy approach is one that becomes prominent subsequent to all explored strategic activities. In their article, (Pretorius & Maritz,

2011) also acknowledged that the choice of the approach is determined by "moderators" (i.e. CEO, org size, industry, uncertainty, time frame, munificence) that are seen as the core drivers of not only the approach pursued by management but also the execution of such an approach. External forces may also contribute towards what influences the organisation to deliberately change its direction or identify an emergent long term gap to pursue. This management theory adds a dimension to take into account in addressing our research problem since moderators also move from one organisation to another at different times of the business life cycle and thus introduce a variety of approaches. The research must extract how managers perceive their current moderators' influence on the strategy approach. For example, what influence does the industry have on the approach? And how could the influence be mitigated or improved?

2.3.2 Attention-based theory of strategy formulation

Ocasio & Joseph, (2005) proposed an attention-based theory of strategy formulation processes to link both the macro- and micro-organisational perspectives. The authors treated the strategy formulation processes as a network of operational and governance channels with which a company can evolve. Whilst some organisations view strategy as explicit objectives, Ocasio & Joseph, (2005) suggest that managers need to view the strategy formulating process as a more fragmented and contested process, moving their attention away from limiting objectives. That way, new ideas will emerge which lead to new ways of strategy formulation.

2.3.3 Knowledge-based theory of strategy formulation

Sveiby (2001) highlighted the practical implications of strategy formulation approaches by focusing on knowledge transfer. In the article, Sveiby (2001) argues that strategy formulation should start with the "primary intangible resource" which is the competence of people. How people transfer knowledge both internally and externally creates value as they use their capacity to act. Managers should therefore approach strategy formulation based on what the people in the organisation are able to do successfully or efficiently.

2.4 Approaches emerging from Literature

One of the most prominent work on strategy-formulation approaches was by McKinsey&Company (2013) where the authors conducted a study amongst 200 executives on how to master the building blocks of strategy. Despite the absence of peer reviews and although the case study does not provide details of the data collection approach, through this study, insights on the building blocks of strategy were revealed (see Figure 3 below). What was clear from the findings was that companies avoid challenges in the strategy formulation process by asking these strategic questions and grounding all their strategy-development efforts and processes in understanding the building blocks or modes of strategy. This, by far, the most helpful literature source to understanding how firms approach strategy formulation and was used to test whether JSE listed companies pursue these building blocks.

Figure 3: Questions Companies should always ask (McKinsey&Company, 2013)

Hashim (2016) reviewed literature sources that investigated different approaches adopted by organisations in formulating a business strategy. In his research, he themed the strategy approaches as shown in the table below:

Table 1: Strategy Approaches by Hashim (2016)

Strategy Approach	Description
Process	Involves a specific method that consist of related steps that are important to identifying, selecting and implementing strategy. Based on information gathered from strengths, weaknesses and threats facing the organisation

Content	Emphasizes identifying the specific type of business strategy (e.g. low cost, differentiation or niche) to be adopted by the organisation. Not involved with activities but more concerned with selecting the best strategy to be implemented
Economic	Emphasizes the need to develop strategy based on economic conditions and opportunities in order to position the firm. Holistic - wider scope in the economic context (industry, environment, capabilities, resources, direction)
Organisational	Perceives the internal components of the organisation such as structures, culture, resources as obstacles to strategy formulation. Thus emphasizes the need to improve internal components before developing a strategy
External	Wider focus or scope. Emphasizes that firms should develop strategies based on the external environmental factors (political, economic, social, cultural, ecology, government, legal etc.)- Porter (2006) suggested this for competitive strategies and argues that there are significant benefits to the organisation
Internal	Suggests that firms should focus on the analysis of their internal environment (resources, structure, culture, etc.)
Prescriptive	Explicit, planned and logical thought processes where the process of strategy formulation is defined in advance with specific components being decided before implementation. Proposes the one “best” way to develop and implement strategies for all types of organisations.
Descriptive	Concerned with the reality and focus on how organisational strategies in real life organisations are formulated and implemented.
Competitive Advantage	Michael Porter’s view
3 C's	Cost, customers, competition
Strategic Thinking	Recommended by scholars as a requisite for formulating strategy.

An aspect that Hashim (2016) does not reveal however, is how organisations get to these approaches and whether they are deliberate or emergent. Furthermore, organisations could use a combination of these approaches which could yield a different approach to Hashim’s (2016) findings.

A study conducted by Kumar (2018) on Indian companies in the cement industry suggested that companies use benchmarking and economic ranking as an approach in strategy formulation. In his analysis, Kumar (2018) found that such an approach increases the net worth of the firms and better positions them to compete against the next best competitor. This adds another dimension to the studies conducted by Hashim (2016) and McKinsey&Company (2013) which this study must take into account.

2.5 *Listed Companies and their role in the economy*

The Johannesburg Stock Exchange (JSE) defines "listing" as the process through which a company or government makes available assets for sale on the exchange (in the primary market) in return for capital Ambrosi (2014). Despite the declining number of listings on global stock exchanges in the last 20 years Cairns (2018), the Economic and Monetary Developments (2007) empirically proved that there is a positive correlation between listed company earnings and the growth of a country's GDP. Furthermore, Higgings & Bannister (1992) suggest that strategic credibility of a listed business has a positive and quantifiable impact on the share price. This emphasizes the significance of addressing our research problem and illustrates how the findings can assist businesses to realize economic growth for the country in which they're listed and improve their share price which increases the chances of obtaining cheaper capital.

2.6 *Literature Review Summary*

Indeed with a few exceptions, literature on strategy formulation does not substantially examine the linkage between strategy formulation approaches and listed firms. Some authors (Lintvelt, 2013), (Cairns, 2018), (Jooste & Fourie, 2009) & (Higgings & Bannister, 1992) were concerned mostly about types of concepts used in strategy formulation (Lintvelt, 2013), the significance of communication during strategy formulation (Higgings & Bannister, 1992) and strategic leadership (Jooste & Fourie, 2009) in the context of stock exchange listed companies. Furthermore, studies by Pretorius & Maritz (2011) and Osandu (2014) were focused on generic strategy formulation frameworks similar to those indoctrinated in the MBA programmes. Studies by Hashim (2016), Kumar (2018) and McKinsey&Company (2013) were pivotal in understanding the current work on strategy formulation and were helpful towards steering the direction of this research.

The literature review gave rise to a number of questions in addition to our research question:

- What research paradigm would be appropriate to research current strategy formulation approaches in the JSE?
- What strategy constituents are involved in the process of determining the approach?
- What recommended tools (if any) and methods do South African listed businesses apply in formulating strategies?
- How does management view the organisations' management style, strategy alignment and internal communication with regards to strategy formulation?

- Are there similarities in approaches employed by listed organisations within the same industry
- Does the outcome-satisfaction of managers, commitment and social harmony correlate with the effective strategy formulation?
- Do organisations include/involve other strategy constituents in strategy formulation?
- Have listed organisations constructed a unique way to formulate a strategy? Or are managers using the same approaches to formulate a strategy without knowing it?
- How would strategy formulation change in the next 10 years?

3 CHAPTER 3: Research Design and Methodology

A faulty research design results in misleading findings and ends up wasting human and financial resources (Kumar, 2011). In this section, the research paradigm and frame of analysis for the study are described with the objective to position the context within which the study will be approached. The research procedure is then unpacked through a breakdown consisting of the design of the interviews and variables to be collected, the approach to collecting and analysing the data, a clear consideration of reliability, ethics and validity, as well as concerns and assumptions to be addressed while conducting the study. Lastly, a conclusion is then provided to summarize the section, leading to the actual research analysis.

3.1 Research Paradigm, Frame of Analysis and Research Method

3.1.1 Research Paradigm

The literature review section highlighted a multitude of approaches employed by firms during strategy development. Seeing as there are different views on strategy formulation approaches, this research adopts a constructivism paradigm to address the research question and its sub-questions. The constructivist approach is suitable for the following reasons:

a) Strategy formulation approaches differ between managers/strategy practitioners in different organisations at different times. As a subjective and time changing social phenomenon, strategy formulation cannot be studied using the scientific method of investigation that is generally applied in the natural world. Since the truth lies within the strategy practitioner's experience, statements of what is true or false could be culture bound and relative to the practitioner's experience (Kawulich, 2012).
b) There is no universal formula for strategy formulation and as such, the researcher, through the constructivist paradigm will be able to investigate and understand various lexicons used by strategy practitioners on a daily basis.

3.1.2 Frame of Analysis

The research employs a phenomenological frame of analysis with the aim to capture participants' verbal descriptions and experiences in the strategy formulation activity. The phenomenology frame of analysis will capture the reactions, perceptions, and feelings of the participants as they express their views on strategy formulation which are principally important to this study. This approach also allows the researcher to discover and describe the elements of strategy formulation and its underlying factors.

3.1.3 Research Method

This research will employ exploratory research methods, specifically through the use of semi-structured interviews to obtain qualitative data for the purpose of satisfying the objectives of the research. Secondary data on JSE listed companies was obtained from the standard bank online share trading platform https://securities.standardbank.co.za/ost/ . This platform provided general information (share price, market capitalization, industry etc.) on the companies to be engaged and approached. The secondary data would also lay a foundation for the primary research to be conducted. Interviews would then be used as an instrument to collect primary data. A summary of the paradigm can be tabulated as follows:

Table 2: Summary of the research paradigm, Method and Frame of analysis

Paradigm	Constructivist
Reason for paradigm	Subjective phenomenon, no single truth
Philosophical underpinnings	Informed by phenomenology
Ontological assumptions	There are multiple socially constructed truths or realities
Nature of knowledge	Subjective
What counts as truth	Depends on the context and experience
Methodology	Qualitative
Technique to gather data	Semi-structured Interviews

3.2 Population of the study

The broader population for this research are companies that are generally listed on a Stock Exchange, however the primary focus were companies listed in the JSE Stock Exchange. The primary population thus consists of a total of 387 JSE listed companies that were listed for the purpose of trading ordinary shares and similar equity instruments (National Treasury, 2017). These companies have a total market cap of R5.6 trillion making the JSE one of the largest and best-regulated stock markets in the world (WEF, 2017).

The JSE equity market captures a range of instruments that are issued by listed companies to fund investments and economic activity (National Treasury, 2017). Table 3 below illustrate a breakdown of the equity market.

Table 3: JSE equity Market overview

	Number of instruments	Market capitalisation[1] millions of rand
Ordinary shares and similar equity instruments[2]	387	13 132 904
Preference shares and debentures	64	44 268
Exchange Traded Funds	49	65 518
Warrants and options	270	322 398
Other instruments[3]	46	15 531
Total equity market	**816**	**13 580 619**

Source: Calculated from data provided by the JSE

Notes: 1. Market capitalisation is the share price on the reference date (in this case end of 2016) multiplied by the number of shares on the reference date. This measure of total market capitalisation includes shares in foreign-domiciled companies that are held offshore (see Table 2).

2. Similar equity instruments include N and B ordinary shares, depository receipts and participatory interests in REITs. Seven companies have two or more classes of shares listed on the JSE. Adjusting for multiple classes of shares, there were 379 listed companies at the end of 2016.

3. Includes Exchange Traded Notes and other investment products

3.3 Sampling Frame

3.3.1 Sampling strategy

30 listed companies were selected based on a readily available network of senior managers and executives that the author of this study had in South Africa (see Table 4 below). Marshall (1996) refers to this as a convenience sample strategy which is least costly to the researcher from a time, effort and money perspective. Middle to senior managers in these companies were selected as the ideal participants for the study because of their involvement (Salih & Doll, 2013) and decision making power in the strategy formulation process (Pretorius & Maritz, 2011).

Table 4: Table of proposed respondents and interview dates

Company	Sector	Title	Number of respondents	Levels from CEO
Standard Bank	Banking	Vice President	1	2nd
Absa	Banking	Senior Managers	1	3rd
Nedbank	Banking	Senior Managers	1	3rd
Sasol	Chemicals	Executive VP	2	1st
Tongaat Hulett ltd	Food & Beverage	Senior Manager	1	4th
Old Mutual	Insurance	Executive	1	1st
Discovery	Insurance	Senior Managers	1	3rd
Pick n Pay	Retail	Executive	1	2nd
Woolworths	Retail	Executive	1	2nd

Shoprite	Retail	Senior Managers	1	3rd
Blue Label Telecoms	Telecommunications	Senior Managers	1	3rd
MTN	Telecommunications	Senior Managers	2	3rd
Vodacom	Telecommunications	Executive	2	2nd
Telkom	Telecommunications	Executive	1	1st
Hewlett Packard	Technology	Executive	1	None
AEP inc		Executive	1	1st

Furthermore, two companies listed on the New York Exchange were visited during the Wits University MBA global tour and used as part of the sample with the intention to benchmark their results against the South African listed companies.

3.3.2 Sample size

It is crucial to highlight that because this research was conducted using a qualitative approach, the focus was on gathering an in-depth understanding of strategy formulation as a phenomena (phenomenology) and therefore did not require a large sample size. To determine the sample size for this study, Mason (2010) suggested that the concept of saturation (the point at which the data collected no longer offers any new or relevant patterns in the collected data) be used to determine the sample size. More concisely, guidelines by Crestwell (2008) and Morse (1994) suggest using between five and twenty five respondents to reach saturation during phenomenology studies and Bertaux, (1981) suggests that fifteen is the smallest acceptable sample in qualitative research. Therefore, a minimum of fifteen respondents will be a requirement as a sample size for this study.

3.4 Research Procedure

3.4.1 Designing the Interview Questions

Interview questions were designed with the intention to obtain and capture knowledge in an unambiguous manner. The objectives of the interviews were to generate as much detailed information, firstly about the participant's background, secondly, their perspectives on their company's strategic activities, thirdly, to capture what they believe their strategy approach is and lastly, whether there are gaps in their current strategy approach. Table 5 below summarizes the four objectives in each quadrant.

Table 5: Objectives of the interview questions

Participant Background and Experience	Strategy
Title Levels below CEO Qualifications Strategy Formulation involvement	Participants Current strategy understanding Frequency of strategy change Reasons for strategy change
Strategy formulation approach	**Gaps**
Steps Methods & tools Consulting houses Duration of strategy formulation Duration of execution Lead time to results Acceptance of approach by management Perception of the future approach	Assuming CEO role Assuming different industry Assuming bottom up/top down approach

3.4.2 The interview Schedule and variables

An interview schedule was developed to capture data from the participants (see Appendix 8.2) The objectives identified in Table 5 above were later refined into open ended questions that required the participant's response. The sequence with which the questions flow was designed to not only probe for more information out of the researcher but to also confirm their response in other questions. For example, Question 2(a) is similar to question 4(a) in the interview schedule (see Table 6) since they both require the participant to summarize stakeholders involved and to highlight their roles.

Based on 4 pilot interviews already conducted, the anticipated length to respond to the questions varied from 45 minutes to an hour and 15 minutes. Each question in the interview schedule was allocated a variable and a variable number (e.g. V1). Variables would provide either dependent, independent or ordinal variables whereas the variable numbers can be used to trace the origin of the variable. The interview schedule and the allocation of variables are shown in Table 6 below.

Table 6: List of interview questions and variables

Question No.	Questions	Variable No.	Variable
	1. Participant background and experience		
1 (a)	What is your current title at the company and how do you fit in the organizational structure	V1	Title
1 (b)	What is the size of your organization (Market Cap)	V2	Size
1 (c)	Current Share price	V3	Share Price
1 (d)	In which industry does your business operate in?	V4	Industry
1 (e)	What is your Highest qualification?	V5	Qualification
1 (f)	How long have you been involved in strategy-making?	V6	Years of Experience
1 (g)	What strategy (tactical/corporate/business) do you have experience in?	V7	Specialization
1 (h)	Have you travelled internationally for business purposes?	V8	Exposure
1 (i)	Have you had formal strategy training?	V9	Training
	2. Relevant stakeholders in strategy-making		
2(a)	Who is involved in your strategy-making process (looks for moderators)	V10	Moderators
	3. Understanding of current strategy		
3 (a)	What is your company's current strategy	V11	Strategy Focus
3 (b)	When did you last formulate your strategy	V12	Frequency of strategy change
3 (c)	What were the reasons for strategy change	V13	Reasons for strategy change
	4. Strategy-making approach		
4(a)	How does your strategy formulation proceess start?		Approach
	Initator	V14	Initiator
	Moderator	v15	Moderator
	Involved participants	V16	Participants
	category of approach	V17	Category of approach
	Market forces	V18	External Forces
	Internal forces	V19	Internal Forces
4 (b)	Do you ever use external consultants to facilitate the process (what is the rationale behind that)	V21	Outsourcing
4 (c)	What actions do you take in implementing the strategy	V22	Next Steps
4 (d)	How long does it take to get it implemented	V23	Duration of implementation
4 (e)	Generally, how long does it take to see the results	V24	
	5. Acceptance of strategy-making approach		
5 (a)	How often have your mission, vision and objectives changed.		frequency of strategy change
5 (b)	What strategy formulation tools do you know of?	V25	Outcome satisfaction
5 (c)	What is your view on the other tools such as (portfolio analysis models, scenario planning, the balanced scorecard)	V26	Knowledge of tools
	6. Future opinion on strategy-making		
6 (a)	a. How do you think this strategy-making process will change in the next 5-10 years?	V27	Advancement of strategy

3.4.3 Data collection approach and tools

The participants were contacted via phone calls, LinkedIn and email. The purpose of the study explained in the cover letter (see appendix 8.1) together with the interview schedule (appendix 8.2) and consent forms (Appendix 8.3), were shared with all the potential participants to motivate participation and to clarify any questions they may have, reiterating that it is an MBA research project conducted for academic purposes. Participants were also assured that confidentiality would be maintained given the ethical clearance provided by the Wits Business School.

The interviews took place in a semi-structured form and each participant was requested to schedule a 30-45 minute session at a convenient time and place for their own comfort. All interviews were conducted by the researcher through the use of a recording device and notebook for writing transcripts, which were only used if the participant agreed and gave consent to being recorded. The participants' facial reactions and body language were observed and noted during the interview and were to be used for non-verbal expressions and experiences.

Consistent with the process of triangulation (i.e. using multiple methods or data sources to develop an understanding of a phenomena), respondents could choose to participate in an interview or choose to be sent questions should they not wish to participate via interviews. In both cases, the respondents had an opportunity to express consent to take part in the study and skip questions that they feel are not comfortable. Furthermore, should respondents decide to refuse to answer any of the questions, they have all the right to do so.

As described in the sampling frame (section 3.3), Interviews were conducted with managers who (depending on the company structure) are positioned in the middle to upper (senior) tiers of management including CEO's and Director Levels. A minimum of fifteen organisations were a requirement in order to gather enough data as concluded in the sample frame, however, more participants (in the same organisation) could be interviewed until there were fewer surprises or no new patterns emerging from the responses in the same organisation. Furthermore, the data collection phase would cease once similar patterns continue to emerge from the data.

3.4.4 Reliability and Validity

To ensure reliability, pilot interviews were conducted to identify errors or mistakes in the research process before reaching the data collection phase. Furthermore, the researcher pursued to interview two or more participants from the same organisation for consistency in the responses. Subsequent to thematic analysis of the transcripts, similar responses from the same organisation were grouped together to conceptualize trustworthiness and if there were no similarities in the responses, the responses were deemed inconsistent and disregarded in the study. Interview questions were asked in the sequence in which they appear and consistency in how the questions are answered would lead to stability. A high degree of stability will indicate a high degree of reliability.

Validity in the data was to be obtained through triangulation (i.e. cross validation from the interview questions as explained in section 3.4.2) to seek convergence in the responses and to eliminate the researchers' bias on the data. Furthermore, results from the analysis would later be discussed with each participants to affirm and legitimize their responses. In the results disseminated, personal information and company names were delimited and removed to retain privacy of the participants.

3.4.5 Assumptions

The assumptions followed in this research can be summarised as follows:

- People construct their own personalized views on the approach followed by their organisations
- The views of the participants are the truth in their everyday practice of strategy formulation
- Participants in the identified companies will answer all questions earnestly
- Participants were willing to provide insight on other questions not asked.
- Participants practice strategy in their organisations and therefore need no definition from of strategy from the researcher.

3.4.6 Concerns and Unintended Consequences

The unintended consequences of understanding approaches to strategy formulation include but are not limited to the following:

3.4.6.1 Implementation failure

- Even though the strategy formulation approaches used by the investigated companies can be effective in the short term, managers who apply them in future must not apply them in isolation to aspects recommended by the best practice literature identified in section 2.4 of this report.
- To mitigate this, managers must exercise caution and ensure that the approaches identified in this study are suitable for their organisation.

3.4.6.2 Internal consequences

- This research could reveal to managers how some "moderators" (including leadership personnel like the CEO) influence the strategy formulation approach.
- Participants could be convinced to resign from their current roles once the results of this study reveals their position with respect to power structures in the organisation.
- To mitigate this unintended consequence, managers were encouraged to not justify their actions through this report but use it to advance their tacit knowledge where possible.

3.4.6.3 External Consequences

- Equity investors investing in listed companies that approach strategy formulation in line with their preferred approach could decide to divest from their other investments as a result of the findings in this research. To mitigate this, all investors are encouraged to not use this research as an investment bible but use it as additional knowledge.
- Strategy practitioners might choose to disregard tools recommended by literature for strategy formulation in pursuit of unique approaches found in this research. Strategy practitioners are reminded that this dissertation aims to add to current literature and does not replace any effective tool.

3.4.6.4 Ethical Considerations

A consent form (see section 8.3 Annexure 3) was used to obtain consent from participants. Subsequent to signing a Project ethical clearance form, all ethical concerns were addressed within the guidance of the Research Code of Ethics as provided by the Wits Business School. As mentioned in the participant cover letter (section 8.1 Annexure 1), participants will remain anonymous and shall at no time be asked to reveal information that is deemed confidential or private.

3.4.6.5 Research limitations

- The chosen sample of the population may not represent the whole population.
- Forces imposed on companies may not stay consistent throughout the life of the organisation and as such may require different approaches from management. This implies that approaches used by organisations today will change over time and results obtained from this study may be different in the future.

- Managers could be uncomfortable with providing confidential information and this would limit the insight that this research aims to articulate.
- This research attempts to summarize the strategy formulation of the entire organisation through a 30 minute interview, the information gained through the engagement might not suffice to generalize the strategic activities of the business.

3.4.6.6 Delimitations

This research should not be construed to be an all-inclusive guide to strategy formulation, but is rather meant to highlight various strategies formulation approaches in listed firms prior the selection of a strategy. It is acknowledged that some respondents may either overestimate or underestimate their view on strategy formulation because of their state of mind at the time. The researcher will choose to assume that responses are as a result of the participants' experience in strategy formulation. Some respondents, in spite of being in exactly the same situation, may respond to non-specific or ambiguous questions differently, according to how they interpret the question. In this case, the researcher will probe with follow up questions to clarify ambiguity.

3.4.7 Data analysis approach

Two methods of analysis would be used to analyse the qualitative data from the interviews. Firstly, thematic analysis would be used to code, categorize and theme the data. Secondly, Fuzzy Cognitive Maps (FCM) would be used to establish the relationships in the concepts derived from the thematic analysis. The themes obtained from the thematic analysis would be used as inputs, drivers or outputs to the FCM and the relationships established from the FCM would be interpreted to obtain a clearer understanding of underlying factors in the data. The two methods are described in more detail below.

3.4.7.1 Thematic Analysis

Maguire & Delahunt (2017) provided a step-by-step guide on thematic analysis which entails the six-phase content analysis framework provided by Braun & Clarke (2006). It is suggested that the article by Maguire & Delahunt (2017) is read in conjunction with this report since their step by step guide (up to step 5) was adopted to complete the thematic analysis. Thematic analysis required instruments such as 10 coloured highlighters, a pen, a laptop and a printer. In conducting the analysis, the process followed was not necessarily linear and required the researcher to move back and forth between the various steps to ensure that the quality of the message was understood and captured in the themes.

STEP 1 – Becoming familiar with the data

In analysing the qualitative data obtained from the interviews, each interview and its transcript were isolated and analysed separately to circumvent researcher bias. The analysis was therefore conducted simultaneously with the data collection process in order to improve the questions and experience for the next participant. As recommended by Dange (2009), interview recordings were directly translated into verbatim by the researcher by typing them out (on Microsoft office) exactly as they took place in the interview together with the notes from the transcripts. Then the typed notes were printed out for manual analysis. After reading each transcript numerous times, the respondents' body language and expressions were added to the printed notes. This process concluded being familiar with the data.

STEP 2 – Generating initial codes

Coding requires the researcher to have a premise in mind to identify concepts and statements that are of relative importance to the research question (Maguire & Delahunt, 2017). Given this, each segment of the data that was considered relevant to the research question was coded. For example, if a statement described how a particular activity was executed during the strategy formulation process, a concept (such as data-driven) would be used to code that statement. Once satisfied that the generated codes from the transcript were aligned with the research question, then the next step was to search for patterns of meaning in the initial codes. These meanings were associated with the variable numbers allocated to each question in section 3.4.2.

STEP 3 – Searching for themes and categories

The concepts derived from Step 2 were themed by applying the following method of classification:

a) Concepts which are similar were color-coded with the same colour.
b) Concepts relating to literature were identified and circled, giving them the same colour as the literature they relate to.
c) New concepts that could be used to define the approach were also highlighted and boxed.
d) Concepts that were repeated were underlined.

STEP 4 – Reviewing themes

Each of the concepts identified from step 3 were sorted by colours and shapes.

i. Concepts that had the same colour were grouped and highlighted as SIMILAR,
   In this step, concepts that are similar and have the same unit of measure were identified. For example*, Strategy formulation exposure* vs *Strategy formulation years of experience* are both temporal concepts that are similar (they pertain to how long the participant has been involved in in strategy formulation) and have the same unit of measure (i.e. measured in weeks, months or years).
ii. Concepts with circles and colours were grouped and highlighted as LITERATURE,
   In this step, literature sources identified in Chapter 2 were matched with the concepts mentioned by each participant stating whether the participant agrees to the literature or not.
iii. Concepts that were boxed and coloured were grouped and highlighted as NEW CONCEPTS.
   New concepts were those not identified in literature and were deemed important towards the study.
iv. And underlined concepts were grouped and highlighted as FREQUENTLY USED.

The variable numbers allocated to each of the questions were also used to link the themes to the research questions as described in section 3.4.2. For example, in answering question 4(a) of the interview schedule, the variable 'Approach' would be linked to a respondent's answer such as 'Executive' by noting 'V'1 in parenthesis next to the term 'Executive'.

STEP 5 – Defining themes

In defining the themes, concepts grouped under the theme 'SIMILAR' were broken down to answer the How, What, Who, When and Where questions for each concept. Similarly, concepts linked to 'LITERATURE' were defined in terms of the source they relate to and whether they agree or disagree with the literature. 'NEW' concepts were highlighted as critical to revealing new information for the study and in terms of the 'FREQUENTLY USED' theme; a count of how frequently a concept was mentioned was kept to weight its importance in the study. This method also supports the suggestion by Özesmi & Özesmi (2004) that the frequency of mention for a particular concept is an indication of its importance in the system.

3.4.7.2 Fuzzy Cognitive Maps

Once the thematic analysis was completed, Fuzzy Cognitive Maps (FCMs) were used as a convenient modelling tool for simulating the dynamic and complex construct of strategy formulation approaches.

3.4.7.2.1 Introduction

FCMs were first introduced by Kosko (1986) as an extension to cognitive maps and have since been used to understand and interpret social constructs (Grovermann, 2008) as well as human knowledge.

FCM's are graphically represented using nodes that have interconnections between them and a sign to determine whether the interconnected nodes have a negative or positive impact on each other. By running scenarios to test whether certain input nodes have a correlation to output nodes, success factors in a system can be determined.

In our study, concepts generated and identified during thematic analysis would be used as input nodes and drawn on a FCM. Thereafter, outputs would be determined so as to simulate the FCM. To do this, the free online platform provided at www.mentalmodeler.com was used.

The advantages of using Fuzzy cognitive mapping in this context are

a) Categorization of responses does not require data to be statistical
b) Data can be represented graphically for respondents to verify connections
c) Various scenarios for inputs and outputs of the developed map can be assessed
d) The cause and effect relationships can be analysed and both positive or negative links can be identified
e) Fuzzy Cognitive Mapping allows for the generation of the best case scenario

In our methodology, thematic analysis would have refined the content to be simulated on a FCM thus a clear definition of inputs, outputs, and the dynamics of the system would have to be defined. The following subsections aim to define the dynamics of the FCM.

3.4.7.2.2 Defining outputs – Receiver nodes

The purpose of this research was to understand how management in listed companies approach the strategy formulation process. The FCM model therefore needed to establish the correlation between the identified themes and have the following as outputs of the system.

a) The strategy formulation approach
b) The perception that the market has on the company approach
c) The performance of the business; and
d) The relative speed of formulation

3.4.7.2.3 Defining inputs – Transmitter nodes

Inputs, which are factors that impact the outputs, are those which one must change to drive the map. Input nodes would be derived from the thematic analysis. All themes arising from the thematic analysis were considered as inputs into the strategy formulation approach.

3.4.7.2.4 Defining response nodes

Response nodes are nodes that do not directly impact the input and output but will be elements to the system. Response nodes receive signals from the input nodes and transfer them to other response nodes or to the output nodes. Once the outputs and inputs were determined, the other concepts or themes identified during thematic analysis were assigned as the response nodes.

3.4.7.2.5 Defining causal relationships

Initially the causal relationships will be given polarity depending on the correlation that two nodes have on each other. A negative correlation would be assigned a negative one (-1) to indicate that the one node is inversely proportional to the other. If there is no impact on the node, the relationship would be assigned a zero (0) and a positive correlation would be assigned a plus one (+1). Furthermore, the mental modeller used to draw the FCM requires the researcher to enter a confidence level to be indicated in each relationship line, the confidence level also indicates the strength of the relationship.

3.4.7.2.6 Adjacency matrix

The adjacency matrix is a tabular representation of all the causal relationships that the nodes have on each other. In this study, the adjacency matrix was used as a check to ensure that the correlations and strengths indicated by each relationship line was as intended. At this point, the system behaviour can be tested provided all the inputs, outputs and relationships have been drawn.

3.4.7.2.7 Scenarios

Scenarios to be tested will depend on the approaches identified in the thematic analysis. The best case scenario is one that shows maximum impact on the system outputs. For example, changing a single input that results in maximum impact on the output would be ideal for the output. At this point, multiple iterations would be ran to ensure that all possible scenarios have been tested and the best scenario will be picked from these iterations.

Contrary to the best case scenario, the worst case scenario is one where changing the input nodes significantly reduces the outputs. All inputs with such an impact on the output were noted and their relationships with the output were also recorded.

3.5 Research Methodology Conclusion

In conclusion, the population for the study has been defined to be firms listed on the JSE for the purpose of trading ordinary shares and similar equity instruments. This population was chosen for its ability to withstand unremitting pressures both internally and external to the organizations. 30 companies were selected based on the researchers network and interview questions were designed to generate as much information and insights from the respondents as possible. The research paradigm was selected to best approach the study in a clear manner and methods of data collection and analysis were described. The reasons for the paradigm, methodology, tools and approach for the analysis were provided and unintended consequences were considered. The ethical conduct of the research was ensured through consent forms which were distributed to the participants prior to the study taking place

4 CHAPTER 4: Data Analysis & Interpretation

4.1 Overview of the collected data

A total of fifteen respondents from fourteen JSE listed companies were engaged during the research collection process in South Africa (more than one respondent in one of the fourteen companies agreed to partake in the study). Furthermore, two more respondents from companies listed on the New York Stock Exchange were added to the study and interviewed for comparison and benchmarking purposes. This implied that a total of seventeen respondents were interviewed, which was more than the minimum of fifteen respondents initially required by the study in section 3.3. The results interpreted herein therefore represent fourteen companies in South Africa and two companies in the United States of America. The fourteen JSE companies represented six industries which are summarized in Table 7 below

Table 7: Summary of companies engaged

Industry	No. of companies represented	Total no. of respondents
Chemicals	1	2
Banking	3	3
Telecommunications	4	4
Insurance	2	2
Retail	3	3
Food & Beverage	1	1
JSE TOTAL	**14**	**15**
Information Technology	2	2
NYSE TOTAL	**2**	**2**

By saturation, the seventeen respondents in total provided enough data for the researcher to cease the study without interviewing in all 30 companies identified in the sampling frame of the study. Whilst the focus of this research was not on statistical data, some context on the data collected is needed to understand its relevance towards the study. Whilst this is not a significant portion of the total number of industries within the JSE, the combined contribution of the interviewed companies towards the JSE market capitalization is R1.07 trillion which forms 25 % of the total JSE market Capitalization as of August 2018.

4.2 *Respondent background*

Six of the interviewed participants were 3 levels below the CEO position as managers, four were 2 levels below the CEO as Senior Managers, four were reporting directly to the CEO as executives and three were at CEO level. This implies that the views of the respondents well represented those of management in listed companies and that the respondents were in a position to either directly contribute to or indirectly influence the strategy formulation approach that the organization employs.

Participant qualifications ranged from honours in psychology to Ph.D. levels. The lowest NQF level was a level 7 where the participant had done a psychology undergraduate degree.

Five of the participants had some strategy training but agreed that some of their training was not deliberate or planned. This implies that most of the participants have learnt strategy formulation through their experience and have accumulated the knowledge they have revealed on this study over time. A summary of the companies that were engaged in this study is shown in Table 8 to Table 9 below.

Table 8: 7 of 14 engaged companies

Company	Sasol	Standard Bank	Blue Label Telecoms	MTN	Vodacom	Telkom	Old Mutual
Sector	Chemicals	Banking	Telecommunications	Telecommunications	Telecommunications	Telecommunications	Insurance
Subsector	Specialty Chemicals	Banking	Mobile Telecommunications	Mobile Telecommunications	Mobile Telecommunications	Fixed line Telecommunications	Life Insurance
Number of respondents	2	1	1	2	2	1	1
Levels from CEO	1	2	3	3	2	1	1
Title	Executive VP	Vice President	Senior Managers	Senior Managers	Executive	Executive	Executive
Market Cap	R341,528,929,027.00	R 306 268 080 445	R 6 843 260 366	R200,241,347,182.00	R222,768,157,399.00	R26,328,833,710.00	R146,828,256,627.00
Share Price	54497c	18622c	710c	10665c	13035c	5134c	3021c

Table 9: Second 7 of 14 engaged companies

Company	Absa	Discovery	Pick n Pay	Nedbank	Woolworths	Shoprite	Tongaat Hulett ltd
Sector	Banking	Insurance	Retail	Banking	Retail	Retail	Food & Beverage
Subsector	Banking	Life Insurance	Food and Drug	Banking	General retailers		
Number of respondents	1	1	1	1	1	1	1
Levels from CEO	3	3	2	3	2	3	4
Title	Senior Managers	Senior Managers	Executive	Senior Managers	Executive	Senior Managers	Senior Manager
Market Cap	R135,758,793,735.00	R111,904,183,616.00	R34,911,610,210.00	R136,415,257,928.00	R53,044,674,636.00	R1,070,832,316.00	R10,687,399,224.00
Share Price	16002c	17395c	7084c	27074c	4986c	21786c	7890c

4.3 Thematic Analysis

The rest of the collected data was analysed using thematic analysis. In conducting the thematic analysis, concepts were coded and themed as explained in section 3.4.7.1 of this report.

4.3.1 Coded concepts

Table 10 shows a set of codes that were generated from the respondents' answers in the interview transcripts. The interview variable numbers were linked to the participants' responses for ease of reference. For example, when asked what the company's strategy was in question 3 (a) of the interview schedule, many respondents mentioned the word 'Growth' as part of their response, therefore implying that the focus of the strategy is to grow the business. The term 'Growth Focus' was then allocated as a code to the respondent's answers and 'V11' was assigned to the respondent's answers. This approach was applied to all the responses from the interviews and a list of codes was generated as shown in Table 10 below. As expected, multiple responses were received for each variable which would later be translated into meaningful themes in the latter subsections.

Table 10: A table of coded concepts from interview transcripts

Interview Variables	Variable #	Respondent's codes
Title	V1	Executive
Title	V1	Manager
Title	V1	Reporting level to CEO
Size	V2	Company Size (Market Cap)
Size	V2	Industry Size
Share price	V3	Share Price
Qualification	V5	Qualification level
Specialization	V7	Corporate level strategy
Specialization	V7	Business Unit Strategy
exposure	V8	Strategy Exposure
training	V9	Training
strategy focus	V11	Growth Focus
strategy focus	V11	Strategic Perspective
strategy focus	V11	Long term view
strategy focus	V11	Stability Focus
strategy focus	V11	Corporate Strategy Focus
Frequency of strategy change	V12	Frequency of Strategy Change
Reasons for strategy change	V13	Market pressure
Reasons for strategy change	V13	Resource Allocation
Reasons for strategy change	V13	Increasing competition

Reasons for strategy change	V13	Declining Share price
Reasons for strategy change	V13	Business Performance
Reasons for strategy change	V13	Effectiveness of Strategic Decisions
Reasons for strategy change	V13	Costs
Initiator	V14	Source of Mandate
Initiator	V14	Board of directors
initiator	V14	Initiators
participants	V16	Degree of Involvement
participants	V16	Executive Committee participation
participants	V16	Senior Managers
participants	V16	Managers
participants	V16	Shop Floor staff
Category of approach	V17	Strategy formulation Approach
Category of approach	V17	Bottom-Up approach
Category of approach	V17	Top Down Approach
Category of approach	V17	Adaptability
external forces	V18	Degree of Competition
external forces	V18	Effects of External Forces
external forces	V18	Market Perceptions
internal forces	V19	Dependence on Technology
internal forces	V19	Dependence on Data Analytics
internal forces	V19	Capability to Insource Strategy activities
internal forces	V19	Internal Forces
outsourcing	V21	External Consultants
duration of implementation	V23	Gaps
duration of implementation	V23	Speed of Formulation
duration of implementation	V23	Learned faster
duration of implementation	V23	Adaptive outlook
duration of implementation	V23	Overall Communication
outcome satisfaction	V25	Outcome Satisfaction
knowledge of tools	V26	Methods/Tools
knowledge of tools	V26	SWOT
knowledge of tools	V26	Understanding PESTEL
knowledge of tools	V26	Balanced Score Card
advancement of strategy	V27	Strategy Formulation Evolution
advancement of strategy	V27	Analytics
advancement of strategy		Shortened strategy period
advancement of strategy	V27	Market Intelligence
advancement of strategy	V27	Data-driven
advancement of strategy	V27	All inclusive
advancement of strategy	V27	Central intelligence

4.3.2 Generating Themes

The coded variables shown in Table 10 above were categorized into groups depending on their similarity, their relation to literature and whether they are new to the study or not. The following subsections explain in more detail the process followed to generate themes from the concepts and groups. Results to this process will be outlined in chapter 5: Results and Observations

4.3.2.1 Similar concepts

In order to document similar concepts in a consistent manner, only one of the concepts was used to represent similar concepts in the themes but a count of how many concepts were represented by the selected concept was kept as shown in Table 11 below.

Table 11: Categorizing similar concepts

Similar Concepts	Similar to	Grouped as	(Count of grouped words) [Mentions]
Strategic perspective	Long term view	Strategy perspective	2 [12]
Adaptive	Learn faster	Adaptive	2 [15]
Strategy Experience, exposure, specializing in strategy	Strategy Expertise	Expertise	4 [10]
Using Data, Data analytics,	Data Insights	Data Driven	3 [17]
Internal capabilities, Internal resources, Strategy team,	Internal Resources	Centralized Intelligence	2 [13]
Title, Executive, Senior Manager	Reporting Level to CEO	Reporting level to CEO	4 [17]
SWOT, PESTEL, Balance Score Card, TOWS	Environmental analysis tools	Strategy Tools	5 [11]

Grouped concepts were then linked to a common group name and the meaning of each group was later linked to a theme. For example, in Figure 4 below, variables such as ‘adaptability’ and ‘lack of technology’ were grouped under ‘Internal forces’. The ‘internal forces’ and ‘external forces’ amongst others formed part of a theme called ‘factors influencing strategy formulation’.

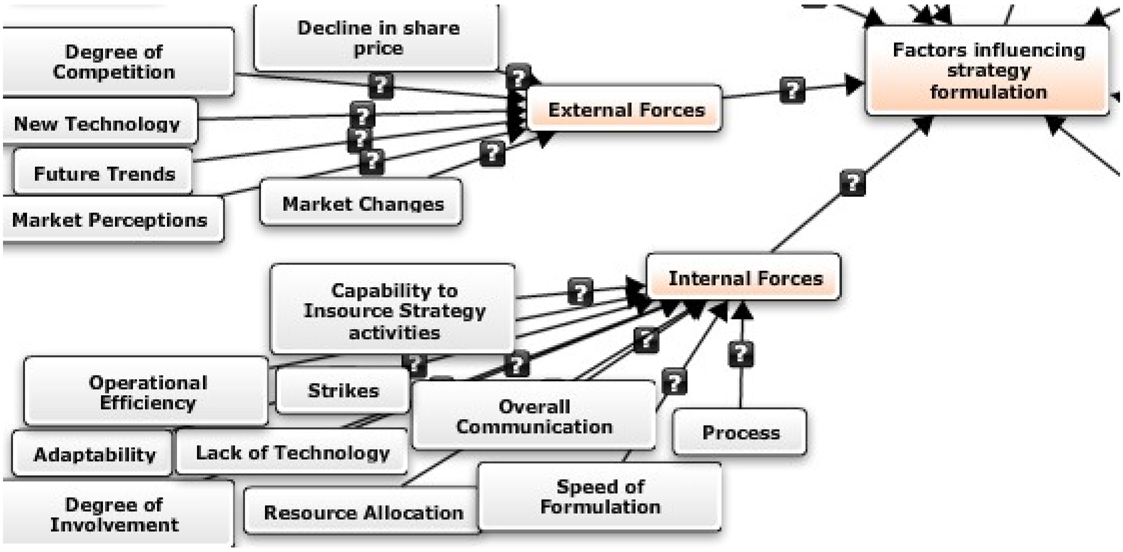


Figure 4: An example of grouped and themed concepts

4.3.2.2 Literature-related Concepts

Literature related concepts which were recognized in the literature review with regards to how they related to strategy formulation are tabulated in Table 12 below. The link to literature was purely used to confirm whether respondents agreed or disagree with research authors. This also helped to polarize the relationship between the concept and strategy formulation in the fuzzy cognitive maps employed later.

Table 12: literature related concepts and their frequency of mention

Concept	Literature	Agrees or disagrees
Process	(Hashim, 2016)	Agree
Adapt/ adaptive mode	(Mintzberg, 1973)	Agree
Strategy Planning	(Mintzberg, 1973)	Disagree
Emergent Strategy	(Pretorius & Maritz, 2011)	Agree
Environment	(Lintvelt, 2013)	Agree
Decision making	(Lintvelt, 2013)	Agree
Resource planning and allocation	(Lintvelt, 2013)	Agree
Leadership behaviour and impact	(Lintvelt, 2013)	Agree
Strategic fit	(Harrington, Lemak, & Kendall, 2004)	Agree
Growth Strategy	(McKinsey&Company, 2013)	Agree

4.3.2.3 New Concepts

The concepts shown in Table 13 were new to the study and were not covered in the literature review. These concepts either symbolized gaps in the literature review or re-defined a new direction to the approach employed by management in formulation strategies. The relationship that these concepts have on the strategy formulation approach will be tested and described in the subsequent sections of the report.

Table 13: New Concepts

Concept	Relationship to approach
Insight approach	Gap
4th industrial revolution	New
Artificial intelligence	Gap
Resource allocation	Gap
Balanced Score card	New

4.3.2.4 Repeated Concepts

All repeated concepts and how frequency they were mentioned were recorded as shown in Table 14 below.

Table 14: Table of repeated concepts

Variable Number	Concept	Number of times it was repeated
V10	Board of directors	28
V10	Decision	19
V19	Data/Analytics	17
V15	Adaptive mode	15
V22	Process	14
V22	Strategic perspective	12
V14	Decision making	12
V19	Business principles	10
V22	Resource planning and allocation	9
V1	Executives	8
V22	Strategic fit	8
V26	Environment	5
V26	Strategy Planning	3
V11	Growth Strategy	3
	Emergent Strategy	2
	Leadership behaviour and impact	1

4.4 Fuzzy Cognitive Maps

In this study, the objective of FCMs was to establish the relationships between the themes identified in the thematic analysis and the types of approaches employed by the engaged organizations. Figure 5 shows a raw FCM designed from the data collected from the seventeen respondents.

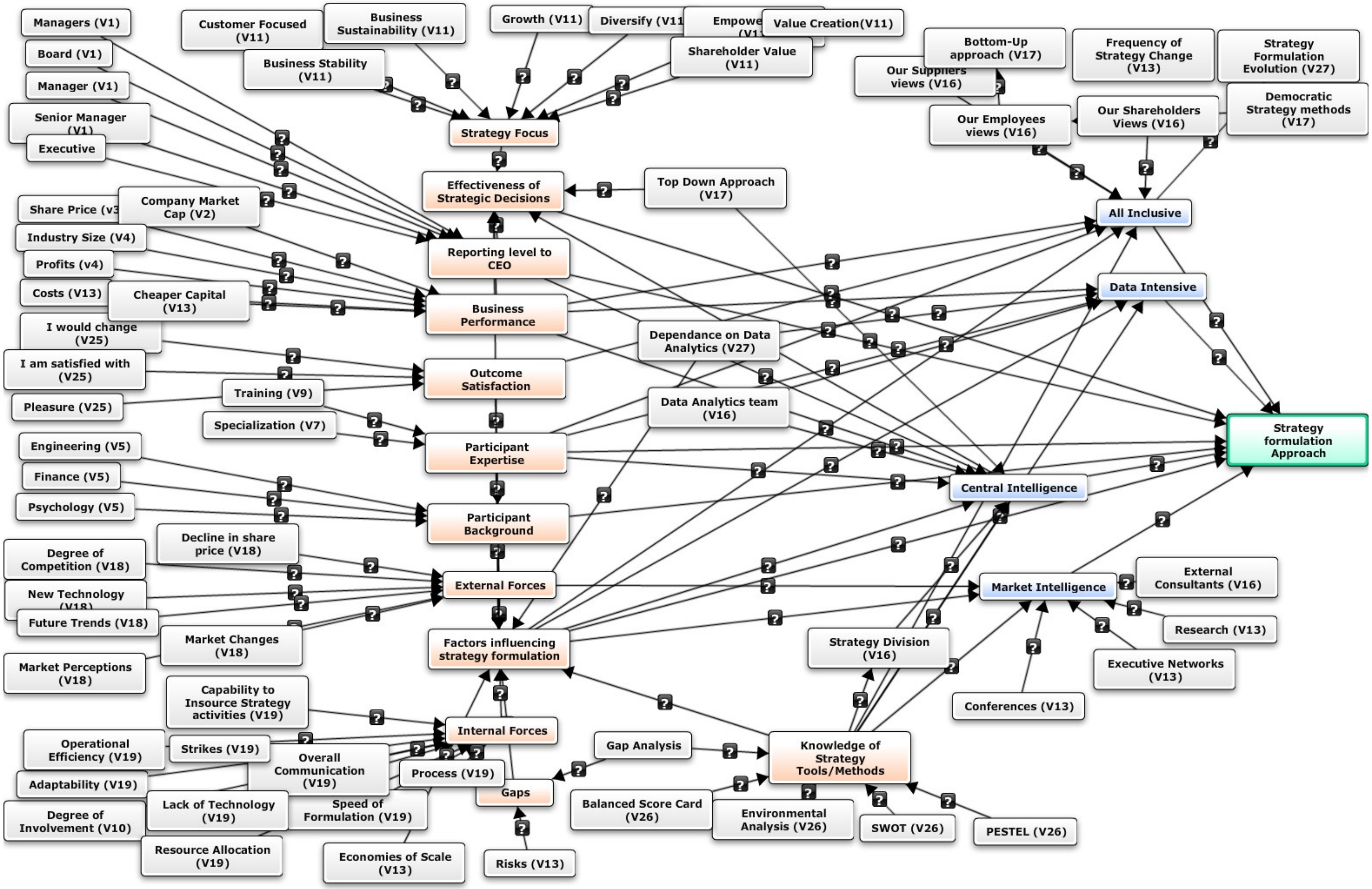


Figure 5: Raw FCM

The raw FCM in figure 5 shows 107 links between 82 concepts. This implies that there is an average of 1.34 connections per concept. The highlighted (orange coloured) concepts match the group of themes extracted from the interviews to make it easier to identify and the concepts were linked to variable numbers to trace the original source of the concept.

It can be noted that Figure 5 contains concepts that are detailed in scope since they are sub-concepts to a broader concept or are broader concepts whose granularity might need to be refined for consistency. However, in-line with the grouping conducted during thematic analysis, Alizadeh & Jetter (2017) suggested that preserving a detailed resolution of constructs makes sense when the concepts have varying impacts on the broader concept. Moreover, if the concepts are simplified significantly, some of the detailed connections would be lost, resulting in fewer connections and weaker relationships. Therefore, themes (parent concepts) were left detailed to reveal their children concepts so as to establish their relationship to the output.

4.4.1 Output

The output of the FCM model is the 'strategy formulation approach' which is affected by the 'Data intensive', 'Central Intelligence', 'Market intelligence' and 'All-inclusive' nodes.

4.4.2 Inputs

The inputs are all of the codes that are allocated variable numbers. Changing any of the inputs will either have a positive or negative impact on the strategy formulation approach and will determine whether the input is a critical success factor that is crucial to the formulation of the strategy or not.

4.4.3 Response Nodes

Response nodes are all the other nodes that are between the inputs and outputs and will assist with combining the impact of all the variables and strengthening it. If a majority of the constructs have a negative impact, the combined effect will be negative and stronger.

4.4.4 Causal relationships

In defining the causal relationships between the constructs and their groups, the impact that the construct had on its group was considered. For example, 'cheaper capital' has a positive impact on 'Business performance' because it allows the business to generate cash without significantly increasing its debts. This relationship would therefore be highlighted in a blue colour on the FCM model and a very positive (+1) strength would be allocated to it. Negative relationships were the opposite in strength and are shown in red with a negative sign (-1). If the relationship between constructs was unknown, the connecting line between them was left as blank and was represented with a question mark (?).

The relationships between constructs can be represented in a table of relationships called the adjacency matrix. The adjacency matrix can be used to identify and verify the strengths of the relationships.

5 CHAPTER 5: Results/Observations

5.1 Thematic Analysis Results

5.1.1 Themes

A total of twelve themes emerged from the thematic analysis exercise. These themes were Business performance, hierarchy levels, Outcome satisfaction of managers, participant expertise and background, Factors influencing strategy formulation, Gaps, strategy tools/methods, strategy focus and Strategy focus. Table 15 below illustrates the groups identified in the thematic analysis and their emergent themes from concepts identified in section 4.3.2 of this report.

Table 15: Themes emerging from the Thematic Analysis

Thematic Analysis Group	Emergent Theme
Similar	Participant expertise and background
	Influencers
	Hierarchy levels
Literature-related	Outcome satisfaction of managers
	Emergent or Deliberate actions
New	Strategy Focus
	Gaps
	Strategy Decision
Repeated	Business Performance
	factors influencing strategy formulation
	Internal forces
	External forces

Some of the themes identified in Table 15 were related to a certain extent. For example, Gaps contribute as one of the factors that influence strategy formulation, however, the contribution or impact it has is unknown. This would further be clarified by the scenario testing in the FCM model. Figure 6 below illustrates the makeup of the themes tabulated in Table 15 above.

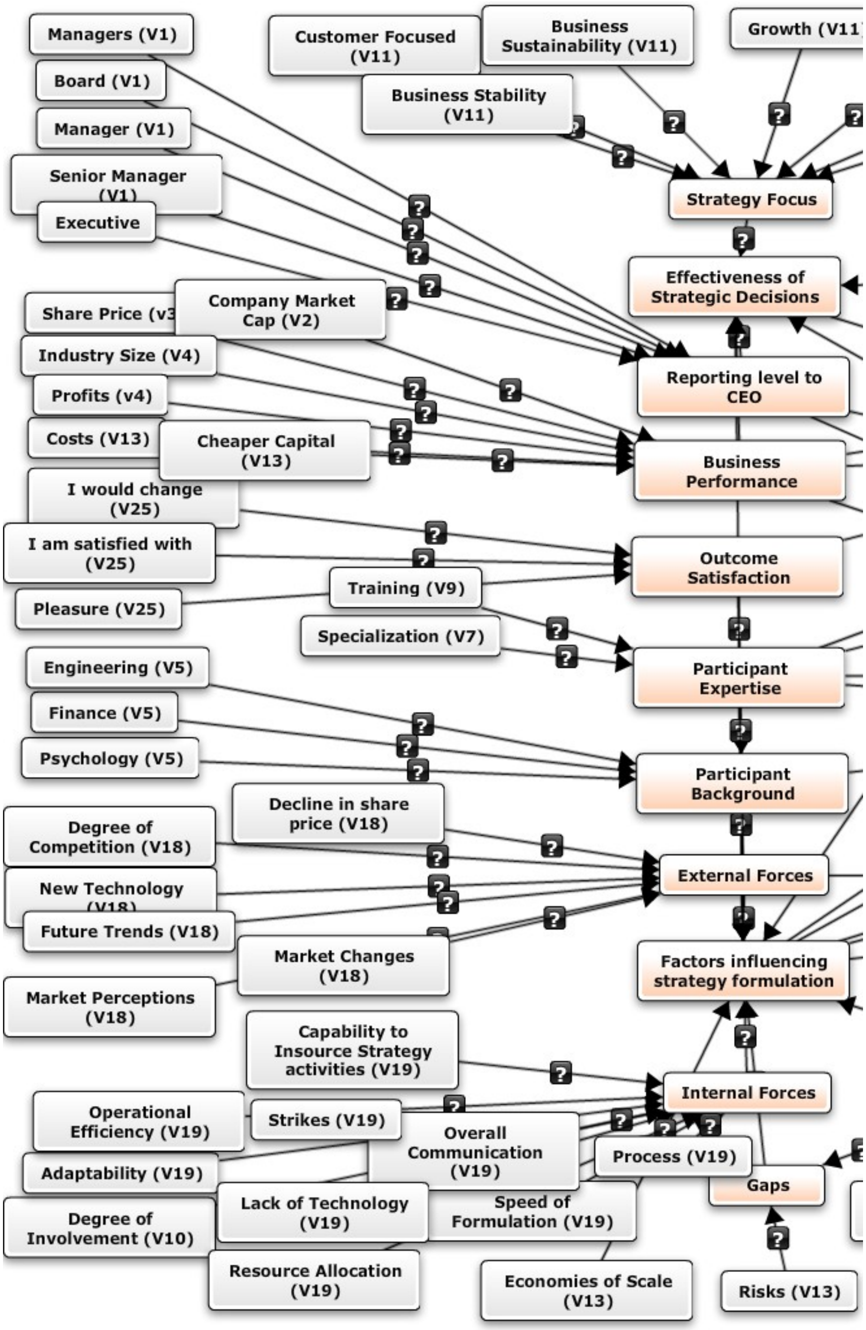


Figure 6: Illustration of themes and their links to the identified codes

5.1.2 Eminent approaches

After analysing each of the themes suggested by the collected data, it appeared that the general process followed by JSE listed companies relies on the Board of directors to provide the mandate to initiate a new strategy formulation process for the business (see Figure 7). From a strategy perspective, the decision by the Board of directors entails the direction that the business must follow to either pursue growth, maintain its performance or diversify its strategic focus. Depending on the urgency for a new strategy, the decision also informs the business on who to involve from a strategic stakeholder perspective. Whilst investors are not concerned about activities that external consultants conduct in the business, ethics are of critical important to the board when choosing the external consultants to involve or partner with in conducting strategic activities.

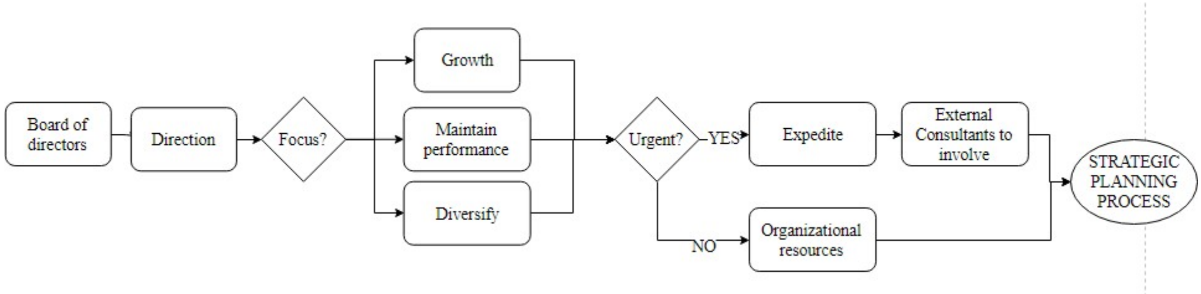


Figure 7: General observation on how strategy is formulated

Eight (8) of the interviewed respondents seem to agree that the Board of directors were influenced by other external influencers (such as a decline in share price, competition) first prior to initiating the strategy formulation process. The impact of the external influences determines the urgency and speed of the strategy formulation process and therefore determines whether the business should expedite the process through the involvement of more experienced stakeholders.

Four (4) of the sixteen JSE companies seemed to rely purely on data analytics, collected by a function within the organisation and supported by the senior executives through a relatively significant budget, to formulate their strategy. Whilst the Board of directors would send out a mandate for a new strategy, the process of strategy formulation would then begin with the analytics from either the strategy team or the analytics division.

Three (3) of the sixteen JSE companies agreed that the approach followed by their organisation is all inclusive and relies on feedback from employees, customers, suppliers and shareholders on what the organisation needs to improve its business performance and successfully execute its strategy. These organizations differentiated themselves from the rest of the JSE listed companies through this approach and revealed what could perhaps be the future trend of strategy formulation in the years to come.

Five (5) of the sixteen JSE-listed companies used market intelligence as a starting point for strategy formulation. The market intelligence was provided by external consultants who would form relationships with companies on the basis that they supply services (i.e. as a retainer) and build partnership on strategy related activities. These organisations referred to external consultants such as Mckenzie&Co, Bain, and Accenture as sources of market intelligence upon which their strategy relies.

The remaining four (4) of the sixteen JSE listed companies have a strategy division that informs the Board of directors on feasible strategies to pursue. Feasible strategies will be based on the company's current strengths, weaknesses and opportunities which inform the business on key targets to pursue going forward. Multiple skills are required in this division to conduct analyses of data, the markets and the environment. The main focus of the strategic division would be to ensure the enablement of the business strategy from formulation to execution.

From the above interpretation, Four (4) approaches were therefore eminent. These approaches seemed to suggest that management apply either a data driven, all-inclusive, and internally focused or market insight approach to strategy formulation. Acronyms were given to each approach for ease of reference and a detailed description of each strategy formulation approach is provided below.

5.1.2.1 Centralized Intelligence strategy formulation approach (CISFA)

Findings suggest that the CISFA approach is generally employed by organisations with a large or experienced strategy team. In employing this approach, management first ensures that internal strategy resources such as the strategy team and the analytics teams are efficiently utilized by triggering the strategy formulation mandate. By investing in these resources (through compensation, rewards, access to research and travelling opportunities), management builds a pool of intelligence with which the business can leverage.

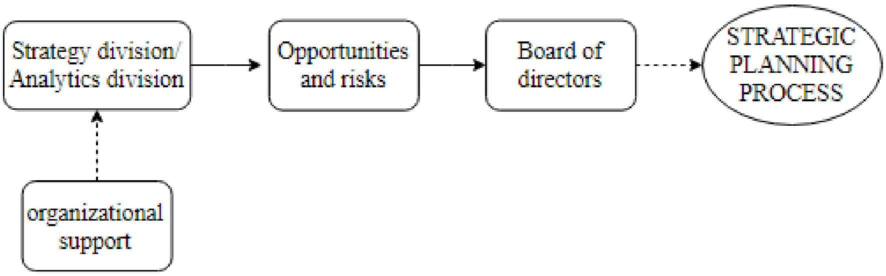


Figure 8: Centralized intelligence approach

In this approach, the strategy team is responsible for deriving insights on the next best move for the organisation and provides alternative options to the Board of directors with highlighted risks. The general duration of this approach is less than 12 months but can be more effective if executed in conjunction with other strategic activities.

In the CISFA approach, the Board of directors can either consult external consultants on how to best formulate identified strategies or select a viable strategy to communicate to the rest of the organization while considering the risks provided by the strategy teams. At this point, the strategy formulation process can then begin.

The CISFA approach seems to be a combination of various approaches identified by Hashmi (2016) which were tabulated in Table 1 of this report. Hashim's (2016) 'Organisational', 'competitive advantage' and 'content' approaches are embodied by the CISFA approach and therefore complement Hashim's (2016) findings.

5.1.2.2 Data Intensive strategy formulation approach (DISFA)

The DISFA approach entails assessing the analytics prior to strategy planning. Organisations that apply the DISFA approach seem to invest in digitalization technology to assess their current position in the market and to benchmark the performance of the organization with regards to their previously executed strategies. These organisations have a positive outlook towards future trends and invest less in outsourcing strategic activities to external consults.

The DISFA approach (see Figure 9) begins with gathering data on the current status of the company (requires executive support and investment) which is then delivered to the Chief Information Officer who, together with the Chief Executive officer, then informs the Board of directors on the opportunities and risks to consider. The DISFA approach takes an average of 6 months to implement and does not require a large team of resources to execute.

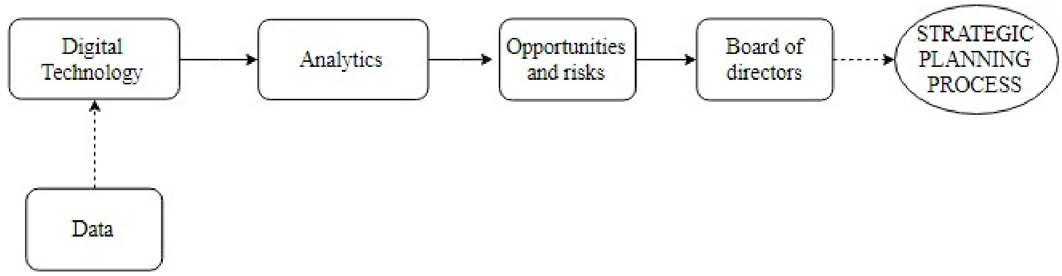


Figure 9: The Data intensive strategy formulation approach

The DISFA approach is in line with the findings by McKinsey&Company (2013) in that it helps to answer some of the questions organizations should ask prior to formulating a strategy. The questions illustrated in Figure 3 of this report can be used in conjunction with the DISFA approach for successful implementation.

5.1.2.3 Market intelligence strategy formulation approach (MISFA)

Another eminent approach was the MISFA approach (see Figure 10) which entails a reliance on external insights gathered through external consultants and strategic networking sessions by the executives of the company. Organisations using this approach have higher costs associated with strategic activities (such as travelling by executives, outsourcing of strategic activities to consultants and out-door planning sessions). Ideas generated by the executives in the strategic activities are communicated to the board of directors for approval and final board decisions become an input in to the strategy planning process. Although this approach takes less than a year to exercise, the relationships that executives build and the level of satisfaction it generates are crucial for the buy-in required to implement the formulated strategy.

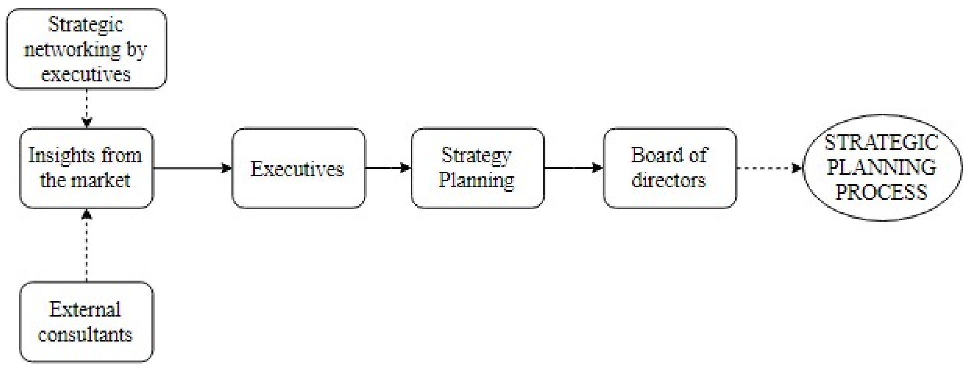


Figure 10: The Market intelligence strategy formulation approach

5.1.2.4 All-Inclusive strategy formulation approach (AISFA)

The AISFA approach entails obtaining feedback from all shareholders and stakeholders on what the next steps for the business should be. The AISFA approach ensures that the company aligns to market perceptions and that the employees and shareholders are generally satisfied with the direction of the business. Findings suggest that the AISFA approach is employed by businesses that are more technologically advanced in spite of the reliance on external consultants to inform them on how to conduct their strategy. All shareholders are required to sign a non-disclosure agreement to not disclose the company's strategy to competitors.

This approach first considers where the business is in relation to its previous strategy and assesses the perceptions of employees, shareholders, suppliers and the market in formulating the strategy. In essence, this approach is all inclusive and is meant to satisfy all the stakeholders as a basis of generating positive market perception and obtaining access to cheaper capital.

The strategy formulation speed and lead time for this approach is generally longer (12-18 months), however, this approach significantly improves the market perception which has a positive correlation on the organisations share price.

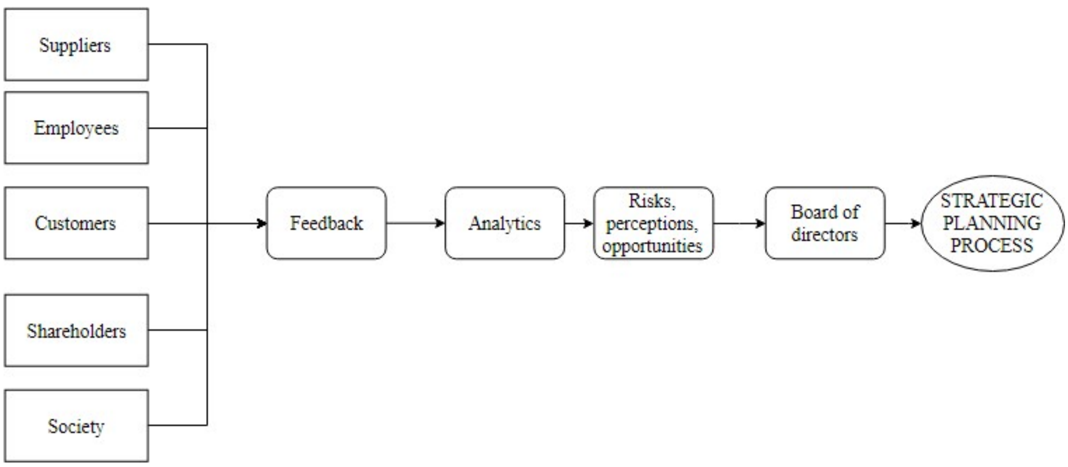


Figure 11: The All-inclusive strategy formulation approach

5.2 Fuzzy Cognitive Mapping Results

Figure 12 below shows the final FCM of this study with causal relationships highlighted.

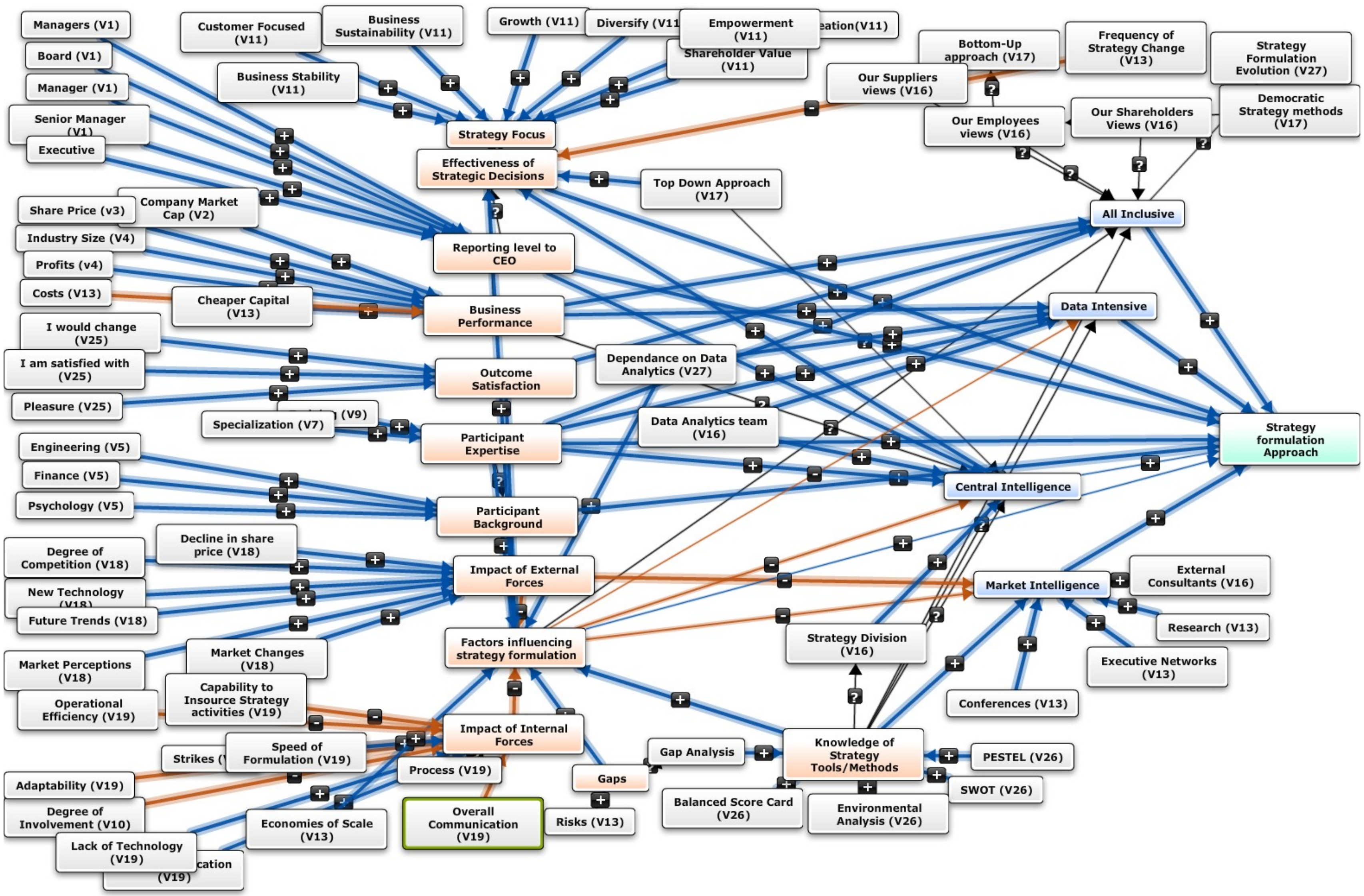


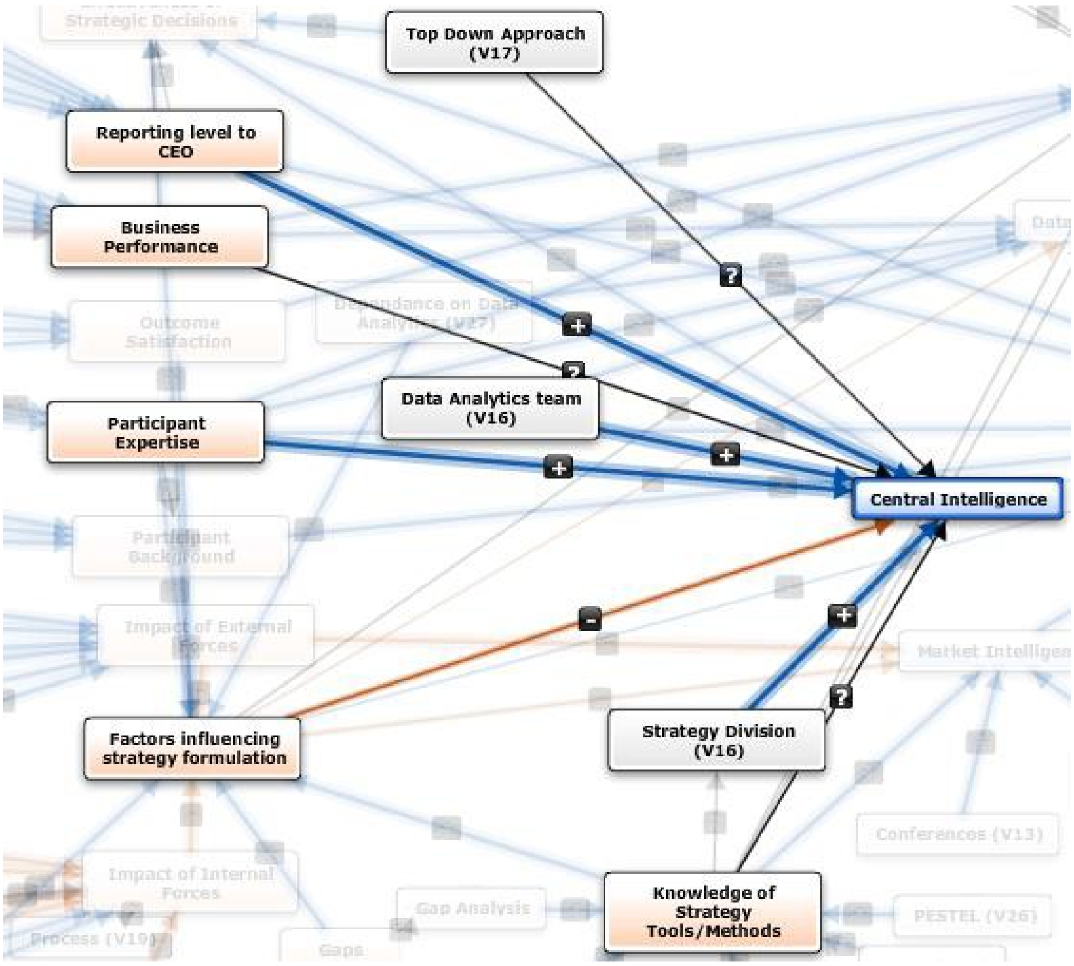
Figure 12: final FCM

The final FCM connected the twelve themes to the approaches identified in the thematic analysis in order to test scenarios and identify a correlation. All (except one) themes had a positive relationship to the approaches. The theme named ‘factors influencing strategy formulation’ had a negative correlation to all of the approaches identified. The strength of its impact was minimal but important to the results of the scenarios which will be described in the following subsection.

5.2.1 Scenarios

Each of the four approaches identified in the thematic analysis was used as a scenario. By eliminating the indirect impact that other identified approaches had on the output and changing the inputs, the following results were obtained.

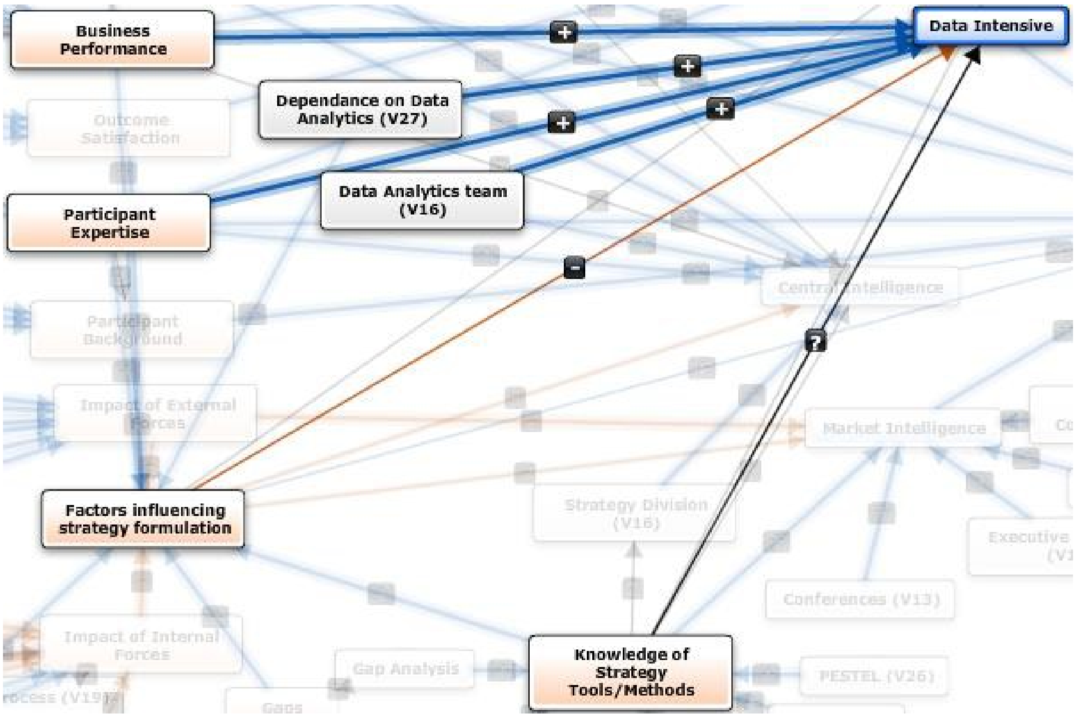
5.2.1.1 Central intelligence Scenario



The central intelligence approach was positively impacted by the group of executive participants, the strategy division, the data analytics team and their expertise. This seems to suggest that the support of the management had a positive correlation with the central intelligence approach and that the internal teams such as the strategy team and the data analytics teams were crucial to the success of this approach.

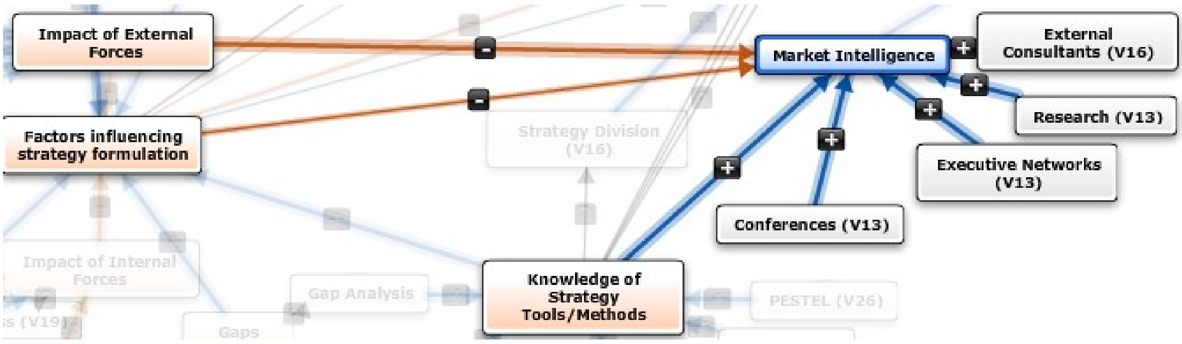
Factors influencing strategy formulation had a negative impact on the central intelligence approach and the strength of these factors would later be determined when testing the scenario. The impact that Business performance had on the central intelligence approach was vague and therefore left blank, so was the knowledge of strategy tools and the top down approach.

5.2.1.2 Data intensive



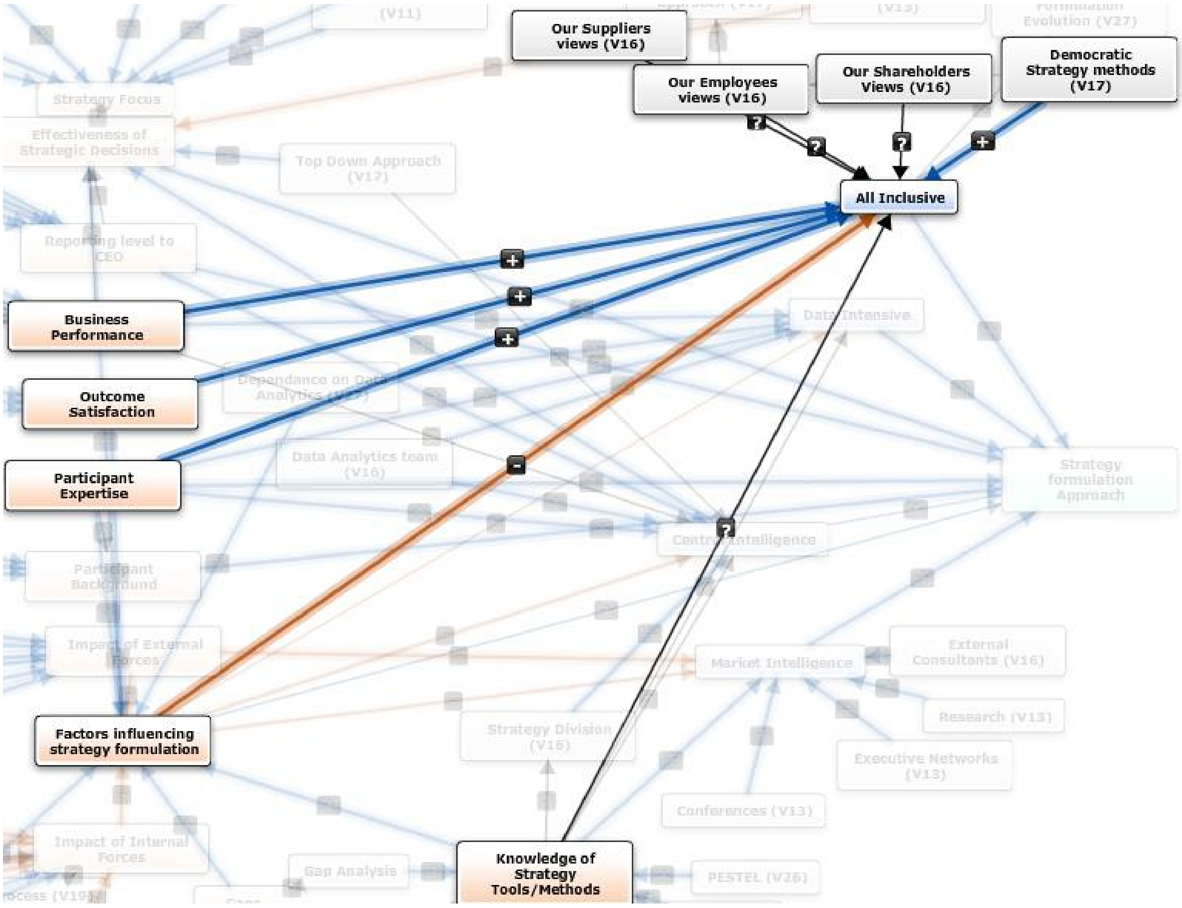
The data intensive approach was positively impacted by business performance, the data analytics teams and the dependence on data analytics. There was a negative correlation between factors influencing strategy formulation and the data intensive approach. The impact that the knowledge of strategy tools had on the data intensive approach was unknown.

5.2.1.3 *Market Intelligence*



The market intelligence approach was positively affected by external consultants, research, executive networks and conferences. However, the relationship between external forces and other factors that influence strategy formulation was negative. This suggests that events taking place outside the organisation can be seen as detrimental to the success of this approach and therefore require management to exercise this approach with caution.

5.2.1.4 *All inclusive*



In the all-inclusive scenario, business performance, outcome satisfaction of managers and their expertise all had a positive impact on the all-inclusive approach. Market perception has a very strong and positive impact on the business performance which then translates into an increase in the share price.

Factors influencing strategy formulation had a negative correlation but views of suppliers, shareholders and employees were left blank. This scenario would determine whether the views of shareholders, employees and suppliers had a positive impact on the all-inclusive approach.

5.3 Listing pressures and the impact on the approach

Based on the scenario analysis conducted during Fuzzy Cognitive Mapping, it can be confirmed that a correlation exists the strategy formulation approaches and the perception that the market for the company. How management handle the pressures of a stock exchange listed organization determines how the market perceives the organisation and therefore determines the accessibility to cheaper capital. Over and above the organisational responsibilities and obligations that management have, they are required to approach strategy formulation cautiously and timeously to improve the market perception.

5.4 Impact on Share price

The movement of a listed company's share price can be influenced by a multitude of factors which include supply and demand, world and political events, change in leadership and earnings amongst others (Wagner, Zeckhauser, & Ziegler, 2018). The impact that each strategy formulation approach has on the share price can be determined by observing and measuring the change in the company's share price as soon as the company publically announces its strategy. This principle of observing the share price based on corporate announcements was adopted from Firth's (1976) and Higgings & Bannister's (1992) work, which assessed how corporate communication affects the share price. As such, each of the participating companies' share price movements were observed for a period that varied between 3 to 7 days (depending on the next announcement) in order to derive the growth percentage as a measure of the strategy approach's impact on the share price. The minimum and maximum growth percentages were recorded and used as a range to encapsulate multiple companies that followed the identified approach (see below Table 16: Summary of approaches). It is crucial, however, to acknowledge and emphasize that the observed growth percentage can only be linked to the approach provided that no other corporate announcements are published by or about the company at the time of observation.

5.5 Additional insights from the study

Companies listed in the New York Stock Exchange seem to have invested in digital technology that can be used communicate with relevant stakeholders for feedback and to inform the strategy formulation process which essentially reduces the duration of the process. Although this significant investment might not be an easy decision in the tough South African business environment, companies could partner up or backward integrate with local analytical companies that provide such activities. Such an investment would require streamlining of activities and reduce expenditure on other strategic activities or functions.

Currently, South African listed companies use consulting houses such as Bain, McKenzie and Brait to assist with the strategy formulation process. It appears that from a strategic perspective, fourteen companies agreed to use these consulting houses to obtain free market information as part of their retainer and utilize their data base for strategic insights within their relative industries.

6 CHAPTER 6: Conclusion and Recommendations

Contrary to popular understanding, strategy formulation in any business is not a fixed process, nor does it change at pre-arranged times when management sees it fit to do so. Strategy formulation, more specifically, the approaches that the organisation employ in the quest to deriving a robust and effective strategy, are determined by a variety of factors that influence the manner in which the board of directors and executives perceive strategy. These approaches take place prior to the methods and techniques that are indoctrinated in MBA and play a key role in accelerating the pace at which the organisation adapts and strives in its operational environment. Misalignment between the strategy formulation approach and the strategic activities of the business can be both a waste of expensive time and resources.

6.1 Identified approaches

Whilst the selection of the approach could be based on preference and experience, management now have a list of four approaches to consider and apply prior to strategy formulation which can help them further mitigate the challenges that the business could face in the market. The strategy approaches identified in this study articulate precisely this.

Out of a total of 14 listed companies (With a market capitalization of more than R10 trillion), three and one strategy formulation approaches were eminent from JSE listed and NYSE listed companies respectively. These were CISFA, DISFA, MISFA and AISFA. Direct links were made to these approaches and other theoretical sources who recommended best practices. Furthermore, companies listed in the NYSE seem to suggest a different approach to strategy formulation that is all inclusive and relies on a feedback loop between the organisation and its employees, shareholders, customers, suppliers and other constituents.

One of the major differences between the identified approaches is the vested interest that management has on containing its strategic activities within the business and therefore determining the degree of investment in internal resources.

One can argue that the Data intensive approach and the Central intelligence approach should be amalgamated since they both entail using company owned resources; however, these two approaches were intentionally left separate because one relies more on internal resources being the people and their expertise while the other puts more emphasis on data itself.

With respect to the market intelligence approach, it appears that companies have focused so much on their core activities that even strategic activities such as formulating and executing a strategy are outsourced to external consultants. The expertise of local external consultants contributes significantly to how well businesses execute strategy since they have strategy formulation and execution as their core activities (as proven in the MISFA approach). However, it is recommended that businesses internalize their own strategy formulation process and learn how to master the approach that drives their business to success. The cost of involving external consultants in the strategy formulation is also a factor in the direct costs of running the business and could damage the reputation of the business if external consultants are not selected cautiously as part of the approach. This task lies with the

Companies that rely on stakeholder feedback seem to have more of a futuristic approach, particularly since they utilize technology to leverage the communication barriers and to speed up the feedback loop between themselves and relevant stakeholders. Whilst approach requires a significant investment in efficient systems and processes, these organisations can enjoy an improved market perception and value feedback from empowered employees, suppliers, customers and shareholders.

From a strategic perspective, the approach that seems to benefit the share price is the AISFA due to the positive correlation that market perception has on the share price. However, this relationship has not been empirically proven and requires future studies to test the correlation. Factors that influence the strategy approach include internal and external factors, knowledge of strategy tools and gaps identified from the company's success of the measures used in conducting the study. A brief summary of the identified approaches is shown in Table 16.

Table 16: Summary of approaches

Approach	DIFSA	CISFA	MISFA	AISFA
Definition	Data-intensive Strategy Formulation Approach	Central Intelligence Strategy Formulation Approach	Market Intelligence Strategy Formulation Approach	All-inclusive Strategy Formulation Approach
Speed of formulation	Fast	Average	Average	Slow
Average formulation time	6 months	< 12 months	<12 Months	12 - 18 months
Lead time to results	immediate	3 months	3-6 months	Immediate
Impact on Share price [after announcement]*	10 - 40% growth	5-10 % growth	5-10 % growth	8 - 35% growth
Focus of approach	Data analytics	Internal Resources	Market Intelligence	Stakeholder perceptions
Majority of Strategy Expenditure allocated to	Technology	Strategy Execution	External Consultants	Digital technology, feedback, Perception
Satisfaction rate	high	medium	medium	high
Organizational Participation	Low	Medium	medium	High

* *denotes the observed growth percentage of the share price after the companies publically announces their strategy but before their next announcement*

6.2 Literature Comparisons

The study conducted by Pretorius & Maritz (2011) on the reasons for selecting particular strategies in South African organisations can be supported by the findings in this study. From a strategic perspective, the 'degree of risk taking preferred' which Pretorius & Maritz (2011) highlighted seems to speak to the degree of investment in internal and external resources identified in this study. Furthermore, 'comfort with stability and predictability' can be related to adaptability and the reliance on analytical data observed in this study. And lastly, 'primarily autonomous or individual behaviour preferred' relates to the exposure and experience that had a strong and positive relationship to the themes and approaches identified in this study.

The study conducted by Lintvelt (2013) is also complemented by this study since the concepts Lintvelt (2013) identified were similar to the concepts revealed by this study.

6.3 Summary

This study has fully accomplished all of its objectives and can be summarized as follows:

- Strategy formulation insights and experiences from middle to senior managers within JSE listed firms were extracted and analyzed and the analysis gave rise to four approaches employed by senior management. These approaches are the CISFA, DISFA, MISFA and AISFA.
- The success factors have been found to be organizational support by senior management, strategy formulation experience and exposure by participants, knowledge of strategy tools and methods, Outcome satisfaction of management activities, business performance, and the effectiveness of previous strategic decisions by management.
- Key drivers that influence the strategy formulation approach in JSE listed companies were established to be internal and external forces, gaps, hierarchy of reporting, strategy formulation exposure and experience as well as the knowledge of tools and methods.
- A correlation exist between strategy formulation approaches and the perceived performance of the listed company, this correlation was confirmed to be positive and was confirmed in the FCM scenario testing
- Similarities and differences in how listed organisations approach strategy-formulation were highlighted and the impact of listing on the approaches employed by listed companies was established.
- Conditions for success for the identified approaches were highlighted and it was established that methods and tools indoctrinated in MBA programme did not take the identified approaches into account.
- Whilst this study revealed new approaches from the literature, it also confirmed and complimented findings from best practices in literature.

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