EXPLORING STRATEGY FORMULATION BY MANAGERS IN RESPONSE TO DISRUPTION WITHIN A CASE STUDY

by

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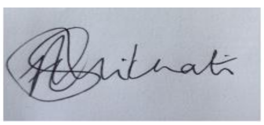
DECLARATION

I, Ursula Shikhati (Student Number 17257434), declare that this dissertation, which I hereby submit for the degree **Magister Commercii (Business Management)**, at the **University of Pretoria**, is my own work and has not previously been submitted by me for a degree at this or any other tertiary institution.

Signature **Date**



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ABSTRACT

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The South African pay television broadcasting industry has been dominated by a single player for a long time, and this organisation enjoyed an uncontested monopoly status since its launch in 1995. However, the gradual growth of internet connectivity in South Africa, as well as the arrival of a global pay television competitor disrupted the status quo. This thesis drew on Christensen's theory of disruptive innovation, in order to understand how the incumbent case company's strategy formulation was influenced by the disruption within the pay television industry, as well as how the company was adapting their strategy formulation to mitigate the disruption surrounding them.

The global pay television competitor disrupted the industry by entering the South African market through introducing simplicity at a significantly lower price than the incumbent. The entrant also revolutionised consumer behaviour by providing consumers with the power of choice of how they consume content. These attributes aligned with the definition of disruptive innovation as defined by Christensen's theory. This research revealed that the disruptive innovation through the low cost business model, negatively impacted the case company's most profitable customer segment, which led to reactive counter strategies by the company.

The case study's propositions aligned with the findings from semi-structured interviews with managers within the case company. The discussions confirmed that enterprises facing disruption are more likely to approach strategy formulation in a non-linear way and that a more emergent approach to strategy formulation is favoured than a deliberate approach. This was affirmed in the several reactive counter moves instituted by the incumbent in an attempt to respond to market changes and changes in the competitive landscape. The case company introduced a similar service to the global competitor in attempting to mitigate the accelerating subscriber churn.

The interviews with managers within the case company also revealed some gaps in the strategy formulation practice by the company. For example, strategy formulation in the case company remains mostly traditional and rigid, which may be counter-productive amidst disruption. Flexibility and dynamism in organisations, are imperative in order to be able to respond to changes in disrupted environments, if organisations want to maintain or grow their competitive position. Strategy formulation in the company also remains exclusive to senior executives which can hamper the flow of innovative ideas and solutions to address disruption. The study revealed that disruption requires awareness, preparedness and just as important, strategy agility; which is mostly driven through strategy planning and strategy formulation.

In order to adhere to confidentiality as requested by the company, the company is referred to as 'the case company' and all references containing the company's name, employees, products and brands have been removed from both the chapters as well as from citations and the reference list.

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CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT

Chapter outline:

The purpose of this chapter is to:

- introduce strategy formulation and disruption and highlight its importance in strategy;
- summarise the findings of related previous studies;
- articulate the study's proposed research questions;
- highlight the significance and benefits of the current study;
- provide definitions of key terms, acronyms and abbreviations used in the current study;
- give an overview of the chapters of which this dissertation is comprised.

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

Today's dynamic business world makes it necessary for managers to manage with competence and flexibility, in order to respond and adapt timeously to evolving business conditions as well as rapid developments (Amos, Davis, Hamann, Neuland & Rensburg, 2020:62). This highlights the importance of strategic management as a discipline as it affords enterprises to analyse their current capabilities within their operating environment, while identifying imminent threats and opportunities (Andersen, Torp & Linder, 2019:23). It is therefore imperative that enterprises formulate, implement and evaluate accurate strategies to remain competitive and to achieve set business objectives (Freedman, 2015:123). The manner in which organisations create and sustain competitive advantage is therefore one of the fundamental areas to investigate in the field of strategic management research .

Satell (2017) states that every business is disrupted eventually, the unknown is "when" it is likely to happen. Globalisation, the internet, innovation as well as rapid technological advances continue to spur shifts in the competitive landscape (Schwab, 2017:9;

Vecchiato, 2015:259). These factors have also caused the emergence of new consumer needs, thus contributing to substantial change and disruption in many industries. Disruption, volatility, reinvention and fundamental changes in markets, pose unprecedented challenges to researchers and corporate managers; and too often traditional models and theories are unable to provide adequate and actionable insights for coping with new and rapidly changing business environments (Cravens, Piercy & Baldauf, 2009:31; Tett, 2016:13).

The ability for any enterprise to survive is highly dependent on its ability to continuously sustain an advantage, not only on its competitors but also the constantly changing environment that it operates within (Dereli, 2015:1365; McAdams, 2014:37; Prahalad & Ramaswamy, 2014:89). Managers face the challenge of having to manage strategy during change while trying to balance the needs of the current environment (Gustafson, 2003:24; Johnston & Bate, 2013:78). This requires the solid awareness of disruptions within strategy formulation, the preparedness for disruptions and counteractive actions and initiatives in response to disruption for the benefit of the organisation, its competitive advantage and/or sustained advantage.

In the past few years disruption has garnered a great deal of interest in the business space, even though the concept itself is still under development. Research has shown that there are various sources of macro change that typically occur outside the control of the leadership of any enterprise (Arena, 2018:55; Casey & Vigna, 2018:102; Goodwin, 2018:17; Prange & Heracleous, 2018:90). The early use of the word disruption can be traced back to the era of disruptive technological change in the late 1990s, however this phenomenon has re-emerged in current years under guises such as big data, digitalisation, globalisation and much more (Drejer, 2017:66). The effects of disruption are continuously felt by enterprises and industries all over the world, as these macro changes can interrupt or disrupt normal business proceedings, threatening the competitive advantage and survival of any enterprise (Kim & Mauborgne, 2015:31).

There are many sources of disruption, however disruptive forces are never far away from the work of innovators (Mesoudi, Laland, Boyd, Buchanan, Flynn, McCauley, Renn, Reyes-García, Shennan, Stout & Tennie, 2013:193). For example in the 1990s the source of disruption was the then “newly arrived” commercial internet, but in the 1970s disruption went by the term technological discontinuity. In the 1980s the service industries were challenged by outsourcing and in the 1980s and 1990s the computer disk drive industry went through successive component and architecture disruptions when disks replaced tapes resulting in disk sizes becoming continuously reduced, making way for more compact computing devices (Yglesias, 2013:67). Technology has been a pivotal source of disruption, fuelling innovations over time that have contributed positively to the human race and the business world as a whole (Downes & Nunes, 2014:39). In our age, frontier technologies such as the Internet of Things (IoT), smart robotics, automation and artificial intelligence will continue to boost productivity growth, raising prosperity and replacing mundane or dangerous tasks (Brunton, 2019:91; Downes, 2009b:42; Isaacson, 2014:78; Wang, 2015:43).

The latest technological advances have resulted in businesses having greater options for effective communication, increased productivity and cost savings through automation of business operations and processes (Vecchiato, 2017:117). Enterprises are using computers, the latest software and applications, high speed internet and IoT to transform their businesses from local to international markets, with the intention to compete with giant global industry competitors around the world (Kuncoro & Suriani, 2017:7; Stamler, 2016:133).

Disruption that has come about as a result of technological advancement has resulted in enterprises like Kodak and Blockbuster becoming obsolete (Christensen & Kanter, 2012:37). In January 2012 Eastman Kodak Co filed for bankruptcy after a challenging decade that saw the 130 year old company rapidly lose relevance due to consumers switching from film to digital photography (Christensen & Kanter, 2012:37). Kodak management’s inability to acknowledge digital photography as a disruptive technology by refusing to abandon a strategy and business model that had worked for centuries, saw the company continue to overlook opportunities in digital photography and inevitably this strategy failure destroyed its film based business model (Carroll & Mui, 2009:124).

There is growing interest in understanding the process followed by enterprises in choosing the most appropriate course of action to achieve business goals (strategy formulation). There is growing curiosity around strategy formulation during disruption. Strategy formulation is essential to an enterprise's success, even more so during uncertainty (Papagiannakis, Voudouris & Lioukas, 2013). Strategy formulation forces enterprises to carefully evaluate the changing environment and to be prepared for possible changes that may occur (Hitt, Ireland & Hoskisson, 2020:43). This study investigated and interrogated strategy formulation during disruption through a case-study of a continental technology enterprise.

The internet has changed our lives in quantum proportions. It has disrupted how we access information, how we communicate, networking, distribution channels, advertising and marketing and even how we consume media (Oranye, 2018:26). The disruption in how viewers consume media saw the decline in print publications (for example magazines, newspapers and books), music streaming has made CDs obsolete, and online streaming of television series and movies saw the decline in the demand for traditional television services (Kane, Phillips, Copulsky & Andrus, 2019:127). South Africa saw the permanent closure of Associated Media Publishing, the publisher of *Cosmopolitan*, *House & Leisure, Good Housekeeping and Women on Wheels* magazines in April 2020 (Fin24, 2020). The publisher cited the "devastating" impact of Covid-19 which resulted in the closure of printing and distribution channels; however, circulation numbers for these magazines had been declining significantly over time as readers migrate to digital platforms and Covid-19 became the straw that broke the camel's back. The internet is fuelling Video on Demand (VOD) habits, making traditional television potentially obsolete by enabling new global and local competitors such as Netflix, YouTube, Disney+, Appletv+, Amazon Prime Video, Hulu, HBO, KODI, OnTAPtv and VOD service of the case company amongst others, to enter the South African market at lower prices with more compelling entertainment content for viewers. These developments are shaking the Pay Television industry. In order to be able to shape robust strategies, strategists are required to be cognisant of disruptors, understanding that disruptions require enterprises to redesign their strategies in order to survive (Fields & Huesig, 2019:109). What does strategy formulation look like amidst enterprises facing disruption and the disruptions that the company is currently facing? The subsequent section articulates this study's problem statement as well as the research gap.

1.2 PROBLEM STATEMENT

Much has been written about shaping strategy in a world of constant disruption, but most of the research is on international cases and tends to focus on business management in general (Andersen *et al.*, 2019; Drejer, 2017; Hagel, Brown & Davison, 2008; Smith, 2016; Vecchiato, 2015). There is a gap to explore strategy formulation during disruption in the South African context, and more so within a multimedia enterprise.

For a strategic management process to be pragmatic, it must have aspects of dealing with complexity and a dynamic environment through employing techniques that will allow the enterprise to build or maintain competitive advantage (Kunc, 2018:103). Without this, efforts to manage the business can waste resources and generate frustration. Strategy failure can happen anywhere in the strategic management process; whether through a strategy being formulated but not implemented properly, and/or the strategy not being properly evaluated post implementation (Cândido & Santos, 2015:19). A phase of continuous and unexpected change and disruption can make the management of strategy challenging, and underestimating uncertainty can lead to strategies that neither defend against threats nor take advantage of looming opportunities (Birkie, Trucco & Kaulio, 2017:457; Hamel, 2012:47; Petrick & Martinelli, 2012:55; Roy, 2018:315).

Prior work has identified uncertainty and change as crucial constituents that can influence strategic management, specifically strategy formulation; and that environmental or institutional pressures can exert significant influences on an enterprise's strategy evolution (Andersen *et al.*, 2019:67; Couto, Plansky & Caglar, 2017:58; Elbanna & Child, 2007:12; Homburg & Workman, 2004:1331; Sampler, 2017:23; Schreiber & Berge, 2019:134; Seville, 2016:35).

Given the gap in literature, there is thus the need for decision makers to understand the awareness, preparedness and activities and initiatives taken during disruption. There is a further need to investigate how enterprises can formulate strategies that simultaneously balance current business needs, while adequately focusing on developing or counter acting disruptions that could lead to their ultimate downfall (Norton, 2016:60; Prahalad & Ramaswamy, 2014:38; Wong & Shi, 2015:46).

1.3 PURPOSE STATEMENT AND RESEARCH QUESTIONS

The sub-sections below articulate the purpose statement as well as the case study's proposed research questions.

1.3.1 PURPOSE STATEMENT

The purpose of this case study is to better understand how strategy formulation can be altered in response to disruption, and how enterprises formulate strategies in the event of disruption. The study will also seek to examine how strategy managers adjust their strategic roadmaps in response to relevant disruptions.

1.3.2 RESEARCH QUESTIONS

The research was guided by the following research questions:

- How does management prepare for and create awareness around disruption?
- How does management alter strategy formulation in response to disruption?
- What are the actions taken by management when faced with disruption?

1.4 IMPORTANCE AND INTENDED CONTRIBUTION OF THE STUDY

Environmental uncertainty has long been a key issue addressed in literature in organisational management (Vecchiato, 2015:257). However, there is still a need for more empirical studies in understanding how strategists should navigate strategy formulation in the face of disruption.

This case study therefore contributes to managers and scholars by expanding their understanding of strategy formulation during disruption, through investigating the awareness of disruptions in strategy formulation, the prepareness for the effects of disruptions and the analysis of actions and initiatives selected during strategy formulation. The study may also help managers to understand how to integrate disruption within strategy formulation by elaborating on how to approach strategy formulation differently when facing disruption. It may further help academic scholars by bringing in a different lens to strategy formulation. People who may benefit from this study are strategy practitioners, business managers, academics as well as scholars.

1.5 THE DEMARCATION OF THE STUDY

The following factors should be considered when reviewing the demarcation of this study:

- As this was a single case study, data collection took place in a single enterprise in a single location, at a single point in time in Gauteng Province South Africa.
- The study focused on the pay television industry, overlooking other broadcasting industries in South Africa, who have a different business model and would therefore not be relevant for the study.

1.6 IMPLICIT ASSUMPTIONS OF THE STUDY

This study is underpinned by numerous assumptions. It was assumed that:

- the company chosen practices strategy formulation, whether formal or informal;
- the strategy formulation process is a recognisable phenomenon within the company chosen;
- the participants were competent, willing and able to verbally articulate their views and perceptions pertaining to the phenomena of strategy formulation and disruption within the company;
- the views expressed by most of the participants were adequately descriptive of the phenomena of strategy formulation and disruption, along with their associated practices;
- the researcher was able to encourage the participants to express their views regarding strategy formulation and disruption within the company;
- a qualitative exploratory case study method was the most feasible method to explore participants' perceptions of strategy formulation and disruption;
- the sampling methods employed were practical for obtaining participants' views pertaining to strategy formulation and disruption across the company;
- the semi-structured interviews gathered the required data from participants regarding strategy formulation and disruption in the company.

1.7 DEFINITION OF KEY TERMS

The key concepts associated with this study are ***strategy***, ***strategic management***, ***strategy formulation***, ***disruption*** *and* ***disruptive innovation.*** The definitions of these key terms are articulated below.

Strategy: Strategy entails a set of managerial decisions and actions by an enterprise that can be used to facilitate competitive advantage and long-term superior performance (Carter, Clegg & Kornberger, 2008:83; Jasper & Crossan, 2012:840). Strategy has also been described as a process of making choices that ensure survival of the enterprise in the business world . Strategy is further discussed in Chapter 2 in Section 2.2 (p. 27) of this dissertation.

Strategy management: Strategy management is defined as the process of formulation, implementation and evaluation of strategy designed to maintain or improve competitive advantage (Lazenby, 2018:38). It is the process by which managers make a choice of a set of strategies for the enterprise that will enable it to achieve better performance (Rothaermel, 2020:21). Formulation involves developing business models, establishing corporate direction and competitive tactics amongst many activities (Dess, 2018:43). The implementation phase requires leadership to build the appropriate organisational structure, develop organisational culture, control the strategic process and steer the organisation through ethical corporate governance (Hitt *et al.*, 2020:39). The process of evaluation is concerned with assessment of the external and internal environments (Dess, 2018:45). Strategic management is a continuous ongoing process that appraises the business and the industries in which the enterprise is involved, by appraising competitors, fixing goals to meet all present and future competitors and then reassessing each strategy (Hitt *et al.*, 2020:43). The strategy management process is further discussed in Chapter 2 in Section 2.3 (p. 31) of this dissertation.

Strategy formulation: Strategy formulation deals with establishing an overall direction for the enterprise, setting objectives at various levels in the enterprise and developing strategic alternatives to reach those objectives (Pearce & Robinson, 2013:118). It entails the process by which the enterprise chooses the most appropriate courses of action to achieve its defined goals (Heracleous & Werres, 2016:492). The process is essential to an organisation's success because it provides a framework for the actions that will lead to anticipated results. Strategic plans consist of the enterprise's objectives, mission, purpose and competitive strategy (Sampler, 2017:18). Strategy formulation is further discussed in Chapter 2 in Section 2.4 (p. 32) of this dissertation.

Disruption: Oxford (2012) defines the word disruption as a situation in which it is difficult for something to continue in the normal way, or the act of stopping something from continuing in the normal way. Webster (2019) defines disruption as a break or interruption in the normal course or continuation of some activity or process. Both definitions illustrate disruption as an unexpected interruption to the regular flow or sequence of proceedings, resulting in a discontinuation or disorder. Disruption in business speaks of the occurrence of radical change in an industry or in a business strategy (Downes & Nunes, 2014; Farsan & Stefan, 2011; Hagel, Wooll, Brown & Maar, 2015; Webb, 2010). Disruption is further discussed in Chapter 3 in Section 3.2 (p. 52) of this dissertation.

Disruptive Innovation: The term disruption was also made popular by Clayton Christensen, where he introduced the concept of disruptive innovation describing technological change (Christensen, 2016a:27). Christensen described disruptive innovation as a way to think about successful enterprises not just meeting customers' current needs, but also anticipating their unstated or future needs (Roy, 2018:314). The theory of disruptive innovation also worked to explain how small enterprises with limited resources were able to enter a market and displace the established ecosystem (Schmidt & Druehl, 2008:347). In strategy and business research, disruptive innovation and innovation are closely linked with disruption and therefore these two concepts will form a significant part of this study. Disruptive innovation is further discussed in Chapter 3 in Section 3.3 (p. 60) of this dissertation.

1.8 SUMMARY OF RESEARCH DESIGN AND METHODOLOGY

The need to use case studies arises whenever an empirical inquiry must examine a contemporary phenomenon in its real life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2018:37). A qualitative single case study method was employed for this research. Furthermore, the single case study was a holistic study focusing on one unit of analysis with no sub-units, because the researcher believed that the focus on one unit of analysis would give rich data and allow in-depth analysis of the phenomena.

Inclusion criteria were used to establish the participant selection. The participants comprised of managers with more than five years of managerial experience who are part of top, middle and low levels of management structures within the company. These managers had to be specifically involved in and accountable for any part of the strategic management process (whether strategy formulation, implementation and/or strategy evaluation) and had to be accountable and responsible for contributing towards the strategic direction of the enterprise. The managers were selected using purposeful sampling. Purposeful sampling entails intentional selection of participants and sites to understand the central phenomenon being studied (Creswell & Poth, 2018:206). A total of 19 (nineteen) managers were sampled, allocated according to 4 (four) managers in the top executive level, 7 (seven) managers within middle level and lastly 8 (eight) managers in lower level.

Semi-structured interviews were used to gather data from participants. An interview guide was used to carry out the interviews (Appendix D). Before the commencement of the semi-structured interviews, the researcher explained to the participants the ethical procedures addressed in the informed consent forms (Appendix C), where participants all expressed their willingness to participate on a voluntary basis. The researcher also informed all participants of how the data would be used prior to starting the interviews. The researcher assured the company (in Appendix A) that confidentiality would be upheld and that the company name would not be mentioned in the thesis. The company is thus referred to as 'the case company' and the company products and brands have also been assigned pseudo names. Reference to the company has also been removed from citations and the reference list. Data was analysed and some themes were derived from the analysed data.

1.9 CHAPTER OUTLINE

Chapter 1 of this dissertation introduced the constructs of disruption and strategy formulation. The study's problem statement, purpose statement, research objectives and proposed research questions were also outlined. The justifications for the importance of this study were also discussed and implicit assumptions and demarcations pertaining to the study were also considered. This was preceded by definitions of key terms along with an explanation of used abbreviations associated with the study's construct. The chapter concluded with a concise summary of the research methodology employed and the outline of each chapter's contents.

Chapter 2 opens with defining strategy as well as the importance of strategy in business. A brief overview of the strategic management process is visited, as well as an in-depth discussion on strategy formulation, including the relationship between strategy formulation and disruption, with the focus on disruption *awareness*, disruption *responsiveness* and *actions* taken to address disruption from a strategy formulation perceptive. The chapter also discusses the deliberate and the emergent strategy approach to strategy formulation.

Chapter 3 introduces and unpacks the concept of disruption, providing an overview of the construct along with its associated dimensions. Christensen's theory of disruption is also unpacked, looking at the history of the theory as well as its application and relevance in industries. The influence of disruption on strategy is discussed, as well as the importance of considering disruption within strategy formulation.

Chapter 4 discusses the disruption in the pay television industry, analysing the 'the case company'. The importance of television as a medium is examined, illustrating the power of television not only as a premier source of information and entertainment, but also as a crucial contributor to economic activity. The disruption within the pay television industry is also explored, highlighting the key factors that are driving disruption within this industry. The company's competitive advantage is discussed, demonstrating the competitive edge that the company possesses. Porter's five forces of competition that drive strategy are applied to the pay television industry in order to understand the competitiveness and profitability of the industry. Lastly a brief look at the company's past strategies is presented, in order to understand what strategic objectives have been prioritised by the enterprise with the aim of maintaining and growing their competitive advantage.

In Chapter 5 the case study's research methodology is discussed. The chapter describes the study's overall research methodology and research design. The reasons for selecting case study research methodology are also examined. This is followed by a discussion relating to the employed sampling and data collection methods. This chapter also provides an overview of the employed data analysis procedures and is concluded by an account of ethical considerations considered throughout the duration of the study.

Chapter 6 describes the data analysis approach used for the empirical research. Themes that were identified are presented. The findings associated with the study are also discussed at length. The chapter outlines the theoretical and managerial implications that have been considered.

Chapter 7 presents a discussion of findings, recommendations and conclusions of the study. The findings are then validated by theory. The chapter also outlines the theoretical and managerial implications that have been considered. The dissertation is concluded by an account of the study's limitations including suggestions for future research.

CHAPTER 2: STRATEGY FORMULATION

Chapter outline:

The purpose of this chapter is to:

- define strategy and discuss the importance of strategy in business
- give a brief overview of the strategic management process
- provide an overview of strategy formulation in business
- discuss the deliberate and the emergent strategy approach to strategy formulation
- discuss strategy formulation and disruption (awareness, responsiveness and actions)

2.1 INTRODUCTION

Among all of the things which managers do, nothing affects an enterprise's ultimate success or failure more fundamentally than how well the management team sets the long term direction, how the management team develops competitively effective strategic moves and business approaches, and also how the management team implements what needs to be done internally to produce good strategy execution (Andersen *et al.*, 2019:51; Fields & Huesig, 2019:43; Prange & Heracleous, 2018:91). Research has repeatedly shown that good strategy combined with good strategy execution does not always guarantee success. Often enterprises with well formulated strategies and very capable managers, can experience performance problems due to unexpected shifts in market conditions or uncontrollable technology developments. This study sought to explore strategy formulation by managers in response to disruption, as well as to highlight how strategy formulation can be addressed or used during disruption. Understanding the role and relevance of disruption in strategy can be critical in the quest for achieving competitive advantage for enterprises in a global economy.

2.2 DEFINING STRATEGY

Scholars (Drucker, 1946; Chandler, 1962; Porter, 1980; Hamel, 1996; Robert, 2000) have devoted much of their research to the management of strategy in organisations. Various authors ((Köseoglu, Altin, Chan & Aladag, 2020; Mintzberg, Ahlstrand & Lampel, 2020; Reed, 2020)) allude to the premise that the use of sound strategic management is likely to yield better performance or competitive advantage. Mansfield and Fourie (2004) denote that strategy is in fact the management behaviour concerned with the organisation's creation of sustainable competitive advantage.

Strategy entails a set of managerial decisions and actions by an enterprise that can be used to facilitate competitive advantage and long-term superior performance (Carter *et al.*, 2008:83; Jasper & Crossan, 2012:840). An enterprise's strategy consists of the competitive efforts and business approaches that management employs to please customers, to compete successfully and achieve organisational objectives (Undheim, 2020:111). Therefore strategy making is mainly about managerial choices; choices about which competitive approaches to take, and which business models to follow to achieve good profitability (Tawse, Patrick & Vera, 2019).

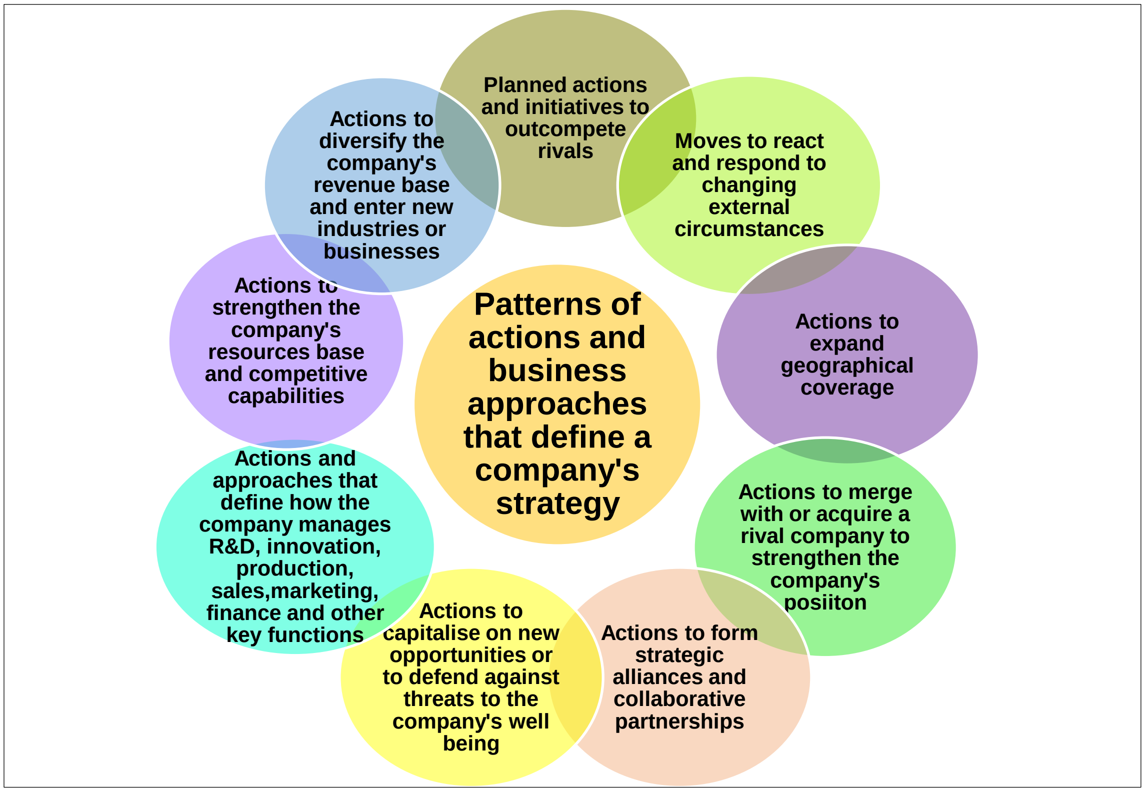
Strategy can entail general programmes of action and deployment of resources to attain comprehensive objectives, a programme of objectives of an enterprise and the acquisition, use and disposition of resources. Strategy can also entail the determination of the basic long term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

The enterprise's strategy addresses issues such as how to grow the business, how to satisfy customers, how to address disruption, how to outperform rivals and newcomers, how to respond to changing market conditions, how to manage each functional piece of the business and to develop the much needed organisational capabilities, how to manage its resources and finally how to achieve its strategic and financial objectives. Figure 2.1

depicts the types of actions and approaches that reflect an organisation's overall strategy (Tawse *et al.*, 2019).

As indicated the "how" of strategy tends to be company specific, customised to an enterprise's own situation and performance objectives. There might, however, still be unrevealed portions of strategy that outsiders can only speculate about. These could be for instance the unrevealed strategic actions managers are intending to launch. Managers, often for good reasons, deliberately choose not to reveal certain elements of their strategy until the enterprise's actions become public. An enterprise's present strategy is therefore typically a blend of holdover approaches and fresh actions and reactions, with perhaps some about to be launched moves and changes remaining under wraps and in the planning stage (Tracy, 2019:27). Outside observers can sometimes deduce many key elements of a company's strategy, and it is for this reason that managers often choose not to reveal strategies (Tracy, 2019:27).

Figure 2.1 Actions and approaches that reflect an organisation's overall strategy:



Source: Adapted from (Thompson & Strickland, 2008)

An enterprise's actual strategy is something managers shape and reshape as events transpire outside the organisation and as the enterprise's competitive assets and liabilities evolve in ways that enhance or diminish its competitiveness (Baye, Prince & Squalli, 2016:31). Managers in strategy are responsible for establishing clear strategic direction for enterprises, in order to ensure that goals are reached by creating a strong competitive position (Naranjo-Gill, Hartmann & Maas, 2008:225). Strategic decisions require the involvement of all management levels. Top level management because at this level there is the necessary perspective for understanding and anticipating the wide ranging implications and ramifications of the decisions (Schofield, 2013:29). Furthermore, top level management have the power to authorise the resource allocation and deployment for implementation.

Middle level management are responsible for the translation of the general statements of direction and intent generated at top level into concrete, functional objectives and strategies for the individual divisions (Papagiannakis *et al.*, 2013:255). The decision characteristics at this level fall between those of the top level and the next level, the functional level decisions. The third level management is where functional or lower level management are responsible for the implementation or execution of the strategic plans of the organisation (Lafley & Martin, 2017:76). The lower level management also generally develop the annual objectives and specific short term strategies (Fenton & Langley, 2011:1171). These decisions involve action oriented operational issues. The decisions are made periodically and lead directly to implementation of some part of the overall strategy formulated at the higher management levels. The functional decisions are more concrete and quantifiable, they require less organisational wide cooperation, they are relatively short range and involve low risk and modest costs because they are dependent on available resources (Kiechel, 2010:89). With this research it was found that while top level management may decide on a particular futuristic, far reaching and innovative course of action for the company, the second and third level management levels are mostly responsible for the actual detailed formulation and successful implementation of the strategy.

Strategy making is fundamentally a market and customer driven activity, the essential qualities are a talent for capitalising on emerging market opportunities and evolving customer needs, a bias for innovation and creativity, an appetite for prudent risk taking and a strong sense of what needs to be done to grow and strengthen the business (Mazzola & Kellermanns, 2012:25).

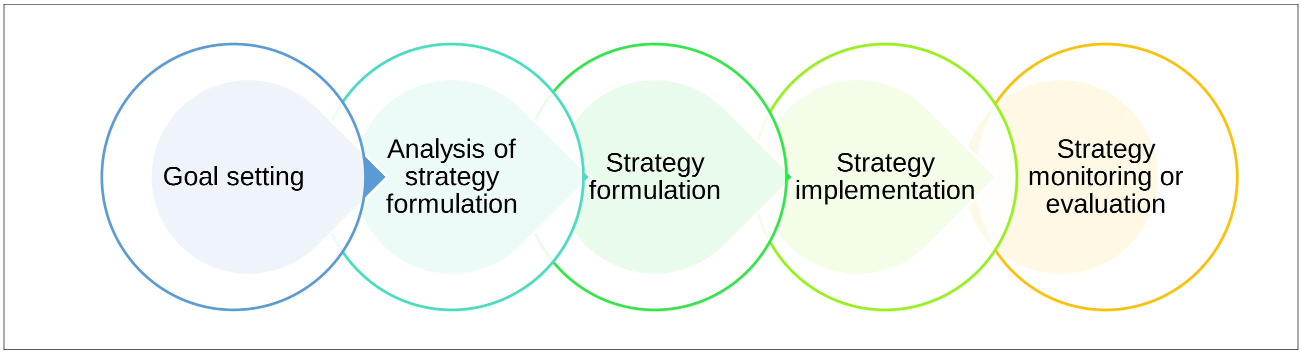
2.3 BRIEF OVERVIEW OF THE STRATEGIC MANAGEMENT PROCESS

The management of strategy in enterprises often happens through a coordinated but sometimes unsystematic process called the strategic management process (Hill, Schilling & Jones, 2020:42). The strategic management process is concerned with the analysis of strategic goals (visions, missions, and strategic objectives), along with the analysis of the internal environment wherein the organisation operates, and the external environment which affects the organisation (Besanko, Dranove, Shanley & Schaefer, 2017:17). It also entails the widespread set of ongoing activities and processes that organisations use to systematically coordinate and align resources and actions with the mission, vision and strategy throughout an organisation (Freedman, 2015:29).

Strategic management activities transform the plan into a system that provides strategic performance feedback to decision making and enables the plan to evolve and grow as requirements and other circumstances change (Maleka, 2015). The strategic management of an organisation requires ongoing processes such as analysis, decisions and actions which an organisation undertakes to create and sustain competitive advantage (Mishra & Mohanty, 2020). The aspects or types of activities of the strategic management process are, by necessity, represented linearly, but can be difficult to execute in a rigid sequence in practice (Tawse *et al.*, 2019). The activities are organised in a cyclical sequence but are highly interdependent, as they can unfold simultaneously as enterprises battle competition, market and environmental changes and uncertainty (Demir, Wennberg & McKelvie, 2017).

Strategic management can therefore be summarised as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organisation to achieve its objectives, and an integrative management field that combines analysis, formulation and implementation in the quest for competitive advantage (Bourgeois & Eisenhardt, 1988; Goold & Quinn, 1990). The relevant key concepts of the strategic management process are illustrated in Figure 2.2.

Figure 2.2 Strategic management process



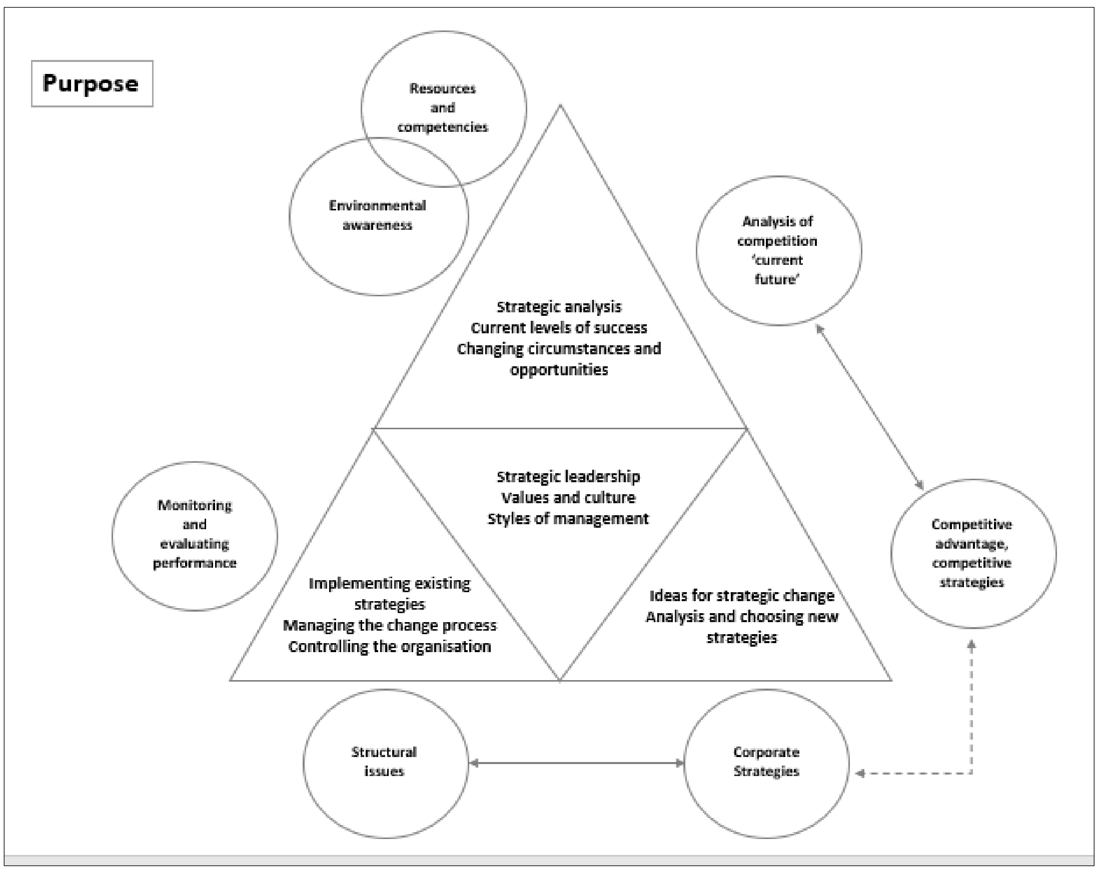
Source: Adapted from (Pearce & Robinson, 2010)

It is important to be cognisant of the fact that there is no one-size-fits all in strategic management, and that different strategic management processes are applicable to different organisations as well as different circumstances. Numerous academic sources offer different variations of strategic models or processes, with each process representing the author's customised interpretation in conveying what strategic management means to them (Hussey, 2011). While numerous academic strategic management processes exist, there are succinct significant similarities between them. Perhaps the most significant similarity is that they all consist of various strategic activities; the second important resemblance is that these strategic activities are arranged in a certain sequential order (Mazzola & Kellermanns, 2012:73).

The first phase normally addresses the broader purpose, strategic decision or vision and mission of a company and sets the basis to align the strategic activities to follow (Strategic-Direction, 2012:31). The next phase deals with analysing the internal and external environment to identify external opportunities and threats, as well as internal weaknesses (Ketchen & Short, 2018:77). This is followed by strategy selection where the aim would be to exploit opportunities and strengths, as well as to avoid or address threats and weaknesses (Jasper & Crossan, 2012:840). Next, the processes consider steps required to implement strategies and finally a component that deals with strategy evaluation, monitoring or control.

The strategic model of Pearce and Robinson (2010) in Figure 2.2 represents a linear strategic management process that usually works best in organisations that have a single or dominant product and operate in somewhat predictable and non-turbulent environments. In contrast, the strategic management process of Thompson and Martin (2010) in Figure 2.3 is non-linear and illustrates that strategic management involves awareness of how successful and strong an organisation and its strategies are, as well as how circumstances are ever changing. This model acknowledges that strategic ideas may emerge from either formal planning or that changes may emerge as managers try out new ideas to deal with unexpected changes.

Figure 2.3 Interactive strategic management process model



Source: Adapted from (Thompson & Strickland, 2008)

This research has chosen the David Model of the strategic management process, which comprises of three stages, namely strategy formulation, strategy implementation and strategy evaluation as depicted in Figure 2.4 (David, 2011); however this research will only focus on strategy formulation.

Figure 2.4 David's model of the strategic management process

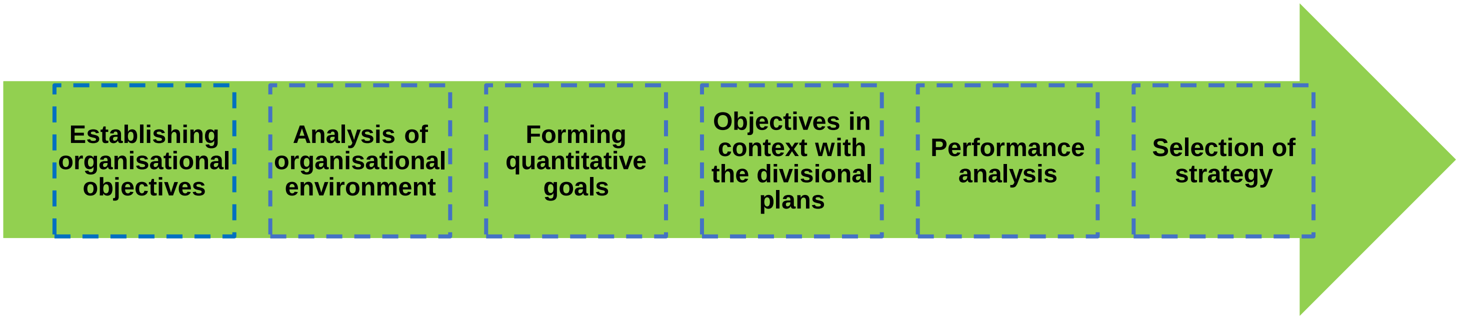
Source: Adapted from (David, 2011)

This case study ventured to understand how enterprises facing disruption continue to formulate and evaluate their strategies in the quest for business survival and longevity. It was interesting to find out how a large continental, technology company manages their strategy formulation amidst disruption while striving to grow and sustain their competitive advantage for the current period, as well as protecting their future relevance.

2.4 AN OVERVIEW OF STRATEGY FORMULATION

Strategy formulation focuses on developing specific actions that will enable the organisation to meet its goals. In strategy formulation, information from environmental analysis is used, prioritising and making decisions on how to address key issues facing the organisation. There is a clear need to explore how strategies are formed in organisations amidst change and rapid development (Courtney, Kirkland & Viguerie, 1997). Strategy formulation tends to be treated as an analytical process for establishing long-range goals and action plans for organisations; that is, as one of formulation followed by implementation (Mintzberg & Waters, 1985). A typical strategy formulation process is illustrated in Figure 2.5. The essence of good strategy formulation is to build a market position strong enough and an organisation capable enough to produce successful performance despite unforeseeable events, or potent competition or delays including costs surprises (Stonehouse, Hamill, Campbell & Purdie, 2000:37).

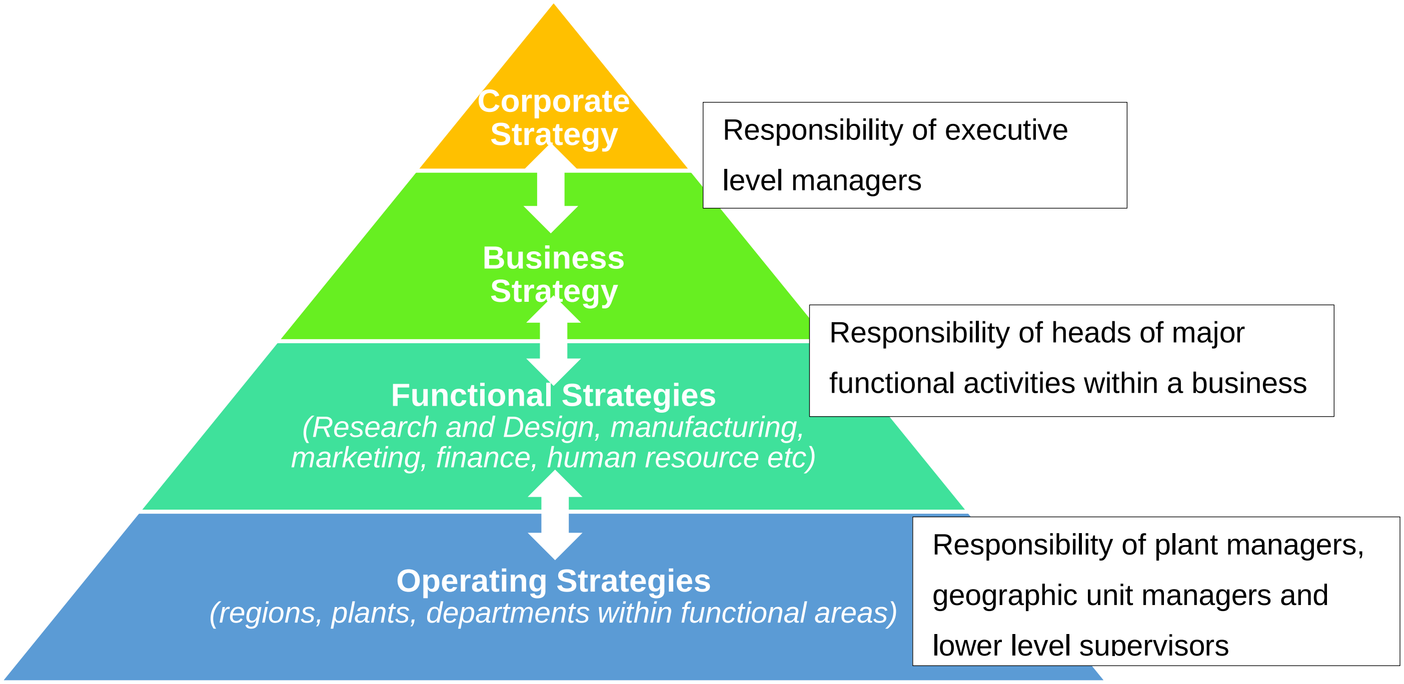
Figure 2.5 The steps of strategy formulation include the following



Source: Adapted from (Stonehouse & Snowdon, 2007)

As seen in many organisations strategy formulation tends to follow a more top-down rather than a bottom-up approach in terms of management decision making authority, but it is not just a task for senior executives. In many instances it can be found that in large enterprises, decisions about what business approaches to take and what new moves to initiate involve senior executives in the corporate office, heads of business units and product divisions, heads of major functional (marketing, sales, finance, human resource) areas within the business and lower level supervisors (Thomas & Ambrosini, 2015:110). In diversified enterprises strategies are initiated by a varying number of four distinct organisational levels. The corporate strategy is the strategy for the company and all of its businesses as a whole, the business strategy is the strategy for each separate business into which the enterprise has diversified, the functional strategy is the strategy for each specific functional unit, and finally the operating strategy covers strategies for basic operating units such as sales regions and functional areas (Golsorkhi, Rouleau, Seidl & Vaara, 2016:121). In a single business enterprise, there may only be three levels of strategy formulation, namely the business, functional and operating strategy. Figure 2.6 illustrates the strategy formulation pyramid for single business enterprises.

Figure 2.6 The Strategy Making Pyramid in a single business company



Source: Adapted from (Köseoglu *et al.*, 2020)

The how's of an enterprise's strategy are typically a blend of deliberate and purposeful actions, or as needed reactions to unanticipated developments, fresh market conditions and competitive pressures. They can also be about the collective learning of the organisation over time, not just the insights gained from its experiences, but more important, the internal activities that the enterprise has learned to perform quite well and the competitive capabilities it has developed (Carpenter & Sanders, 2014:95). It is normal for management's planned strategy to take on a different face as new strategy features are added and others subtracted in response to shifting market conditions, altered customer needs and preferences, the strategic manoeuvring of rival enterprises, the experience of what is working and what is not, new emerging opportunities and threats, unforeseen events and fresh thinking about how to improve the strategy (Fox, 2017).

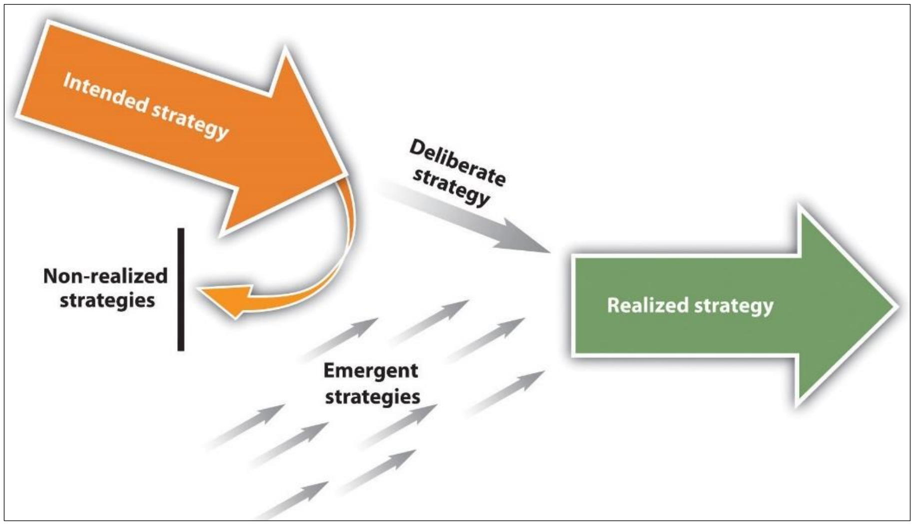
Future business conditions are sufficiently uncertain and unpredictable to prevent managers from planning every strategic action in advance without experiencing any learnings or seeing any possibilities for improvement (Cândido & Santos, 2015:123).

Furthermore, common sense instructs that an enterprise's actions, both planned and reactive, ought to bear close relationship to its competencies and competitive capabilities.

The concept of non-linearity in strategy is not new and still remains relevant. Quinn (1980) explains that successful business strategies do not arise from the highly formalised approach to planning as per recommendations from many textbooks. His findings were that, in large organisations the processes used to arrive at the total strategy are typically fragmented, revolutionary and mostly intuitive. Quinn (1980) further states that although one can frequently find embedded in these fragments some very refined pieces of formal strategic analysis, the real strategy tends to evolve as internal decisions and external events flow together to create a new, widely shared consensus for action among key members of the top management team. The most effective strategies of major organisations tend to emerge step by step from an iterative process in which the organisation probes the future, experiments and learnings from a series of partial incremental commitments rather than through global formulations of total strategies (Sampler, 2017:62). The process is both logical and incremental.

According to Mintzberg (1978), strategy formulation happens in the form of 'patterns in a stream of decisions', consisting of both planned and emergent elements. Literature by Mintzberg and Waters (1985), Mintzberg (1987), and Mintzberg and McHugh (1985) in their studies showed how deliberate and emergent moves shape strategy evolution, and Greiner (1972) suggested that strategy follows successive stages of evolution and revolution. Emergent and deliberate strategies rarely appear separated but are rather combined as part of a continuum, as depicted in Figure 2.7 (Mintzberg & Waters, 1985). There is a consensus that strategy making resides on a continuum from planned to emergent strategy making, but most strategies are developed through a combination method.

Figure 2.7 A model of intended, deliberate and realised strategy



Source: Adapted from (Mintzberg & Waters, 1985:257)

The debate between which approach reigns supreme still exists. Purely deliberate or emergent strategies seem unrealistic because 'real-world' strategy formulation involves some thinking ahead as well as some adaptation along the way (Glaister & Hughes, 2008). Management scholars (Covin, Green & Slevin, 2006; Lowe & Jones, 2004) contend that strategies are more likely to be emergent (where realised patterns of actions are not explicitly intended) than deliberate (where patterns of actions are realised as initially designed). Other authors agree that strategy can be made in both a planned and an emergent way, and that real-world strategies usually contain elements of both. For instance, Idenburg (1993) and Chaffee (1985) argue that the different styles of strategy making complement each other, and in agreement, Lowe and Jones (2004) state that the outcomes of a strategy making process are a product of both conscious and unconscious decisions.

It appears that there is no universal consensus on which approach is better, because each one has its own advantages and disadvantages and ultimately determination of the most suitable strategy formulation method is largely dependent on circumstance and ultimately up to the organisation's management.

2.4.1 DELIBERATE STRATEGY APPROACH TO STRATEGY FORMULATION

The key difference between deliberate and emergent strategy is that deliberate strategy is a top down approach to strategy formation that emphasises achieving an intended business objective, whereas emergent strategy is the process of identifying unforeseen outcomes from the execution of strategy and then learning to incorporate those unexpected outcomes into future plans by taking a bottom up approach to management (Mintzberg, 2011:52). There are many successful enterprises that have succeeded by adopting either approach.

Michael Porter introduced the concept of deliberate strategy and said that “strategy is about making choices and trade-offs; it is about deliberately choosing to be different” (Magretta, 2012:89). A deliberate strategy is the intended strategy that an organisation continues to pursue over time (Leitner, 2014). Deliberate strategies are designed to follow a specific plan, are usually described in detail within an organisation’s strategic plan and they follow established processes with clear timelines and defined goals (Garnett, Bevan-Dye & Klerk, 2011:12891). Deliberate strategy attempts to minimise outside influence affecting the business, however the external environments can change drastically, and such changes are difficult to predict in advance. Most companies start off by pursuing their plans (deliberate strategies) internally, however unexpected opportunities that arise over time can lead organisations in much different directions than anticipated, thus requiring a more reactive approach (emergent strategy) (Ketchen & Short, 2018).

Deliberate strategies have certain characteristics (Mintzberg & Waters, 1985). Firstly, there must be precise intentions in the organisation, articulated in a relatively concrete level of detail, so that there can be no doubt about what is desired before any action is taken. Secondly, because organisation means collective action, to dispel any possible doubt about whether or not the intentions are organisational, intentions must be common to all participants involved in the strategy. Thirdly, these collective intentions must be realised exactly as intended, which means that no external force (market, technological, political, etc.) can interfere with them. The environment, in other words, must either be perfectly predictable, totally benign or else under the full control of the organisation. Due to their rigidity, deliberate strategies are not useful in organisations facing radical change, particularly organisations affected by any form of disruption.

The commitment of top management is essential to implement a deliberate strategy and thus initiatives are often taken by them, while true, goal congruence should be achieved where all the employees should work towards realising the strategy. This can be achieved by properly communicating the business goals to them and motivating them.

It can be argued that the deliberate strategy approach has the advantage of clarity of purpose as opposed to emergent strategies (Mintzberg & Waters, 1985). In other words, when management's intentions are clearly and explicitly spelt out, it becomes easier for employees to understand, to identify and work towards a common collective purpose at a minimised level of deviation from the intended objective (Kopmann, Kock, Killen & Gemünden, 2017a:557). Focusing on a particular desired outcome seems enhanced and employees are provided with a clear and unambiguous sense of direction. This approach to strategy also has its disadvantages. Being fixated on a specific outcome may increase an organisations rigidity and lower its speed of responsiveness in the event of disruption, as opposed to the flexibility offered by emergent strategies (Neugebauer, Figge & Hahn, 2016:324). Deliberate strategies also do not work well when there are changes in the operating environment or when negative feedback is received from the pursuit of a particular strategy.

2.4.2 EMERGENT STRATEGY APPROACH TO STRATEGY FORMULATION

An emergent strategy is an unplanned strategy that arises in response to unexpected opportunities and challenges (Ketchen & Short, 2018). Emergent strategies are strategies that derive more from collective action than from collective intention. In this instance, a pattern or consistent stream of actions are allowed to emerge through influences such as the environment, positive feedback or consistent success after adoption of a particular course of action.

Emergent strategy is the process of identifying unforeseen outcomes from the execution of strategy and then learning to incorporate those unexpected outcomes into future corporate plans by taking a bottom up approach to management (Andersen & Nielsen, 2009). Henry Mintzberg introduced the concept of emergent strategy because he did not agree with the concept of deliberate strategy put forward by Michael Porter (Hernández-Betancur, Montoya-Restrepo & Montoya-Restrepo, 2020). His argument was that the business environment is constantly changing, and enterprises need to be flexible and adaptable in order to benefit from various opportunities.

The key advantage of emergent strategies is that they offer a degree of flexibility or responsiveness which is absent in deliberate strategies (Betancur, Restrepo & Restrepo, 2015). Users of this strategy class can adjust their patterns in reaction to realised outcomes of their present actions. Emergent strategies may also be considered as proactive, for instance business managers might constantly monitor the environment and take advantage for emerging opportunities or minimise emerging threats (Morley, 2014:121).

Emergent strategy making is 'most likely to emerge at a level where managers are directly in contact with new technological developments and changes in market conditions and have some budgetary discretion' (Betancur *et al.*, 2015). Emergent strategies are thus most relevant in organisations facing disruption, where strategic decision making needs to be an ongoing and inductive change process, which can be incremental and path-dependent as strategies become continuously modified (Papagiannakis *et al.*, 2013). Emergent strategy formation is also particularly significant in the product innovation domain, because companies can respond quicker to changing customer demands or employees' ideas (Leitner, 2014). In the phase of product innovation, emergent strategies take advantage of real-time knowledge gained during development and launch and allow organisations to not only postpone commitments if necessary, but also to react quickly to market responses. Emergent strategy formation mode is also more applicable in entrepreneurial organisations, while planned strategies are better for conservative organisations (Covin, Green & Slevin, 2006).

It is important to note that the concept "emergent strategy" does not imply chaos or dysfunction and that management is out of control; but in essence it is unintended order and also often the means by which deliberate strategies change. The bottom up approach of emergent strategy enables management who cannot be close enough to every business activity or management who do not know enough about different activities within the enterprise, to surrender control to those who have relevant and current information to shape realistic strategies (Mintzberg & Waters, 1985:271).

The challenge with emergent strategies is that they do not always produce desirable performance outcomes because organisations may 'run a severe risk of degrading their performance as a consequence of the change process' (Naranjo-Gill, Hartmann & Maas, 2008). Although emergent strategies may not always generate desirable outcomes, it is anticipated that managers' decisions to change intended plans are made with the intent to yield higher performance outcomes (Naranjo-Gill *et al.*, 2008). In today's volatile and unforgiving competitive environment, it might be the emergent strategy formulation processes that are particularly relevant for organisational adaptability and survival (Hamel, 2009; Whittington, Yakis-Douglas, Ahn & Cailluet, 2016). Emergent strategies are realised in absence of or despite formal strategic intention, and by nature fall outside traditional strategy processes; this makes it difficult to control their influence and has prompted exploration of alternate methods to manage planned emergence (Levina & Su, 2008).

The emergent approach to strategy making is not without its critics either. For instance, Carter and co-authors argue that it is just as top-management oriented as the deliberate approach and that it still lacks coherence (Carter *et al.*, 2008). According to Idenburg (1993), the emergent perspective on strategy 'leaves the door wide open for all kinds of irrational mechanisms'. Nonetheless, many scholars argue that the emergent approach is particularly relevant for practice (Hendry, 2000; Lowe & Jones, 2004; Maritz *et al*., 2011). This strategy approach has also been criticised by Porter (2008) as providing an opportunity for mediocrity and an excuse for not thinking about the future at all. Porter (2008)states that consistency is so important in the marketplace and suggests that frequent shifts in strategy 'will leave a company mediocre at everything' (Hussey, 2011).

Table 2.1 Summary of Key Differences between Deliberate and Emergent Strategy

Deliberate Strategy	Emergent Strategy
Emphasises on achieving intended business objectives	The process of identifying unforeseen outcomes from the execution of strategy and then learning to incorporate those unexcepted outcomes into future corporate plans
Introduced by Michael Porter	Henry Mintzberg introduced the framework for emergent strategy as an alternative approach to deliberate strategy
Implements a top down approach to management	Implements a bottom up approach to management
Takes a rigid approach to management thus largely considered to be less flexible	Is favoured by many business practitioners due to its high flexibility
Not viable for enterprises facing disruption	Most suitable approach for enterprises experiencing disruption

The difference between deliberate and emergent strategy is a distinct one and enterprises can adopt either approach for strategy formulation. The fundamental difference between these two approaches is that deliberate strategy focuses on direction and control and achieving desired outcomes, while emergent strategy is about strategic learning (Garnett *et al.*, 2011). Rigidness in plans emphasises that enterprises must continue to proceed with the planned (deliberate) strategy, irrespective of disruptions or changes taking place in the environment, however these changes often make the deliberate strategy impossible and therefore most business theorists and practitioners prefer emergent strategy over deliberate strategy due to its flexibility (Neugebauer *et al.*, 2016:330). Adopting a deliberate approach is difficult during disruption, however it is not impossible to achieve a competitive advantage based on this method. Emergent strategy development on the other hand serves as a more flexible alternative to deliberate strategy where the business can learn and grow during disruption.

2.5 STRATEGY FORMULATION AND DISRUPTION

Crafting strategy is a continuous exercise, entailing searching for opportunities to do new things or to do existing things in a new way. The faster an enterprise environment is changing, the more critical it becomes for its managers to be good at making predictions and timely strategic adjustments (Bakhru, 2006:24; Cameron & Green, 2019:52; Dess, 2018:39). For an enterprise to be successful, its strategies and business models have to be well matched for the present and future environment at all times (Cândido & Santos, 2015). This entails studying market trends, listening to customers and anticipating their changing needs and expectations, while scrutinising the business possibilities that come about as a result of technological developments, or through increasing the enterprise's market position via acquisitions or new product introductions and innovations (Nelson-Brantley, 2020). How fast managers adapt to changing market conditions, how boldly they pursue new opportunities, how much they emphasise out innovating the competition and how often they champion actions to improve organisational performance is a good indication of good strategy management (Hussey & Jenster, 2003:59; Spender, 2014:78).

An enterprise's strategy has to evolve over time, emerging from the pattern of actions already initiated, the plans management has for fresh moves and the ongoing need to react to new or unforeseen developments (Griffith, 2011:109). It has been proven that the future is too uncertain for management to plan strategies in advance and encounter no reason for changing one piece or another of its intended strategy as time goes by (Mintzberg *et al.*, 2020).

In a business world characterised by high velocity change, rapid strategy adaption is required. Reacting to fresh developments in the surrounding environment is thus a normal and necessary part of the strategy making process (Kotter, 2014:27). There is always some new strategic window opening up, whether from advancing technology, new competitive developments, budding trends in consumer needs and expectations, unexpected increases or decreases in costs, mergers and acquisitions among major industry players, new regulations, the raising or lowering of trade barriers, or countless other disruptions that make it necessary to alter aspects of current strategies (Kiechel, 2010:43; Rieger, 2011:18). This is why the task of formulating strategy is never-ending and also why an enterprise's strategy ends up being a blend of prior actions, managerial plans and intentions, as needed reactions to fresh developments. An enterprise's strategy will mostly evolve incrementally, however there are occasions when an enterprise can function as an industry revolutionary by creating rule breaking strategies that redefine the industry and how it operates (Collins & FastDigest-Summary, 2017:11). A strategy can challenge fundamental conventions by reconceiving a product or service, redefining the marketplace or redrawing industry boundaries.

So, what strategies should companies employ in the face of disruption? Learning to recognise the warning signs is key to survival (Downes, 2009a). This requires new tools to recognise that radical change is on the way much sooner than competitors can recognise it (Dixit & Nalebuff, 2010:72). Finding internal or external experts who can predict the future with insight and clarity is vital (Whittington *et al.*, 2016). There are a handful visionaries in every industry, whose talents are based on equal parts genius and complete immersion in the industry's inner workings. These visionaries can be in the form of employees far below the ranks of senior management, working on the front lines of competition and change, or they can even be long-time customers, venture capitalists or industry analysts (Leavy, 2014). The key to listening to these truth tellers is that they can often be misunderstood for their eccentricity, and their lucidity can often be mistaken for arrogance (Cangemi, Lazarus, McQuade, Fitzgerald, Conner, Miller & Murphree, 2011:31). This explains the difficult personalities of individuals such as Steve Jobs, Bill Gates and Mark Zuckerberg amongst others. Another example is Yukiyasu Togo, who pushed Toyota to launch Lexus after recognising fundamental shifts in income and spending patterns in the American car market (Legrand & Weiss, 2011). Despite his vision and his essential role in Toyota's ongoing operations, Togo could not get the company to invest in a luxury brand without threatening to resign. The insights of a truth teller may not come in easily digested forms and organisations need to learn not only whom to listen to and when, but also how to listen (Crossan, Vera & Nanjad, 2008:569; Rainey, 2010:88).

A survival strategy to employ in the face of disruption, is to deter disrupters from profiting from their innovations until you are ready to acquire them or until you can counter the invention with a better invention (Nunes & Breene, 2011:112). It is difficult to stop a big disruption once its unconstrained growth has taken off, but you can make it harder for its developers to cash in (Christensen, 2016a:90). Many disrupters build market share and network effects by offering their early products for free. Profitability can be delayed by lowering prices, locking in customers with long-term contracts or forming strategic alliances with advertisers and other companies critical to your rivals' plans. If we consider the broadcasting industry as an example, in South Africa for example, Netflix offers customers a one-month free trial, while their rival 'the case company' uses the lock-in approach in the form of a two-year contract, locking in customers by selling the benefit of a two year increase free subscription. This can be seen as their counter strategy to protect their market share from Netflix.

A defence strategy that can be used in the face of disruption is that senior management need to confront the reality that even long-successful strategies may be suddenly overturned, requiring a radical recreation of the business (Downes & Nunes, 2014:93). To compete with undisciplined competitors, organisations may have to prepare for immediate evacuation of current markets and be ready to get rid of once-valuable assets (Vecchiato, 2017:125). In the fight against disruption, intangibles such as value of expertise, brands and patents, can be an organisation's most valuable assets, and sometimes the only ones they may want to take with them, because knowing their worth and knowing that you have them can be the key to an organisation's survival (Vecchiato, 2017:125). For all other kinds of assets, a disruption can set off a rapid decline in value, making it important not only to discard those technologies, but to do so before they become worthless (Vecchiato, 2017:125). When facing the imminent arrival of a disrupter, companies may have to reassess their mergers and acquisitions strategies, because once customers shift to the new technology, it is too late for a graceful exit and may be time to sell the organisation (Nunes & Breene, 2011:93).

There is still limited academic literature that discusses strategy formulation by managers in response to disruption, however, literature around approaches to strategy making (deliberate vs emergent) serves as a foundation for knowledge in understanding the strategic management process within changing market conditions. Formal strategy processes have been shown to be insufficient in shaping strategy, particularly in turbulent environments, because in turbulent environments, the relevance of deliberate strategy implementation decreases (Kopmann, Kock, Killen & Gemünden, 2017b).

Prior work has identified uncertainty as a crucial constituent that influences the strategy making process (Elbanna & Child, 2007). Marketing scholars Homburg, Krohmer and Workman have long suggested that elements of market uncertainty play a significant role in the strategy making process (Homburg, Krohmer & Workman, 1999). Acting alone, formal and rigid strategy processes have been shown to be insufficient in shaping strategy in response to change, whatever its source (Kopmann *et al.*, 2017b)

Others have focused on factors that influence strategy's evolution. For example, Mancke (1974), Rumelt and Wensley (1981), Barney (1986), Starbuck (1994) and Graebner (2004) suggested that change is an important factor in an organisation's strategic evolution. In the same vein Hannan and Freeman (1977), Aldrich (1979), Porter (1980), DiMaggio and Powell (1983) and Tushman and Romanelli (1985) proposed that environmental or institutional pressures exert significant influences on an enterprise's strategic evolution. Gopalakrishnan and Dugal (1998) revisited similar issues from a theoretical perspective.

Problem finding and strategy setting in an uncertain world can be challenging (Petrick & Martinelli, 2012). Driving innovation, particularly disruptive innovation, demands that organisations possess a deep understanding of the vague problems that will need to be solved in the future (Petrick & Martinelli, 2012). Gaining this understanding requires that organisations eloquently scan their external environment, identify trends and then envision future problem states from the perspective of end users or customers. Such an outside-in view is difficult for successful organisations that already possess a dominant logic about their markets and competitive drivers.

Disruptions happen so intermittently that it is difficult for organisations to develop a routine for handling them, and as a result demand that organisations possess a deep understanding of all possible future problems that will need to be solved (Daniell, 2000). With this said, the strategic process becomes dynamic with the fluid transition between the planning, formulation, implementation and control phases. Thus, organisations in revolutionary changes may find themselves manoeuvring between the different phases in response to market changes.

When an organisation is faced with major changes or disruption, at times if not most times, the worst possible approach may be to make drastic adjustments to try to cope with the disruptive change, as this may end up destroying the very capabilities that sustain the organisation (Hang, Chen & Yu, 2011). Organisations must not discard their capabilities, organisational structures and decision making processes that have made them successful in their mainstream markets, just because they do not work in the face of disruptive innovation (Christensen, 1997). Instead, managers in these organisations need to realise that the majority of innovation challenges they will face are sustaining in character and these are just the sorts of innovations that their capabilities are designed to tackle (Dereli, 2015:1366). However, managers must recognise that their capabilities, cultures and practices are valuable only in certain conditions outside of disruptive innovation, and it is therefore always important for managers to assess precisely what type of change the organisation is capable or incapable of dealing with.

Christensen and Raynor (2013) recommend employing a flexible and emergent (or ‘‘bottom-up’’) strategy development process, rather than a deliberate or (‘‘top-down’’) one in the early stages of developing and commercialising disruptive innovation. In order to avoid an inflexible and rigid plan, they also suggest following a ‘‘discovery-driven planning approach’’, such as the one outlined by (McGrath & MacMillan, 2004), until a clear and accomplishable strategy has emerged, paving the way for implementation. Discovery-driven planning is a practical tool that acknowledges the difference between planning for a new venture and planning for a more conventional line of business; discovery-driven planning recognises that planning for a new venture involves envisioning the unknown (Fischer, Kennedy, Durning, Schijven, Ker, O'Connor, Doherty & Kropmans, 2017). When this has happened, management should ensure that strategy formulation changes from emergent to deliberate, because the focus is then on implementation rather than on exploration.

The ability to manage strategy formulation in the right context, is one of the big challenges in the management of disruptions (Christensen, Raynor & McDonald, 2015). It is crucial for business to be aware that not all disruptive missiles are destined to hit directly or right away. Disruptions that will not greatly affect you for a while require a different type of strategic process and approach than those that are an immediate threat (Christensen *et al.*, 2015). Disrupters are rewriting industry rules of many industries and these new rules are only relevant until the next wave of disruption comes along. There is almost no time to adapt to disruption; organisations require bold strategies in order to cope (Raynor, 2011).

2.6 CHAPTER SUMMARY

Freedman (2015) asserts that strategy is more than just a plan, emphasising that a good strategy considers the potential effects of unexpected factors and the role of competitors who can disrupt one's strategy. Strategy and strategy formulation are essential for the long term success of enterprises, regardless of industry or whether the enterprise is profit driven or mission oriented (Smith, 2016:63). Strategy is perceived as a master plan to follow for a medium to long term period of time, however, if the business environment experiences disruption, the master plans become redundant, that is if the enterprise wants to survive.

This chapter discussed the importance of strategy in enterprises, unpacking the strategic management process and elaborating on strategy formulation within the strategic management process. The chapter also examined the approaches to strategy formulation, namely the deliberate and emergent strategies, explaining the relevance of each approach in different business environments and which approach is fit for an enterprise facing disruption.

CHAPTER 3: THE CONSTRUCT OF DISRUPTION

Chapter outline:

The purpose of this chapter is to:

- provide an overview of the construct of disruption;
- discuss the disruption construct along with its associated dimensions;
- discuss the influence of disruption on strategy; and
- highlight the importance considering disruption within strategy formulation.

3.1 INTRODUCTION

The concept of disruption is not a fixed and stable concept. Instead the concept has evolved since its origins and is still emerging as we speak. The available research clearly illustrates that the original concept of disruption in its many variations can be defined as a changing force for strategic management. Not only is disruption potentially altering the basis for competition for current enterprises in several ways, but it also forces researchers of strategic management to change conceptions of strategy, strategic management and strategy processes to reflect a new managerial landscape created by disruption. The above statement on the changing content of strategy is, indeed, the very background for this study.

Disruption is a critical concept in strategy because it matters that we understand how disruption affects enterprises, as well as how it forces enterprises to rethink their approach to strategic management (Cooper, 2014). Disruption has consequences and forces strategists to reconsider the how and why of strategic management (Carroll, 2020:43). The importance of disruption makes it even more necessary and relevant to assess how ordinary enterprises experience the effects of disruption in its many forms.

3.2 AN OVERVIEW OF DISRUPTION

Derived from the Latin word ‘disrumpere’, meaning to break apart, Oxford (2012) defines the word disruption as a situation in which it is difficult for something to continue in the normal way, or the act of stopping something from continuing in the normal way. Webster (2019) also describes disruption as a break or interruption in the normal course or continuation of some activity or process. The Cambridge Dictionary (2017) further explicates it as to prevent something, especially a system, a process or event from continuing as usual or as expected. The above definitions commonly illustrate disruption as an *unexpected* interruption to the regular flow or sequence of proceedings, resulting in a discontinuation or disorder. The term disruption has been applied to a wide range of change related phenomena in both academia and in public discourse and is increasingly used as a synonym for change itself (Gobble, 2015:38). Yglesias (2013) warns that such casual use of the construct not only brings the risk of losing the distinctive power of the term, but also ignores the fact that truly disruptive change does not occur often. Given the lack of inconsistency in the use of the word disruption, the researcher will unpack the concept in its widest form.

Disruption in business speaks of the occurrence of radical change in an industry or in a business strategy (Downes & Nunes, 2014; Farsan & Stefan, 2011; Hagel *et al.*, 2015; Webb, 2010). This change can either entail the introduction of a new product or service which can result in a new market, sometimes making the current market obsolete (Ismail, Malone, Geest & Diamandis, 2014:51). Unexpected disruptive types of threats tend to be based in a new approach, which can be in the form of a disruptive strategy that was not previously feasible or viable in a given market (Diamandis & Kotler, 2020:20). Disruption also comes as a result of something changing in the larger environment; whether it is technology or customer preferences or a supporting infrastructure (ecosystem) (Kelly, 2015:56). Globalisation and the rapid advancement in technology are some of the major recognisable causes of business disruption (Carroll, 2020; Undheim, 2020).

The term disruption was also made popular by Clayton Christensen, where he introduced the concept of disruptive innovation describing technological change (Christensen, 2016a:27). Christensen described disruptive innovation as a way to think about successful enterprises not just meeting customers' current needs, but also anticipating their unstated or future needs (Roy, 2018:314). The theory of disruptive innovation also worked to explain how small enterprises with limited resources were able to enter a market and displace the established ecosystem (Schmidt & Druehl, 2008:347). In business, disruptive innovation and innovation are closely linked with disruption, and therefore formed a notable part of this study.

3.2.1 THE EVOLUTION OF DISRUPTION

Disruption is not an exclusive 21st Century phenomenon. There have been repeating patterns of massive disruptions occurring regularly over the last 250 years, at intervals of approximately between 50 and 60 years (Freedman, 2015:163). The world's earliest disruption was the Agricultural Revolution, also known as the Neolithic Revolution; which saw humans switching from being hunter-gatherers to farmers, moving from pre-history to civilisation (Stearns, 2021:89). This revolution saw the creation of astounding new technologies, practices, knowledge and systems of exchange, to name but a few. The Industrial Revolution followed in the mid 1700s, transforming economies that had been based on agriculture and handicrafts into economies based on large-scale industry, mechanised manufacturing and the factory systems (Popkova, Ragulina & Ragulina, 2018:76). New machines, new power sources, and new ways of organising work made existing industries more productive and efficient.

The Second Industrial Revolution came in the 1870s and saw massive technological advancements in the field of industries that helped the emergence of new sources of energy such as electricity, gas and oil (Schwab & Davis, 2018:52). The result of this revolution was the creation of the internal combustion engine resulting in inventions of both the automobile and the aeroplane (Griffin, 2013:39). Other important points of the Second Industrial Revolution were the development for steel demand, chemical synthesis and methods of communication such as the telegraph and the telephone (Donovan, 1997:101). The Third Industrial Revolution brought forth the rise of electronics, telecommunications and computers (Stearns, 2021:121). Through these new technologies, this revolution opened the doors to space expeditions, research and biotechnology. In the world of the industries, two major inventions, (1) Programmable Logic Controllers (PLCs) and (2) Robots helped give rise to an era of high-level automation (Stearns, 2021:102).

Industry 4.0 is the Fourth Industrial Revolution (4IR) which is happening right now, in the 21st Century. Industry 4.0 started at the dawn of the third millennium which saw the rise of the internet changing the world forever (Schwab, 2017:76). 4IR brings even more technological advancements and refinements in areas such as the IoT, robotics, virtual reality, Artificial Intelligence (AI), autonomous vehicles, 3D printing, nanotechnology, biotechnology, materials science, energy storage and quantum computing, amongst others. Worldwide economies are based on them (Armstrong, 2019). Artificial Intelligence has now become a common occurrence, enabling self-driving cars, and drones to virtual assist and even software that can translate or invest (Webber-Youngman, 2017).

Impressive progress has been made in AI in recent years, driven by exponential increases in computing power and by the availability of vast amounts of data, from software that can be used to discover new drugs to algorithms that can be used to predict cultural interests (Mahmood & Hussin, 2018:321). Digital fabrication technologies, meanwhile, are interacting with the biological world on a daily basis (Hirschi, 2018:192). Engineers, designers and architects are combining computational design, additive manufacturing, materials engineering, and synthetic biology to pioneer a symbiosis between microorganisms, our bodies, the products we consume and even the buildings we live in (Skilton & Hovsepian, 2018:35).

Like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world (Jeon & Suh, 2017:262). On the business front, many industries are seeing the introduction of new technologies that create entirely new ways of serving existing needs and significantly disrupting existing industry value chains (Pîrvu & Zamfirescu, 2017). Disruption is also flowing from agile, innovative competitors who thanks to access to global digital platforms for research, development, marketing, sales and distribution, can oust well established incumbents faster than ever by improving the quality, the speed and the price at which value is delivered (Johannessen, 2019:76). Technological innovation fuelled by 4IR will continue to contribute to long term gains in efficiency and productivity, as transportation and communication costs decline over time (Deloitte, 2019). Logistics and global supply chains are becoming more effective and the cost of trade may eventually diminish, all of which will open new markets and drive economic growth (Cilliers, 2018).

The four main effects 4IR has had on business are around the areas of customer expectations, product enhancements, collaborative innovation as well as organisational forms (Schwab, 2017). Whether it is consumers or business, customers are increasingly at the epicentre of the economy which is all about improving how customers are served. Physical products and services can now be enhanced with digital capabilities that increase their value (Rose, 2016:39). New technologies make assets more durable and resilient, while data and analytics are transforming how they are maintained (Jeon & Suh, 2017:263). A world of customer experiences, data based services and asset performance through analytics requires new forms of collaboration, particularly given the speed at which innovations and disruption are taking place (Hirschi, 2018:194). The emergence of global platforms and other new business models means talent, culture and organisational forms need to be rethought (Jones & George, 2021:139). The inexorable shift from simple digitisation (Third Industrial Revolution) to innovation based on combinations of technologies (Fourth Industrial Revolution) is forcing enterprises to re-examine the way they do business (Naidoo, 2019). Subsequently, business leaders and senior executives need to understand their changing environment, challenge the assumptions of their operating teams and relentlessly and continuously innovate (Armstrong, 2019).

The Fifth Industrial Revolution (5IR) is looming but it is so new that experts around the world are still unsure about what it is exactly, when it will happen and how much different it will be to 4IR (Oosthuizen, 2016). The general consensus thus far is that, in contrast to the trends of 4IR of dehumanisation, technology and innovation, best practices are being bent back toward the service of humanity by the champions of 5IR (Nahavandi, 2019). The Fifth Industrial Revolution seeks to have humans and machines working closely together (instead of machines replacing humans like in 4IR) (Gauri & Eerden, 2019). It is hoped that AI will help increase human labour productivity and robots will help humans align returns on investment with purpose (World-Economic-Forum, 2019). The Fifth Industrial Revolution places greater importance on human intelligence than ever before. It is hoped that 5IR will encourage the ease of the sting of automation and mass unemployment imposed by 4IR (Rundle, 2020).

The Fifth Industrial Revolution will still entail intelligent devices, intelligent systems and intelligent automation, but focus more on the physical world cooperating with human intelligence (Naidoo, 2019). The term automation will be more about autonomous robots being more of intelligent agents collaborating with humans at the same time and in the same workspace (Schwab, 2019). Trust and reliability between these two parties will achieve efficient flawless production, minimum waste and customisable manufacturing (Brien & Damphousse, 2018). It is hoped that in doing so it will bring back people to the workplace and improve the process efficiently.

3.2.2 SOURCES OF DISRUPTION

Webb (2010) lists politics, economics, environment, psychological, sociological, regulatory forces, media and telecommunications as well as technology as some of the most notable macro sources of disruption in current times, as depicted in Figure 3.1. Political instability can impact economic and business conditions, whereas a volatile economy or competitive pressure from newly emerging economies can result in market shifts that can put pressure on or derail business strategies and the formulation of strategy (Baye *et al.*, 2016:49; Whittington *et al.*, 2016:66). Environmental disruptions are changes to the natural world or specific geographic areas, including extreme weather events, climate fluctuations, rising sea levels, drought, high or low temperatures that can demand businesses to operate differently (Daniell, 2000:24).

Psychological disruptions can influence consumer behaviour and impact consumer decision making, which can positively or negatively change the need and demand of an enterprise's goods or services (Schiffman, Kanuk & Brewer, 2014:73). Teixeira and Piechota (2019) argue that in most cases, it is mostly consumers who are disrupting markets and that it is not always start-ups or technology. Sociological factors can entail changes in public health or in the behaviour of a population in response to lifestyles, popular culture, diseases, government regulations, warfare or conflict and even religious beliefs (Webb, 2010). This has been more evident during the 2020 global outbreak of the Coronavirus pandemic which saw the world coming to a standstill as businesses and citizens were forced into lockdowns and self-quarantine to curb the spread of the virus. Lockdowns and quarantine shut down economies and businesses globally, permanently shutting down many businesses that did not have resources to sustain themselves, and those who were able to survive will require months or years to recover (Papageorgiou, 2020). Governments can cause disruption through the regulatory decisions they make on local, state, national or international governing bodies; their planning cycles as well as elections. Shifts in standard macroeconomic and microeconomic factors can result in economic disruption (Daniell, 2000:33).

Figure 3.1: Macro sources of disruption

Source: Adapted from (Webb, 2010)

Media and telecommunications disruptions come as a result of changes in the ways in which we send and receive information and learn about the world; platforms such as social networks, news organisations, digital platforms, video streaming services, gaming and e-sports systems, 5G, and the boundless other ways in which we connect with each other (Wang, 2015:86). Technology has been a pivotal source of disruption, fuelling innovations over time that have contributed positively to the human race and the business world as a whole (Downes & Nunes, 2014:39).

As a disruptor, technology has become an indispensable strategic asset, as technological advances have resulted in businesses having greater options for effective communication, increased productivity and cost savings through automation of business operations and processes (Vecchiato, 2017:117). Enterprises are not only using technology to innovate and develop new products and services; but also leveraging on the benefits of technology by transitioning from selling hardware based products to creating tech enabled businesses through using computer software, mobile applications, artificial intelligence, IoT, big data analytics and collaborative cloud computing, amongst other things (Kuncoro & Suriani, 2017:7; Stamler, 2016:133).

Sood and Tellis (2010) identified three domains of disruption; namely technology, organisational and demand disruption. Technological disruption occurs when a new technology crosses the performance of the dominant technology on the primary dimension of performance. The term dominant technology refers to the technology with the best performance on the primary dimension at the time a new technology enters the market. For instance, if we look at pay television in South Africa, 'the case company' (which is the leading pay television broadcaster in South Africa) their digital satellite service offering (the dominant technology) is experiencing technology disruption because video streaming through different platforms (such as Netflix, VOD service of the case company, YouTube, Disney+, Appletv+, Amazon Prime Video) have enabled consumers to access entertainment content faster and cheaper than what 'the case company' can provide.

Organisational disruption occurs when the market share of the organisation whose products use a new technology exceeds the market share of the largest organisation whose products use the highest share technology (Sood & Tellis, 2010:52). The term 'highest share technology' refers to the technology with the highest market share at the time that a new technology enters the market. An example of this in South Africa would be how mobile network enterprises Vodacom and MTN overtook Telkom who was more focused on providing landlines services, while new entrants Vodacom and MTN pushed mobile technology, surpassing landline demand. It is to be noted that by this definition of organisational disruption, either an entrant or incumbent can disrupt the largest organisation whose product uses the dominant technology. However, if the highest market share organisation is farsighted and builds the highest market share in this new technology, then no organisational disruption can take place. Therefore, if for instance 'the case company' is able to counteract the technological disruption by formulating and implementing strategies to increase their market share in video streaming (new technology) through services such as their VOD service and other product extensions, then the company may be saved from experiencing the negative effects of organisational disruption.

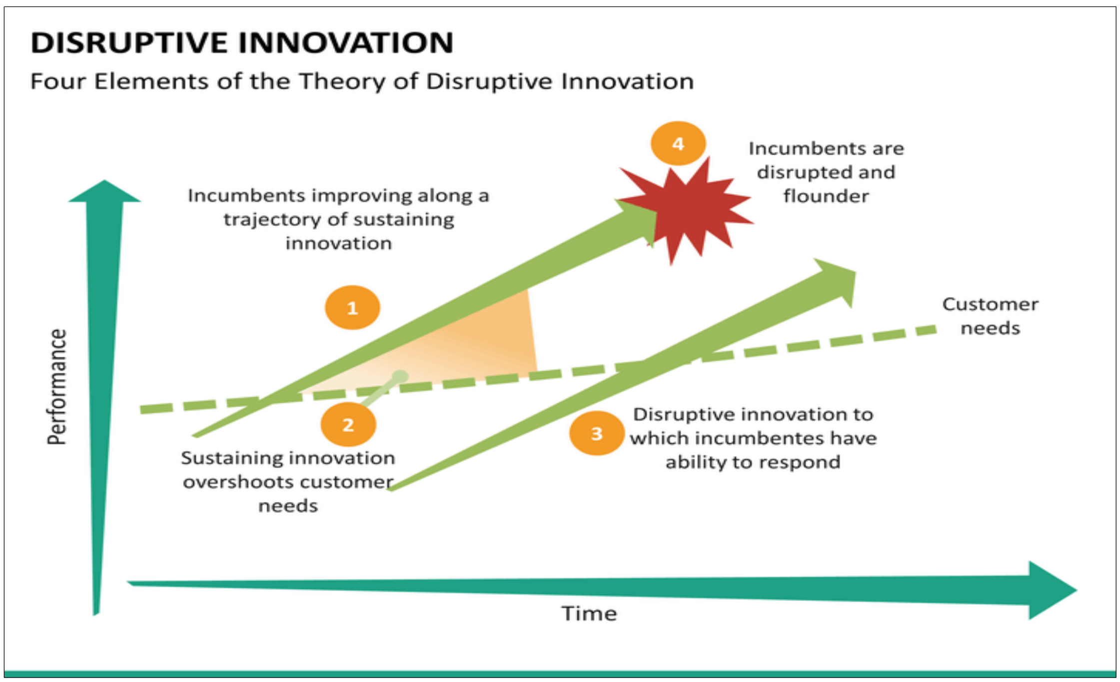
The last dimension of disruption is demand disruption which occurs when the total market share of products of a new technology exceeds the market share of products of the dominant technology (Sood & Tellis, 2010:52). If the market share of video streaming had to exceed the market share of pay television, then we would say that demand disruption has taken place. When three domains of disruptions namely technology, organisational and demand disruption happen simultaneously, then we say that market disruption has taken place. Market disruption saw the demise of companies such as Kodak, Nokia, Ericson and DVD rental shops amongst others.

3.3 THE THEORY OF DISRUPTIVE INNOVATION

In tracing the origins of disruption, it is hard not to mention Clayton Christensen who introduced the concept of “disruptive technological change” in his seminal work. Christensen (2016a:19) developed the theory of disruptive innovation in an attempt to understand why established, well managed enterprises with superior technical capabilities and market position fail. The theory of disruptive innovation predominantly describes how industries in any field transform and provide increasingly affordable convenient and accessible products or services to consumers (Gobble, 2016:66). Uber, Airbnb and Netflix are some of the most commonly mentioned disruptive innovations of our times.

Characteristics of disruptive innovation often include the reality that the new disruptive service or product debuts at a lower price point than existing offerings. Linked with fewer features, this lower price appeals to a certain set of users that are willing to trade features for a lower price point. Over time, and leveraging the customer familiarity, information, and product trust gained earlier in the product cycle, the disruptive innovator eventually climbs up the value chain. Stated in a slightly different manner, sometimes in order to innovate successfully in a rapidly shifting business landscape, the very business model of the enterprises must evolve alongside innovation embedded into operational decision making (Schneider & Spieth, 2013:24). At a certain point, the disruptive enterprise dethrones the reigning market leader and takes lead position in the marketplace. Recent examples of such a transition might include Netflix and Blockbuster. Looking back, the rise of Netflix and the fall of Blockbuster seemed assured, but that is the power of strategic formulation and a long-term focus which enabled such a transition to occur.

Figure 3.2: Disruptive innovation model



Source: Adapted from *(*Christensen *et al., 2015)*

Disruptive innovation as depicted in Figure 3.2, describes a process whereby a smaller enterprise with fewer resources is able to successfully challenge established incumbent business (Slavin, 2012b). In particular, as incumbents focus on improving their products and services for their most demanding and most profitable customers, they exceed the needs of some segments and ignore the needs of others. Entrants that prove disruptive begin by successfully targeting those *overlooked segments*, gaining a foothold by delivering more suitable functionality, frequently at a lower price (Nagy, Schuessler & Dubinsky, 2016:119). Incumbents chasing higher profitability in more demanding segments tend not to respond vigorously. Entrants then move upmarket, delivering performance that incumbents' mainstream customers require while preserving the advantages that drove their early success (Zuckerman, 2016:28). When mainstream customers start adopting the entrants' offerings in volume, disruption can be said to have taken place.

It is to be noted that disruption does not happen immediately. In the initial stages of their life cycle, the disruptive innovation products (products with a new set of features from those associated with mainstream technologies) only satisfy the needs of customers in a niche market segment because these customers value their new attributes. But over time, as subsequent product developments improve the performance of the products, it satisfies the demand of the mainstream market (Roy, 2018:314). While it may be tempting to consider all innovation as disruptive, we should note that not all innovation is disruptive. Christensen (2017) disruptive innovation model required the above mentioned elements of the theory to be met in order to classify an innovation as disruptive.

Table 3.1: Examples of disruptive innovations

Disruptor	Disruptee
Personal computers	Mainframe and minicomputers
Mini mills	Integrated steel mills
Cellular phones	Fixed line telephones
Video-on-demand broadcast services	Traditional linear broadcasters
Mobile applications on mobile devices	Portable navigation devices

Source: Adapted from (Christensen, 2017)

Disruptive innovation is one of the key elements that is necessary in driving strategic advantage (Porter, 1996). Porter identified "unique and valuable market positioning" as one of the principles underlying strategy. Successful enterprises, no matter the capability source, are good at responding to evolutionary market changes (Christensen & Overdorf, 2000). However, their challenge comes with how they handle or initiate disruptive market changes and how they deal with disruptive innovation. Strategic managers are placed in a difficult position of having to balance strategies that are needed to survive current business climates, while equipping the organisation with strategies needed to secure future growth (Direction, 2012). In creating and defining these strategies, it is important for decision shapers to understand how accelerated change impacts strategy formulation and what the characteristics of the strategic management process look like in a disruptive environment.

According to the theory of disruption, there is a basic need for enterprises to continually survey the landscape (strategic and situational analysis), seeking innovations that may disrupt them or their entire industry. This theory has been heralded as a useful strategy framework that innovators and managers can use to understand the market and to identify potential threats and opportunities while plotting a way forward (Nagy *et al.*, 2016). When dealing with new technologies, managers tend to make the mistake of trying to fight or overcome the principles of disruptive innovation (Satell, 2017:163). Applying traditional management practices that lead to success with sustaining innovations does not work with disruptive technologies. Instead, it is best to understand the laws that apply to disruptive innovation and to use them to create new markets and products. Through recognising the dynamics of how disruptive innovations develop, managers can respond effectively to the opportunities that they present, plan for failure and accept that things may not work out the first time.

As with innovation, disruption is not a single event, but rather a process that plays out over time, sometimes quickly and completely, but other times slowly and incompletely; explaining why enterprises can easily make the strategic mistake of ignoring or disregarding disruptors (Downes, 2009b:18-22). The theory of disruptive innovation provides useful warnings against managerial myopia and on managers who overlook and misunderstand the importance of emerging threats (King & Baatartogtokh, 2015:77). Myopia is the tendency of managers with short horizons to invest sub-optimally, diverting resources from long-term value maximising projects to short-term share price maximising projects (Chowdhury, 2012:37). This is a reality as shareholders are only interested in short-term gains and judge the CEO on this short-term performance. Many enterprises face the dual challenge of having to improve their financial performance while also continuing to invest and grow for longer term opportunities. This can pose a hurdle to long term strategy formation and planning (Juma, 2019:167). Disruptors also tend to focus on getting the business model right, rather than solely focusing on the product and this takes time (Richardson, 2010:68). When they finally do succeed, their movement from low end of the market to a new market erodes competitors' market share and profitability, and this is what happened with Netflix (Richardson, 2010:68).

The theory of disruptive innovation has come under severe criticism over time. Bhushan (2014) referred to it as "a business school concept that is often overused with little reference to the original idea". Christensen *et al.* (2015) agreed that the concept has been overused and misapplied to the point of becoming a cliché. Roose (2014) went as far as suggesting that the term disruptive innovation should not be used because "when everything is disruptive, nothing really is" and that the use of the term as an "all-purpose rhetorical bludgeon" can distract from the real issues with emergent products and enterprises.

Lepore (2014) described the theory of disruptive innovation as "a theory of history founded on profound anxiety about financial collapse, an apocalyptic fear of global devastation and shaky evidence". Lepore criticised Christensen (2016a) for hand picking case studies that match his preconceptions while ignoring evidence that contradicts his theory. After interviewing and surveying 79 industry experts, King and Baatartogtokh (2015:79) concluded that 77 industry cases cited as examples of disruptive innovation by Christensen and Raynor did not actually meet any of the theory's four key elements. They also claimed that the theory has not been adequately tested in academic literature. Zuckerman (2016:29) called the theory ambiguous and not clear of its core idea, saying that it is unclear how valuable the theory is and what adjustments need to be made to make it valuable. In his view, there are very useful core ideas at the heart of the theory, ones that scholars and executives alike would do well to heed, but these ideas are yet to be clearly articulated, either by Christensen himself or by his critics like King and Baatartogtokh (2015).

Authors like Bienenstock (2016:25) however stand by the theory, defending it as invaluable to the business world, as it illustrated the power of disruptive innovations to infiltrate new markets with an inferior product. Bienenstock (2016:25) heralds the theory as having helped enterprises like Intel Corporation and Johnson & Johnson to identify and formulate innovative products. Gilbert (2003) cited the theory of disruptive innovation as one of the most influential innovation theories, because disruption will continue to be a tremendous source of economic growth and managers who understand that the net effect of disruptive innovation is positive, will be in a much better position to seek out new opportunities, by building organisations that can identify promising new customers and stick with them as they pursue the innovation that leads to major new growth.

The applicability of the theory of disruptive innovation is multifaceted and since its inception, the theory has been used by many industry experts aiming to help enterprises identify and understand disruptive innovations in their particular industries (Gobble, 2016:66). Christensen himself has encouraged the application of disruptive innovation to other contexts, such as healthcare and education, and to explain modern disruptive innovations such as Airbnb and Netflix (Christensen, Grossman & Hwang, 2009:135; Thompson, 2016:283).

Yuan and Powell (2013) used the theory of disruptive innovation to examine Massive Online Open Courses (MOOCs) development and how their approach could be used to help institutions explore innovative approaches for teaching and learning and to develop new business models in order to gain competitive advantages in the education market. The theory was also commended within energy research, where the value of disruptive innovation highlighted the tendency for energy analysts to overlook overserved users or missing markets (McDowall, 2018). The observation challenged tacit assumptions about user needs within the energy sector, illustrating that if users were overserved in terms of energy services, then low end foothold strategies may enable lowering of total energy service demands.

In the health sector the theory of disruptive innovation was used to analyse disruptive innovations in service delivery in the form of single speciality hospitals, ambulatory surgical centres and retail clinics (Burns, David & Helmchen, 2011:69). Radical innovation and disruptive technologies were frequently heralded as a solution to delivering higher quality, lower cost health care. Along with the theory of strategic adaption, the disruptive innovation theory was used to illustrate how incumbents can develop competitive responses to assure their survival (Burns *et al.*, 2011:70).

As mentioned before this theory has become commonly synonymous with concepts of innovation and technological radical change in business research. When it first originated, the concept of disruptive innovation was primarily an advancement in theory, a concept to help explain why certain types of technological change will upset current market leaders in favour of new ones (Roy, 2018:320). However, disruption and innovation are no longer merely buzzwords in strategy research, these words and their underlying meanings are driving the business environment (Boston-Fleischhauer, 2015:469; Gobble, 2016:67). Augmented by technology and enhanced by the speed with which information is produced and consumed; innovation and the ramifications of innovation on business decision making continue to be felt throughout the discipline of strategic management (Lin, Zhang & Yu, 2015:828; Zuckerman, 2016:28).

3.4 AN OVERVIEW OF DISRUPTION WITHIN STRATEGY

Many industries are being revolutionised globally, consequently, customer habits, preferences and behaviours are changing, thus disrupting the competitive landscape. Despite disruptions happening around them, enterprises still need to strive to protect their long-standing competitive advantage and their threatened future relevance, while also striving to grow under the current evolving business environment. Disruption and uncertainty present an opportunity for growth and increased competitive advantage as it highlights the need for new products or processes (Porter, 1996). An enterprise attains a competitive advantage when its profitability is greater than the average profitability of all enterprises in an industry, and the greater the extent to which the enterprise's profitability exceeds the average industry's profitability, the greater its competitive advantage (Jones & George, 2021:4). This is the essence of strategy; choosing to perform activities differently to competitors, or doing things competitors do not do, or even just doing what they do better; and all this with the intention to increase profitability. Factors which determined competitive advantage have changed over time and competitive advantage today can be fast tracked through innovation (Kim & Mauborgne, 2015; Philippe, Bloom, Blundell, Griffith & Howitt, 2005:88).

While technological change and its implications have been studied from different perspectives in technology management literature, there is limited research in explaining strategy formulation by managers in response to disruption within South African enterprises (Burgelman, Christensen & Wheelwright, 2008; Dodgson, Gann & Salter, 2008; Ettie, 2006; Farsan & Stefan, 2011:14; Schreiber & Berge, 2019; Stamler, 2016).

Often enterprises are faced with disruptions as a result of technological innovations or market conditions that they did not anticipate, conditions brought about by rapidly changing technologies and abruptly changing business environments (Drejer, 2017:66). During disruption, incumbents are normally oblivious, as they remain satisfied with the status quo, not recognising that change is lurking.

It is important for managers to realise that relying on sustainable competitive advantage alone may not be enough to handle disruption. Competitive advantage is often short-lived and no longer enough to sustain an organisation's relevance to eternity. Transient advantage has replaced competitive advantage (McGrath, 2013b). Organisations can no longer afford to spend months crafting a single long-term strategy, but instead need to constantly start new strategic initiatives, building and exploiting many transient advantages at once in order to stay ahead (Leavy, 2014:9). A transient advantage is a strategy that prioritises fast innovation with the aim of building a pipeline of competitive advantages (Ellermann, Kreutter & Messner, 2017:66). In a transient-advantage economy, sustainable competitive advantage is an exception instead of the rule. Transient advantage is the new normal and in order to stay ahead of the game, organisations need to continually assess whether current competitive advantages are still relevant (McGrath, 2013b). Transient advantages focus on routine innovation as the source for building new advantages that keep organisations ahead of their competitors (McGrath, 2013a:67).

Managing disruption can be a challenging task to accomplish within existing organisational structures with traditional hierarchy (Johnson, Whittington, Regnér, Scholes & Angwin, 2017:176). Different functional groups and areas within enterprises often have different individual priorities, goals, objectives and resources. Importantly from a strategic formulation and execution perspective, different functional areas often have conflicting strategic objectives (Baye *et al.*, 2016:94). This reality creates an additional layer of complexity that must be addressed in order to effectively execute strategic planning. Even though capabilities and information have increased in speed, decision making in larger enterprises often requires several layers of approval, which takes time and that impedes the responsiveness to disruption.

3.4.1 THE RELATIONSHIP BETWEEN DISRUPTION AND STRATEGY FORMULATION

Many enterprises still believe in the classic approach of formulating a five year strategy and executing as is (Drejer, 2017). In most industries the five year strategic time frame is fast coming to an end, along with the belief of keeping strategies consistent year on year (Markides, 2017). Strategy formulation often leaves practitioners wondering if the strategies are relevant enough for market conditions, or whether the strategies are innovative enough to withstand competitive market conditions, or even whether the strategies will be able to deliver the right returns and whether the enterprise is actually equipped to execute the strategies effectively (Hagel *et al.*, 2008).

Research has proven that the three key drivers of strategy failure in enterprises include hanging onto business models that are outdated, failure to create deep connections with customers and unwillingness and inability to adapt to change (Christensen & Wessel, 2012). Management has to consistently scrutinise the relevance of their strategies by questioning the strategy and its execution. Management also has to make sure that they become relentless about innovating (Hagel *et al.*, 2015). However, the agility required to adopt such a mindset is challenging. Research shows that the majority of executives believe that decision making in their organisations is too slow to successfully execute strategy (Armstrong, 2019; Carroll, 2020; Goodwin, 2018; Undheim, 2020). The undeniable fact is that the pace of change is far more rapid than most enterprises' strategy decision making process can operate.

Established industry incumbents perpetually face the risk of being disrupted by new entrants using new technologies, improved business models or new approaches to capture market leadership (Christensen & Wessel, 2012). Satell (2017) further explains that enterprises that are able to meet and overcome the disruption challenge, are those that continually identify new problems, then match them with strategies that best fit to solve the new problems, thereafter they access resources internally and throughout the innovation ecosystem in order to build strategies that prepare for the future. Enterprises have to be able to create new growth through innovation. Disruption allows for new technologies to emerge and create new institutional ecologies that favour their establishment in the market place (Juma, 2019:41).

Deliberate strategies are the outcomes of clearly articulated intentions and are designed on the assumption that environments are stable (Andersen & Nielsen, 2009; Fuller-Love & Cooper, 2000). Deliberate strategy making is rigid in its approach because it appears at a point in time, governed by a set of rules fully formulated and ready to be implemented (Pretorius & Maritz, 2010). Deliberate strategies are most appropriate for comparatively straightforward and controllable contexts (Leitner, 2014:354). In fact Mintzberg and Waters (1985) argued that many deliberate strategies are found in enterprises that simply extrapolate established patterns in environments that they assume will remain stable, and that strategies appear not to be conceived in planning processes so much as elaborated from existing visions or copied from standard industry recipes. One dominant limitation of a deliberate strategy approach is that it does not work in environments under high turbulence and several studies have highlighted that focusing solely on deliberate strategies may hinder innovation or even threaten an enterprise's survival (Bodwell & Chermack, 2010:193; Leitner, 2014:357; Maniak & Midler, 2014:1146; Raynor, 2011:121).

Emergent strategies on the other hand are strategies which emerge out of practice in a bottom up or undirected way (Neugebauer *et al.*, 2016:323). Emergent strategies are ongoing and incremental, as strategies are continuously modified to adapt to environmental changes (Pearce & Robinson, 2013:95). Emergent strategies are most relevant in volatile and competitive environments as they allow adaptability and they are also appropriate for innovation and disruptive innovation as they allow enterprises to respond to emerging customers' needs (Leitner, 2014:354). Criticism of emergent strategies is that they can lack structure and consistency (Andersen & Nielsen, 2009:94; Bodwell & Chermack, 2010:193; Mirabeau & Maguire, 2014:1202).

In order for enterprises to survive and prosper in changing environments, they must be agile enough to react with minimal damage in time, cost or performance. Therefore formal strategy processes have proven to be insufficient in shaping strategy, particularly in changing environments (Birkie *et al.*, 2017:457). There is consensus that strategic management resides on a continuum, from planned to emergent strategy making, where most strategies unfold in a mixed way, thus in reality strategies are enacted through a combination of both emergent and deliberate mechanisms (Chia & Holt, 2011:65). Mintzberg and Waters (1985), Mintzberg (1987) and Mintzberg and McHugh (1985) previously showed how deliberate and emergent moves shape strategy evolution, suggesting that strategy follows successive stages of evolution. According to Mirabeau and Maguire (2014:1203) approaches to strategy tend to take a narrow view and look for the best way to implement the deliberate strategy rather than to consider other possibilities like the role of emergence. Covin *et al.* (2006:57) argued that strategies are likely to be emergent rather than deliberate, and many other authors agree that strategy can be made in both planned and emergent ways because in reality strategies usually contain elements of both.

Harris, Forbes and Fletcher (2000:125) indicated that emergent strategy formation is particularly significant in the product innovation domain, as it allows enterprises to respond to new consumer demands, and this incrementally leads to deliberate strategy. In support of this, Loch (2000) states that radically new product developments benefit from a less structured approach than incremental development projects, especially in a turbulent environment where creativity and flexibility are required for successful strategies. Many authors believe that there should be a balance between focus and flexibility, as well as the balance between having a sense of direction and having a responsiveness to changing opportunities (Andersen & Nielsen, 2009:94; Bodwell & Chermack, 2010:195; Fenton & Langley, 2011:1171; Kopmann *et al.*, 2017b:560). Indeed, the question of the superiority of planned versus emergent strategies probably initiated the most heated debate in strategy literature (Slater, Olson & Hult, 2006:221; Thomas & Ambrosini, 2015:105).

When competing in a turbulent or uncertain environment, strategic flexibility can be a needed source for competitive advantage as it provides the enterprise with the ability to adapt to a changing environment as well as create new opportunities (Thomas, 2014:109). Shimizu and Hitt (2004:44) describe strategic flexibility as an enterprise's capability to identify major changes in the external environment and quickly commit resources to new courses of action in response to those changes.

3.5 CHAPTER SUMMARY

Enterprises operate in increasingly complex worlds; business environments are more dynamic and often far less predictable than before. Research shows that most enterprises have found it challenging to transform themselves in difficult circumstances and enterprises who continue to do things in the same way for years will continue to be affected by disruption. Many industries are being disrupted; we are in the midst of a transitional period where new competitors are beginning to overtake incumbent companies making it more challenging to survive.

CHAPTER 4: DISRUPTION IN THE SOUTH AFRICAN PAY TELEVISION INDUSTRY – THE CASE COMPANY CASE ANALYSIS

Chapter outline:

The purpose of this chapter is to:

- discuss the importance of television as a medium;
- unpack the disruption taking place within the pay television industry;
- examine the competitive advantage of 'the case company' within the industry
- discuss the application of Porter's five competitive forces that shape strategy within the pay television industry;
- look at the strategies of 'the case company' over the financial years.

4.1 INTRODUCTION

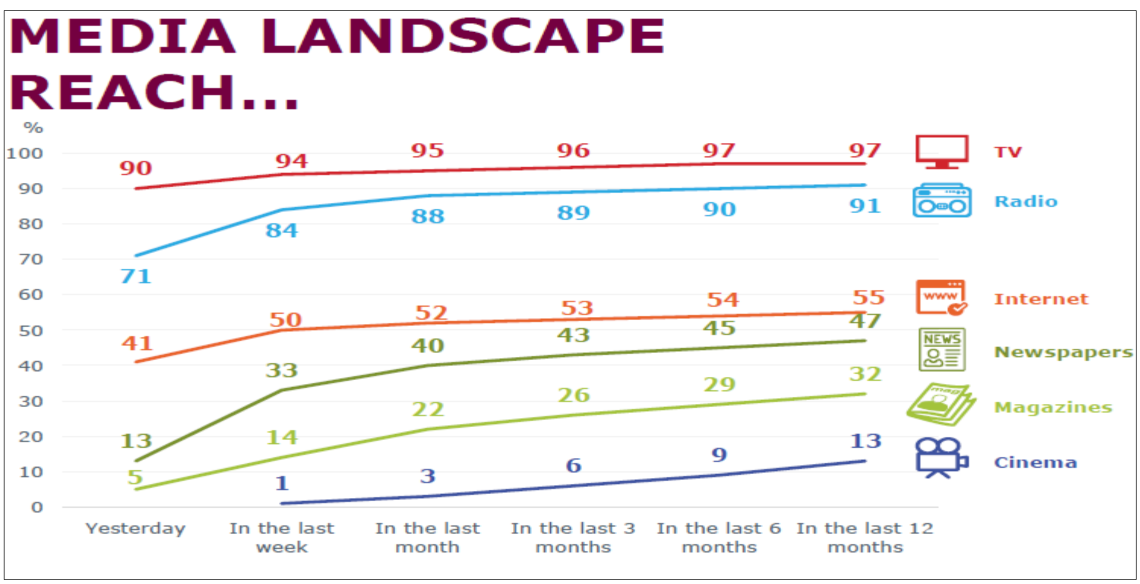
The broadcasting industry is being revolutionised globally as well as locally. Digitisation and the exponential rise of access to faster internet for consumers is disrupting television as a technology (Deloitte, 2020). Today's connected device-carrying viewers are changing the rules of broadcast media, forcing broadcasters and advertisers to rethink how they work (Crefeld, 2018). Changing viewing habits are impacting how viewers are choosing to consume entertainment content, thus shifting the competitive landscape within the broadcasting industry, even in South Africa. Disruption brought on by the internet explosion means that it is only a matter of time before traditional broadcasting models become outdated, and the concept of the satellite dish also becomes extinct.

The revenue and profitability of traditional entertainment services within the home has attracted many new players, including content creators and platform providers (Kimmich, 2019). The arrival of online subscription VOD services such as Netflix and Amazon Prime Video in South Africa is shaking the market position of the 'the case company' as a leader within the pay television industry (ICASA, 2018). Subscription VOD is increasing worldwide and forecasted to increase from 21 million to 383 million by 2021 (Statista.com, 2018). The television business has changed from provider-driven to consumer-driven. For broadcasters who used to decide whether content lived or died, the internet has proven to be the most disruptive development, impacting profit streams forever (Accenture, 2020).

4.2 THE IMPORTANCE OF TELEVISION AS A COMMUNICATION MEDIUM

It is claimed that 1.59 billion homes worldwide had access to television in 2016 and this number is forecasted to grow to 1.68 billion by 2021 (Statista, 2019). The USA is leading the 2020 number with 120 million television households, while South Africa reported 14.5 million television households representing 44.6 million people in 2019 (TAMS, 2019). Television is a strong medium in South Africa, reaching coverage of 95% of the population of individuals aged 15 and above, in an average month translating to 37.1 million viewers (TAMS, 2019). As indicated in Figure 4.1, television surpasses other mediums as the dominant media medium in South Africa.

Figure 4.1 Medium reach for population aged 15 and above by medium



Source: Adapted from Broadcast Research Council of South Africa (2020)

From the time of its inception, television has become such a big part of modern and social culture, as it has the ability to entertain, inform and educate viewers of all ages, so much so that in 1996 the United Nations General Assembly proclaimed November 21 as *World Television Day,* “in recognition of the increasing impact television has on decision making by alerting world attention to conflicts and threats to peace and security and its potential role in sharpening the focus on other major issues, including economic and social issues” (WorldTelevisionDay, 2020). The wide genre of content available on television today ranging from news, sport, documentaries, series, children’s programmes, movies and music amongst others, makes television the preferable and sometimes the only source of information and entertainment for many viewers in South Africa and around the world (PWC, 2019). Television has repeatedly proven to be remarkably resilient in an era where the digital world has accelerated at a rapid pace (Wilmarth, 2019).

Television stimulates the economy and the global media sector of which television is a major part and employs millions of skilled workers across the world (Deloitte, 2020). The income earned by workers in jobs directly related to local television, either in the industry itself or in the many suppliers that support the industry, directly help to create economic activity (NAB, 2020). ‘The case company’ in South Africa employs over 7000 people across Africa, with the majority based in South Africa (TheCompany, 2020b). The company paid over R3 billion in taxes at the end of the 2020 financial year (TheCompany, 2020b). ‘The case company’ spent R18,8 billion on content in total, and its total local content exceeded 54000 hours in 2020, significantly contributing to industry growth and keeping people employed in South Africa and other parts of Africa (TheCompany, 2020a). During Covid-19 initial lockdown in March and April 2020, ‘the case company’ announced that it was setting aside R80 million to pay salaries to cast and crew members in local production on the platform in order to keep people employed (TheCompany, 2020b). On the other hand, Netflix projected that it would spend more than $17 billion on content in 2020 and forecasted to reach $26 billion by 2028 (Netflix, 2020b). The success of television as an advertising medium generates revenue which is then reinvested in even more great programming for viewers (PWC, 2019).

Television remains one of the most trusted and effective advertising mediums (Wilmarth, 2019). Television has proven itself as a powerful medium, reaching consumers in building brands by ensuring that consumers know about new products, services, ideas and projects (Fourie, 2017:89). Television strengthens the position of existing brands and reassures consumers about the choices they make. Advertisers recognise the power of television as an efficient channel of connecting with consumers in order to market their products, and in South Africa television has been the most preferred advertising medium by marketers for many years (Shimp & Andrews, 2014:39). In 2019, South African television was once again the most preferred advertising channel by marketers, resulting in an advertising spend of R14.2 billion, followed by print at R2.9 billion and radio coming in third at R2.8 billion (NielsenADEX, 2019). The top 2016 television advertisers were Shoprite Holdings Ltd (R1.51 billion), Unilever South Africa (R1.44 billion) and in third place Clientele Life (R1.13 billion). Despite the introduction of online video platforms such as YouTube and subscription VOD services, the consumption of television has remained tried and true across generational gaps (Wilmarth, 2019).

4.3 DISRUPTION WITHIN THE SOUTH AFRICAN PAY TELEVISION INDUSTRY

Technological advancements, such as smart devices (laptops, mobile phones, televisions) coupled with the internet are disrupting viewing habits, impacting how viewers are choosing to consume content. South Africa recorded a high 36,5 million active internet users in 2020, with most users accessing video content; it is only a matter of time before traditional broadcasting models become outdated (Statista, 2020). In the US, Moffet-Nathanson research reported the effects of consumers 'cord cutting' through downgrading or cancelling their pay television subscriptions; quarter 2 of 2017 saw traditional pay television distributors losing an estimated 872000 subscribers, the worst loss ever in a quarter (Inside-Radio, 2018).

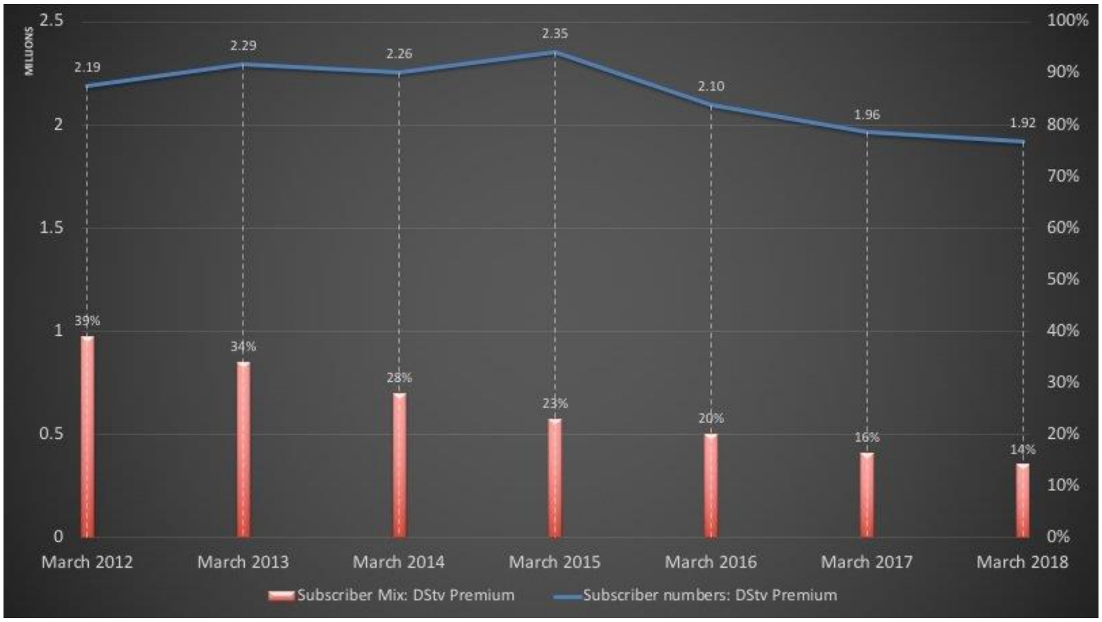
The pay television and subscription VOD industry in South Africa is currently dominated by Netflix and 'the case company', while the other new entrants are still at very low customer levels. Netflix launched in 2013 in 130 countries including South Africa, and in line with the theory of disruptive innovation, Netflix created a market where none existed before (Nagy *et al.*, 2016:13). During its 2019 financial results, Netflix reported a profit of US$7.7 billion in streaming revenue from its 167 million global subscribers, of which 152588 subscribers are in South Africa (Netflix, 2020a). Netflix is currently recognised as a growing contender to the case company's pay television digital satellite service which launched in 1995. 'The case company' currently holds a subscriber base of 19,5 million subscribers in Africa in 2020, of which 8,4 million are in South Africa (TheCompany, 2020a). 'The case company' reported a healthy revenue of R51,4 billion at the end of its 2020 financial year, representing an increase of 3% (TheCompany, 2020a).

The company's once most profitable digital satellite service 'top segment service' package which is aimed at high-end consumers has been losing subscribers since 2015 as illustrated in Figure 4.2. The decline has been significant over the years, as such that 'the case company' instituted various initiatives including a price freeze in 2019 in trying to curb the decline, but none of the measures have stopped the exodus of the case company's top segment customers (My-Broadband, 2018b). During a public hearing with the Independent Communication Authority Of South Africa (ICASA), 'the case company' conceded that the loses were largely a result of Netflix's uptake in South Africa (My-Broadband, 2018a). 'The case company' reported that it had lost a total of 115000 top segment subscribers in all of their markets (South Africa and rest of Africa) during the financial year ending 2017, after losing 235000 top segment subscribers in the financial year before (Naspers, 2017). 'The case company' warned that Netflix's growth is a threat to their revenue, as well as job security for their employees (My-Broadband, 2018b). One of the effects of the presence of a disruptor is that existing market players will lose market share to new entrants who are bringing in disruptive innovations (Gilbert, 2003).

There is industry consensus that the company's business model of its almost R1000 per month priced 'top segment product' is unsustainable in African economies (Gavaza &

Phakathi, 2019). The company has agreed that affordability of the ‘top segment product’ is a problem as many South African consumers remain under financial pressure.

Figure 4.2 The decline of the top segment customers of the case company



<u>Source</u>: Adapted from (My-Broadband, 2019)

It is reported that as at June 2019, 496000 homes in South Africa are connected to fibre connections and with the rollout of township fibre on the cards, this exponential growth is anticipated to continue (Businesstech, 2019). As ‘the case company’ struggles to hold on to their top segment subscribers while proliferation of uncapped fibre services increases, high-end consumers are opting to replace the company’s top segment package with a streaming video service for a fraction of the price as illustrated in Table 4.1.

Table 4.1: Subscription VOD services in South Africa as at March 2020

Service	Monthly Fee
Netflix	R99 – R169
VOD service of the case company	R0 – R99
YouTube Premium	R0 – R129
Vodacom Video Play	R99
Amazon Prime Video	$5,99 (approx. R102)

Apple TV+	R84,99
Showtime	$9 - $11 (approx. R153 – R187)
Disney+	$7 (approx. R119)

Source: Adapted from *(*Vermeulen, 2020b*)*

Analysts report Netflix's growth as largely driven by its low subscription price and high-profile international content (Davenport & Harris, 2017). Netflix released more original programming in 2019 than any other network or cable TV channel in the US, and the company planned to have more than 1000 original titles on the platform before 2020 (Netflix, 2020b). Netflix has innovated the broadcasting industry by coming up with ways of using subscribers' information and viewing statistics to collect analytics data which they use to enhance individual subscribers experience, resulting in individual website customisation for each subscriber.

This solidifies Netflix's position as a disruptor because disruptors often build business models that are very different from those of incumbents (Slavin, 2012a). Netflix has become an organisation that competes on the basis of its mathematical, statistical and data management skill (Davenport & Harris, 2017). Netflix hired mathematicians with programming experience to write algorithms and codes to define clusters of content, connect customer content rankings to the clusters, evaluate thousands of ratings per second and factor in current website behaviour, all resulting in a personalised web page for each visiting customer. They analyse viewers' choices and feedback on content and recommend content in a way that optimises customers' taste. Netflix classifies and tags content to get a nuanced view of viewers' preferences (Bulygo, 2018). Netflix's core competency in data science enables the personalisation of the streaming experience based on user behaviour.

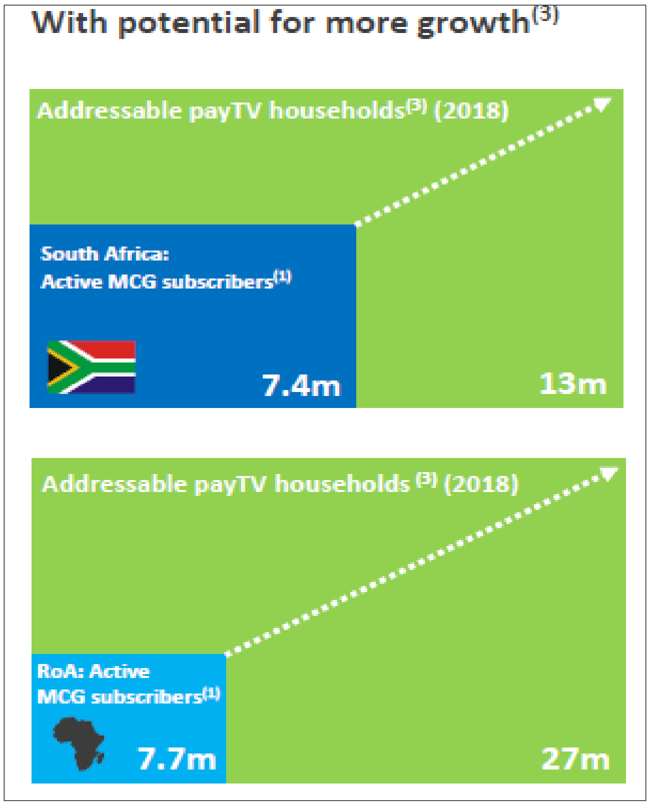
Christensen's theory of disruptive innovation states that smaller companies (known as new entrants) with fewer resources, often introduce disruptive technologies in the form of new products or services, challenging established incumbents (Christensen *et al.*, 2015). South African telecoms companies such as Telkom LIT, Vodacom Video Play and MTN Shortz are classic examples of this theory and are among those vying for a slice of the rapidly growing digital content business. This is likely to take up faster in due course as consumers put pressure on mobile operators to drop data prices (Hedley, 2018). These mobile companies are fuelling disruptive innovation within broadcasting as they search for new revenue streams by leveraging off their existing solid infrastructure.

New viewer behaviour is driven by the desire by viewers to choose specific content that they want to watch at a time most suitable for them, instead of following prescriptive schedules set by traditional broadcasters (Inside-Radio, 2018). This new behaviour has enabled disruptive innovation because one of the characteristics of disruptive innovation is that it creates new market footholds and disrupters create a completely new market by finding a way of turning non-consumers into consumers (Sampere, 2016). It may not be long before household satellite dishes become outdated just like the landline telephone, as digital satellite television (the core business of 'the case company') might end up joining movie rental stores and hand-written letters as victims of the internet revolution (Hedley, 2018).

4.4 THE CASE COMPANY'S COMPETITIVE ADVANTAGE

Despite a tough competitive environment and the disruption taking place in the pay television space, as well as the decline in its 'top segment product', the company recently reported a 12% growth in subscribers as well as a 6% revenue increase in the 2020 financial results as illustrated in Figure 4.4 (TheCompany, 2020a). 'The case company' is Africa's leading video entertainment operator, with most of the growth coming from the profitable mass segment, which is the low-end consumer base, accounting for a strong 4 million subscribers in 2020, and serves as a great source of growth for the company. The company is forecasting to continuing to grow its subscriber base in South Africa and the rest of Africa, identifying strong growth potential in a large addressable market as illustrated in Figure 4.3. This growth potential is calculated based on television households' adjusted for affordability criteria (R2000 income per month in South Africa and ~USD150 in the rest of Africa) and the number of pay television households for the rest of Africa reflects a combined total across the company's 49 markets of operation (TheCompany, 2019).

Figure 4.3 Market size growth potential as forecasted by 'the case company'



Source: Adapted from (TheCompany, 2019)

For low-end consumers, access to the capabilities required to stream video content from services such as Netflix is limited due to high data costs and the high cost of good internet connection. The low adoption of fixed broadband as a consequence of a relatively dispersed population in Southern Africa further limits internet based video services. Compared to 'the case company', Netflix lacks relevant local content, Netflix does not stream sports (local and international) and Netflix requires access to fast download speed at prices that are not affordable to many in South Africa and the rest of Africa. It is evident that there are still many barriers for Netflix to penetrate the large mass market in South Africa where 'the case company' strongly dominates. 'The case company' has a significant scale with its direct to home television and digital terrestrial television capabilities with their wide range of packages aimed at different affordability scales, as illustrated in Table 4.2.

Figure 4.4 The South African subscriber numbers of the case company FY2019 vs FY2020

Source: Adapted from (TheCompany, 2019; TheCompany, 2020a)

Content is a crucial strength for 'the case company' and differentiates the company from competition. They have a prominent portfolio of local and international sports content and they own the rights to major sport events (locally and internationally). The company also has a leading unmatched local content offering which resonates well with Africans, especially the large mass market, and the company plans to increase its spend on local content by 45% by 2022 (TheCompany, 2020b). 'The case company' has an advantage over other VOD players because they have executed local content in South Africa and the rest of Africa longer than their competitors. The company has built strong local content brands such as kykNET, which targets the Afrikaans market, Mzansi Magic brands for the black South African market, as well as the Africa Magic and Maisha Magic brands for their customers outside of South Africa. As a locally based player, 'the case company' understands the local market better than US competitors and the organisation has established a rapport with local viewers that US players will need time to build up.

Table 4.2: 'The case company' subscriber packages in South Africa

Package	No of channels	Monthly Fee	No of subscribers
Service 1	156	R819	1,5 million
Service 2	142	R529	
Service 3	125	R399	2,9 million
Service 4	94	R279	
Service 5	71	R110	4 million
Service 6	36	R29	
Digital satellite service of the case company Now	By package	Free	Not available
VOD service of the case company		R0 for Premium R49 for other packages R99 for non Digital satellite service of the case company customers	Approx. 600000

Source: Adapted from (TheCompany, 2020c)

In accordance with the theory of disruptive innovation, incumbent companies need to respond to disruption as it happens, but they should not overact by completely dismantling a business that is still profitable (Christensen *et al.*, 2015). They should instead continue to strengthen relationships with core customers by investing in sustaining innovations. In response to disruption in the industry, 'the case company' introduced a subscription VOD service to counteract the migration of their high-end subscribers to Netflix. The VOD service of the case company is an online streaming service launched in August 2015 (OTTofthecompany, 2020). The service has similar features to Netflix, allowing subscribers to binge watch new and old content at their convenience.

The VOD service of the case company is employing a localisation strategy to take on established VOD competitors and their focus on local content remains a big differentiator with its extensive offering of vernacular local content (OTTofthecompany, 2020;

TheCompany, 2020a). Taking advantage of having an established local market presence, the case company has partnered with local telecoms companies such as Vodacom, Telkom, MTN to offer customers data packages that allow users from different economic classes to stream at reasonable costs (OTTofthecompany, 2020). To further protect losing 'top segment' subscribers, the case company offers their VOD service for free to its 'top segment' subscribers, while the lower tier packages pay a small monthly fee and non-subscribers pay R99 monthly (OTTofthecompany, 2020; TheCompany, 2020c). In July 2020, 'the case company' announced the launch of a premium VOD service in South Africa which will offer both VOD entertainment and live sport streaming from their sport channels (Shapshak, 2020). The initial rollout of the premium VOD service has already happened in Nigeria and Kenya and was planned for South Africa later in 2020. Once again 'the case company' is hoping to close the gap between them and Netflix by hoping that 'top segment' subscribers can rather migrate to the premium VOD service instead of going to Netflix.

'The case company' has also responded to disruptions in the industry by introducing an additional streaming service which allows their digital satellite service subscribers to watch content online, allowing them to catch up on missed shows and to live stream live television on the go (TheCompany, 2020c). This online streaming satellite service is bundled with their primary satellite broadcasting service and allows subscribers to watch television shows from their mobile devices, smart televisions, or laptops. As part of sustaining innovation, 'the case company' continues to improve its technology by enhancing its Explora set top boxes, which allow viewers to watch content at their personal preferred time using functionalities such as catch up and recording of content to watch later (TheCompany, 2019).

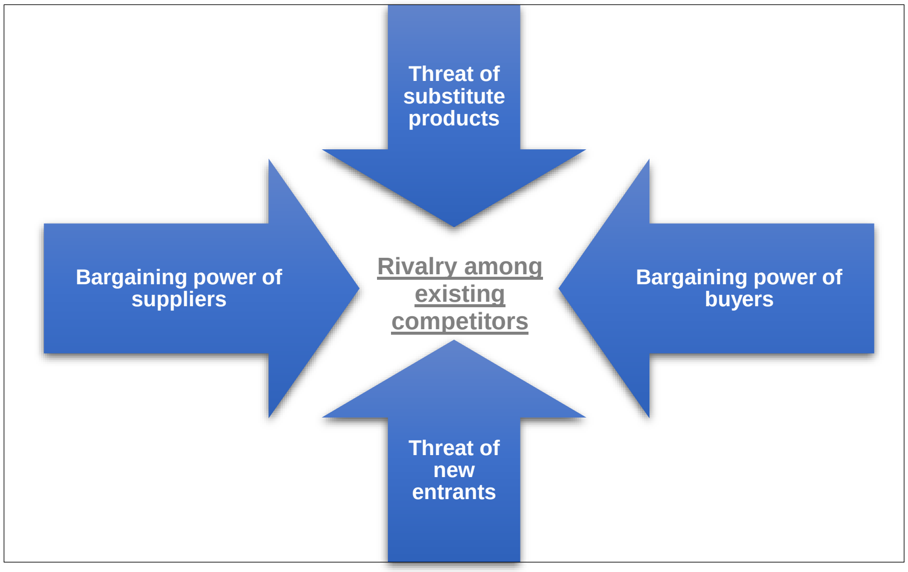
These are some of the innovations that the organisation is employing in order to counteract effects of disruption by improving viewer experience. In June 2020 'the case company' announced that it had signed deals with Netflix, Amazon Prime Video, Hulu and YouTube to integrate both these services into its new set top box. It is not clear how the joint ventures will work; however, the company plans to become a "one-stop-shop" where customers can pay a single bill and get access to all streaming content of these streaming services.

Despite the changing television landscape, 'the case company' remains resilient with its overall subscriber base and the company is coming up with innovative ways to maintain their competitive advantage over newcomers.

4.5 PORTER'S FIVE COMPETITIVE FORCES THAT SHAPE STRATEGY APPLIED TO THE PAY TELEVISION INDUSTRY

Analysing the five forces as illustrated in Figure 4.5, can help enterprises to anticipate shifts in competition, as well as to shape how industry structures evolve, ultimately helping enterprises to find better strategic positions within industries (Porter, 1979). First described by Michael Porter in his classic 1979 Harvard Business Review article, Porter's insights started a revolution in the field of strategy and continue to shape business practice and academic thinking today (Stonehouse & Snowdon, 2007:256). Although industries are different, the underlying drivers of profitability are the same, and the five forces help to determine the competitive structure of an industry, as well as its profitability (Lazenby, 2018). Industry structure, together with an enterprise's relative position within an industry, are the two basic drivers of profitability (Jones & George, 2021). The five forces can guide enterprises in assessing industry attractiveness, as well as help them to understand how trends will affect industry competition, while illustrating which industries an enterprise should compete in and guiding them on how to position themselves for success (Porter, 2014).

Figure 4.5 Porter's five forces that shape strategy



Source: Adapted from (Porter, 1979)

It is important to analyse the five forces of competition within the pay television industry in order to understand the rivalry amongst the players, as well the profitability opportunities within the industry (McNamara, 2012). Industry analysis is very useful as it helps in understanding the context of the decisions taken by enterprises within the building blocks of strategy formulation (Thomas & Ambrosini, 2015). Industry analysis is also useful as it supports the making of effective and efficient decisions regarding the entry, exit, expansion, the positioning and the cost reduction of products offered by enterprises. Industry analysis assists in identifying the potential attractive and unattractive areas of growth in which the enterprise can expand its operation and achieve profitable results (Magretta, Holmewood & Zimmermann, 2020). Industry analysis also helps in understanding the present rules of the game in the industry that eventually changes them. Industry analysis also provides an understanding of the structural conditions and competitive forces that operate around them (Porter, 2008). With the pay television industry growing and changing at this pace, the intensity of competition will heighten.

As technological advancements and innovations accelerate, the pay television industry is becoming populated with various options for consumers, thus increasing the threat of substitute products in the industry. A substitute product is an alternative product that consumers can purchase instead of the industry product (Stonehouse & Snowdon, 2007). Nonpaid for television services offered by SABC channels, the e.tv channel and Openview HD services present themselves as substitute products. YouTube, Google and illegal pirated downloads of content also present themselves as substitute products that are available for consumers. Both high and low end consumers have demonstrated an inclination to substitute products to replace pay television services. It can be said that the pay television industry is highly price elastic and consumers in general perceive 'the case company' products as expensive (Tjiya, 2020). Low end consumers are still restricted by high internet costs; however this may change when the cost of connectivity declines (Bottomley, 2020). Switching costs for consumers in pay television are also very low, making switching easy for consumers. Product differentiation and innovation are key in the pay television service, as consumers can feel deprived of value and therefore become receptive to substitute products that present themselves as value for money (Tjiya, 2020). The number of substitute products that are available for consumers is still relatively low (see Table 4.1) but increasing, currently putting the likes of Netflix and 'the case company' at a greater advantage.

The severity of the threat of entry depends on the barriers present as well as on the reaction from existing competitors that entrants can expect (Dobbs, 2014:35). A high threat of new entrants makes an industry less attractive and unprofitable because it means that new competitors are able to easily enter into the industry, compete with existing enterprises, taking their market share and reducing their profit potential. If barriers to entry are low, then newcomers can expect sharp retaliation from the entrenched competitors (Dess, 2018). The entry and exit barriers in pay television are high, making it difficult for new entrants to enter this industry. The industry is founded on extraordinary setup costs, expensive capital resources, costly content licensing and acquisitions, high end technical infrastructure and innovation capabilities required for an enterprise to out-compete competitors. In this industry, very few companies are able to enter and capture market share.

Barriers of entry in pay television are further intensified by regulatory requirements, licensing agreements and the need for strong product differentiation. Product differentiation creates a barrier for entrants as it requires excessive spend on marketing and branding in order to overcome customer loyalty of the existing product (Magretta, 2012). Also, it takes time to earn trust from consumers and to establish customer loyalty, especially if the product is completely new. Entrenched enterprises may have many advantages that potential rivals do not have (Magretta, 2012). These advantages stem from the learning curve, proprietary technology, access to best resources, long-term assets, pre-inflation prices and favourable locations (Porter, 2014:122). The company's longstanding existence makes them benefit from the economies of scale that the company has acquired over many years, along with their long standing access to distribution channels with big television networks which allows them access to exclusive content.

Powerful suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of goods or services (Porter, 2008). In the pay television business, suppliers of big content titles (television shows) can exercise their power by increasing the cost of content to the detriment of companies like Netflix and 'the case company'. This would mean that the existing companies would need to transfer the price increase to consumers, jeopardising their profitability. On the other hand, customers likewise can force down prices, or demand higher quality or more service and play competitors off against each other, all at the expense of industry profits (Magretta, 2012). The bargaining power of consumers also affects customer's sensitivity to price changes. Buyer's power is high if buyers have many alternatives and low when choices are limited, and due to the intense rivalry and availability of different sources, the buyers have choices and there is competition to offer the cheapest package.

What particularly gives buyers power within the pay television industry are the low switching costs. Customers have the ability to cancel any subscription when they want to do so and pick it up again when they are ready. Seasonal uptakes and cancellations are common in the pay television industry, mostly driven by sports seasons like the FIFA

World Cup, or rugby or cricket big tournaments. Information availability for buyers, availability of existing substitute products, buyer price sensitivity, product differentiation and customer value analysis also contribute to the bargaining power of buyers (Dobbs, 2014). Price appears to be a big contention for customers as we see the increasing number of ’the case company’ subscribers migrating to cheaper VOD options. The bargaining power of suppliers also affects competition, and the current uptake of subscription VOD services are affected by data providers who determine the cost of data.

Table 4.3: A summary of the strengths and weaknesses of Porter’s forces of competition within the pay television industry

Competitive Force	Intensity of the force
Threat of substitute products	High
Threat of new entrants	Low
Bargaining power of buyers	High
Bargaining power of suppliers	High

From the analysis of the five forces it can be said that the dominant competition forces in the industry are the threat of substitute products and the buying power of buyers and suppliers as shown in Table 4.3. With the industry growing and changing, the five forces are set to change as the strategies of enterprises operating in the industry evolve. There is a great impact on the key competitors in the industry, as the industry faces competition in the market structure, therefore fuelling these forces. Enterprises in the industry need to take note of the factors as well as maintain a level of balance in order to attain decent return on investment.

Industry players must know and understand existing and potential industry rivals. It is important for industry rivals to understand how customers perceive and distinguish their products from competitors (Reed, 2020). Businesses must be aware of competitors’ marketing strategy, pricing strategy, innovation capabilities and be able to react where necessary (Kivimaa, Laakso, Lonkila & Kaljonen, 2021). Rivalry is driven by existence of numerous competitors and also when competitors have similar or equal market share. Rivalry can also intensify if industry growth is slow and also when exit barriers are high

(Denning, 2016). If competitors are highly committed to their business, rivalry is also intensified. Rivalry can increase when there are high fixed costs which create incentives for price cutting (Porter, 2008). The rivalry within the pay television industry in South Africa is largely between ‘the case company’ and Netflix, with the most relevant rivalry currently being between Netflix and the case company’s ‘top segment product’ and the VOD service, because Netflix is gradually eroding market share from that piece of the pie. Intense competitor rivalry tends to drive down prices and reduces profits by increasing cost of competing. The rivalry between these two players is intense and largely driven by price; Netflix’s offering is priced much lower than products of the ‘the case company’.

Assessing the forces affecting competition in an industry is an important component of strategy formulation (Kunc, 2018:229). Assessing forces affecting industry competition and their underlying causes can guide enterprises in identifying their crucial strengths and weaknesses (Mishra & Mohanty, 2020). The strengths and weaknesses from a strategic standpoint are the enterprise’s position with regard to each underlying force; for example, being able to understand where they stand against substitutes, or against the sources of entry barriers. Enterprises can formulate strategies that focus on positioning the enterprise so that its capabilities provide the best defence against competitive forces (Johnson *et al.*, 2017). When dealing with the forces that drive industry competition, enterprises can choose to devise a strategy that takes the offensive, this stance is designed to do more than merely cope with the forces, but it is rather meant to change their causes (Johnson *et al.*, 2017). It is important for enterprises to balance the competition forces through strategic moves, thereby improving the enterprise’s position within the competition landscape. Knowledge of the enterprise’s capabilities and of the causes of the competitive forces serves to highlight the areas where an enterprise should confront competition and where to avoid it (Stonehouse & Snowdon, 2007:280). It is also crucial for enterprises to anticipate shifts in the factors underlying the forces and thereby respond to them with the aim of exploiting change by choosing a strategy appropriate for the new competitive balance before rivals recognise it (Porter, 2014).

4.6 EXAMINING THE CASE COMPANY'S STRATEGIES

This section provides a snapshot of the strategies that have been planned, formulated and executed by 'the case company' over the last three financial years. 'The case company' lists its annual strategic objectives in their annual financial reports as summarised in Table 4.4. These strategies represent what 'the case company' deems to be important, so that the company can maintain their leadership position within the industry, as well as the company being able to sustain its competitive advantage from financial year to financial year. These strategic objectives also serve to inform what the company is prioritising in addressing the disruption that is taking place within the industry.

Table 4.4: 'The case company' summarised deliberate strategies 2019-2021 as listed in the company's financial reports

	FY 2019	FY 2020	FY 2021
1	Drive subscriber growth	**Content**: Leverage new local productions and global sport events to attract and retain customers Expand OTT offering	Lead in content; differentiate in local and sport
2	Deliver solid financials	**South Africa:** Target mass market growth, top segment retention and scale OTT user base Deliver stable profit margins and cash flows	Drive growth and retention
3	Invest more in local content	**Rest of Africa:** Drive growth in mid and mass markets Drive scale, manage costs, return business to profitability in medium-term	Pursue global digital platform security leadership
4	Optimise cost base	**Technology:** Increase market share in media security segment Develop and grow connected industries business	Leverage scale and enhance ecosystem
5		**Group:**	Accelerate OTT capabilities

		Navigate macro challenges to ensure top line growth and margin expansion Deliver on intention to pay R2.5bn FY20 dividend	
			Maintain operational excellence & cost reduction

Source: Adapted from (TheCompany, 2019; TheCompany, 2020a)

Based on the above, the company's main priority strategy over the years appears to be content, leveraging on their competitive advantage of providing first class local content that resonates well with the South African and other African audiences (TheCompany, 2020b). Netflix is working on building a local content slate, but they have not managed to do it at the scale that 'the case company' has done (Netflix, 2018).

South Africa remains the company's biggest market and a key focus for the company. The strategy remains to continue growing the mass market segment as well as retaining the middle and volatile top segment. For the 2021 financial year, the strategy is to grow users and subscribers of their over-the-top (OTT) service which is a competitor to Netflix (TheCompany, 2020a). This will help in the retention of top segment customers as these customers are more likely to migrate to Netflix and similar OTT services. The company's strategy on the rest of Africa is to grow middle and mass market segments and to return the business to profitability in the medium term.

The company like any corporation, is also prioritising on increasing profitability by delivering stable profit margins and healthy cash flows. The strategy to drastically reduce cost will help the company in driving profitability. Profitability will also ensure that the company will be able to honour its financial objectives to pay shareholders' dividends.

A growth strategy is evident as the company has listed focusing on increasing market share in their media security business and developing and growing connected industries business. The company also aims to pursue global digital platform security leadership.

Nothing stands out particularly about the strategies listed by the company; except that one would have expected a big technology company like this, which is also facing disruption fuelled by technological advancements and innovation, would list innovation as a focus. This is because the industry is highly competitive and requires players to keep on improving, not only their provision of entertainment content to audiences, but also focusing on improving the viewers' experience by investing in technical aspects of the platform from which they operate so that it can differentiate itself from competitors.

4.7 CHAPTER SUMMARY

This chapter discussed the importance of television as a medium, addressing its importance at a social level, but also as an important contributor to economic activity. The chapter also delved into the disruption that is taking place within the pay television industry, as well as discussing the dynamics of the different players within the industry. The company's competitive advantage within the industry was illustrated, showing how this market leader still holds the winning card across the wider market. Porter's five forces of competition that drive strategy were applied to the pay television industry, in order to understand the competitiveness and profitability of the industry, as this forms a crucial foundation for strategy formulation. Lastly there was a brief look at the company's past strategies to understand what strategic objectives have been prioritised by the company with the aim of maintaining and growing their competitive advantage for the long haul, but also to assess whether the company is prioritising addressing disruption in their strategies.

CHAPTER 5: RESEARCH METHODOLOGY

Chapter outline:

The purpose of this chapter is to:

- provide an overview of the research methodology employed by the researcher;
- describe the study's research design;
- discuss the motivation for using case study research strategy
- provide a rationale for selecting qualitative research;
- discuss the selected sampling approach along with the participant selection, units of analysis and sample size;
- describe the data collection process;
- explain factors pertaining to the demonstration of research quality and rigour; and
- outline the research ethical considerations that guided this study

5.1 INTRODUCTION

The research design is a blueprint for fulfilling objectives and answering questions. It constitutes the blueprint for collection, measurement and analysis of data; therefore the choice of an appropriate research design is determined by the purpose and the objectives of the study (Flick, 2019:27). The aim of the study was to explore strategy formulation by managers in response to disruption, and this chapter describes the research methodology adopted in fulfilling the research. A qualitative, single case study was deemed most appropriate for the study, because the study aimed to understand the phenomenon in its real context, as well as test some theories through the use of propositions, but also allow other theories to emerge to fill a knowledge gap (Yin (2018:37). Case studies are preferred when '*how*' and '*why*' questions are being posed, as well as when the investigator has little control over events, and lastly when the focus is on a contemporary phenomenon within some real life context (Yin, 2018:1).

The primary data was collected from participants through interviews, while secondary data pertaining to company information was collected via desktop research. The chosen approach generated rich and thick descriptions of the phenomena which also contributed to the rigour of the research. The researcher adopted Fusch and Ness (2015:109) idea that "thick data is a lot of data; rich data is multi layered, intricate, detailed, nuanced and more" and this study aspired to achieve both. The multiple data sources were employed to facilitate corroboration, which enabled triangulation that enhanced the research rigour and trustworthiness (validity) (Morse, 2015).

Qualitative methods of data collection are generally more suited to theory development and thus, this method was found best suited for this study given its aim. According to (Yin, 2016:27) the important features of qualitative research are, *inter alia*, the recognition and analysis of different perspectives. In seeking to analyse data pertaining to different participants' perceptions of disruption within strategy formulation, it was therefore suited to employ a qualitative research methodology. Unlike with quantitative research methods, qualitative methods also took the researcher's communication along with the participants' responses as a pertinent contribution to the knowledge base (Creswell & Guetterman, 2018:89).

5.2 OVERVIEW OF THE RESEARCH METHODOLOGY

Research methodology deals with the question of how a researcher goes about finding answers to posed research questions (Payne & Payne, 2015:175). Methods are the specific techniques and procedures used in the collection and analysis of data (Babbie, 2021:270). Research methodologies are broadly classified into two categories, namely qualitative and quantitative methodologies. Qualitative research methodologies allow the researcher to make sense of social phenomena through interaction with participants with the aim to understand their experiences (Trochim & Donnelly, 2008:179). They provide an in-depth understanding about a phenomenon, but do not necessarily allow for generalisation of a study's findings to a larger population (Creswell & Clark, 2015:289). Quantitative research methodologies on the other hand provide mostly numeric data and can allow generalisation of a study's findings to a larger population on statistical grounds, however they do not capture the context in which a phenomenon is being studied (Cooper & Schindler, 2018:146).

5.3 GENERAL DESCRIPTION OF THE RESEARCH DESIGN

A research study can be non-empirical or empirical. Empirical research involves researchers collecting and analysing (qualitative and/or quantitative) data to address the study's problem statement and research questions (Bernard, 2017:325). This study employed empirical research. In this study data was analysed to elicit the understanding of strategy formulation by managers in response to disruption.

A comprehensive outline of this study's research design follows, presented according to the eight *descriptors of research design* (appropriate for collection of primary data) proposed by (Cooper & Schindler, 2018:139). The options chosen for addressing the research question are highlighted.

Table 5.1: Descriptors of research design

Code	Description	Options
D1	"purpose of the study"	descriptive
D2	"degree to which the research question has been crystalised"	exploratory study
D3	"topical scope – breadth and depth – of the study"	pure research
D4	"power of the researcher to produce effects in the variables under study"	ex post facto
D5	"participants' perception of research activity"	modified routine
D6	"method of data collection"	interrogation/communication
D7	"research environment"	field setting
D8	"time dimension"	cross-sectional

Source: Adapted from (Cooper & Schindler, 2018:139)

The main purpose of a descriptive study is to answer the questions: who, where, what, when and how (Pretorius & Coetzee, 2009). The descriptive nature of this study was informed by the need to answer questions that would bring understanding and information into strategy formulation by managers in response to disruption. According to Babbie (2021:96), many qualitative studies are primarily descriptive; as qualitative researchers usually go on to examine why the observed patterns exist and what they may imply. In addition, researchers conducting descriptive studies attempt to describe or define their findings on a particular subject or construct, which is what the researcher was able to achieve with this study (Creswell & Guetterman, 2018:141).

In research, studies may be classified as exploratory or formal, with the essential differences between the two descriptors being the immediate objective and the structure of the study (Cooper & Schindler, 2018:140). Exploratory research aims to explore, gather further insights and ideas specific to a problem or opportunity; while a formal study begins with a hypothesis or research questions and involves detailed procedures and data source specifications (Shukla, 2014:17). This study was conducted to get a better understanding and to gain familiarity with an existing phenomenon, thus classifying the study as exploratory. Pure (or basic) research is concerned with the development of new knowledge about a phenomenon, so as to establish general principles with which it can be explained. In being descriptive, this study can therefore be classified as pure research in its application, but also because the aim of the study was not to solve any enterprise's specific problem but instead, the research was conducted purely to understand the phenomenon of strategy formulation during disruption.

The investigative approach in this study was non-experimental (also known as *ex post facto* research) in nature, because no experiments and observations were conducted during the data collection stages (Cooper & Schindler, 2018:140). The researcher observed and measured variables as they were, without manipulating the variables being investigated.

When participants are aware that they are participating in a research study, they may change or modify their normal behaviour, or provide answers that they regard as socially acceptable (Cooper & Schindler, 2018:144). Thus, the participants' perceptions of the research activity in this study were deemed modified, and even though there was no certainty on attempts by participants to please the researcher, the researcher recognised that when participants believed that something out of the ordinary was happening, they tended to behave in a less natural way. However, participants were working from home due to Covid-19 lockdown and quarantine restrictions during the interview period, and their being able to participate in the comfort of their homes brought about an ease that they may not necessarily have experienced if the interviews had taken place in the case company's offices.

Data for the study was collected by interrogation, or communication as it is better known. Conducting an interview is an active task that requires communication with interviewees (Cooper & Schindler, 2018:141). Communication is a process whereby the researcher interacts with participants directly or indirectly to solicit the data from participants, and this can take place in person or via the telephone, email and through the internet (Pilot & Beck, 2018:340). The initial plan was for the researcher to conduct semi-structured face-to-face interviews, but due to Covid-19 lockdown and quarantine restrictions, interviews were conducted through video calls using Microsoft Teams and Google Meet applications. This was deemed appropriate by the researcher because the quality of the data collected yielded substantive and comprehensive findings pertaining to the phenomenon being investigated.

The study collected primary data from participants in a field setting. Salkind (2010:488) states that a field study is undertaken in the real world, where the confines of a laboratory are abandoned in favour of a natural setting. This form of research generally prohibits the direct manipulation of the environment by the researcher.

Lastly, the research was cross sectional in its time dimension, which means that participants were interviewed once, because the purpose of the study was not to track changes in participants' perceptions over time (Mills, Durepos & Wiebe, 2010:289).

5.4 RESEARCH STRATEGY

The researcher reviewed five qualitative research strategies that could potentially be employed in this study, namely case studies, grounded theory, ethnography, generic qualitative research and phenomenology. Case study research allows for exploration of a phenomenon within its context, using a variety of data sources. This ensures that the phenomenon is not explored through a single lens, but rather through a variety of lenses which allow for multiple facets of the phenomenon to be revealed and understood (Yin, 2018:37). Based on the objectives of the study, the researcher chose to adopt the case study research strategy because it can be used in isolation of other strategies and in ways that thoroughly met the objectives of this research (Yin, 2011:121). A more detailed explanation of the reasons for the choice of this research strategy is provided below.

5.5 DESCRIPTION OF AND MOTIVATION FOR USING CASE STUDY RESEARCH STRATEGY

Case studies are widely used in organisational studies across social and managerial sciences, and there is some suggestion that the case study method is increasingly being used with growing confidence as a rigorous research strategy in its own right, further suggesting that case studies have become one of the most common ways to conduct qualitative inquiry (Farquhar, 2012; Hancock & Algozzine, 2021; Remenyi, 2013; Simons, 2014; Taylor & Søndergaard, 2017; Thomas & Myers, 2016; Yin, 2018).

Creswell and Poth (2018:97) describe the case study method as a method that "explores a real life, contemporary bounded system (a case) or multiple bounded systems (cases) over time, through detailed in-depth data collection involving multiple sources of information and ultimately reports a case description as well as case themes". Yin (2018) offers a more detailed technical definition of case studies by explaining that a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context are not clearly evident. The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points.

Given this detailed definition, it is important to note that a case study is not a method but a research strategy; it is not a methodological choice but rather a choice of what is to be studied (Hartley, 2004:323). By whatever methods we choose to study the case, the case study is necessitated by the specificity of the case under investigation which is informed by its boundedness (Njie & Asimiran, 2014:36). As a matter of fact, a case study as a research strategy comprises an all-encompassing method, which means that a number of methods may be used, either qualitative or quantitative or even both (Stake, 2010:37). Therefore, a case study cannot be defined through its research methods, but rather in terms of its theoretical orientation and interest (Hartley, 2004:324).

Case study strategy is a well-established research strategy that is extensively used in a wide variety of disciplines, with its value being well recognised in the fields of management studies, law, policy and health (Flyvbjerg, 2006:219). The case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context (Crowe, Cresswell, Robertson, Huby, Avery & Sheikh, 2011). The case study approach allows in-depth, multifaceted explorations of complex issues in their real life settings (Thomas & Myers, 2016:13).

There have been traditional prejudices against case study strategy, in such a way that case studies have been viewed as a less desirable form of inquiry, as it is claimed that they lack in rigour and reliability and that they do not address the issue of scientific generalisability in contrast to quantitative methods (Yin, 2018:11). To answer this, Yin (2018:13) argues that case studies are generalisable to theoretical propositions and not to populations or universes. In this sense the case study does not represent a sample and in conducting a case study, the goal is to generalise theories (analytical generalisation) and not to enumerate frequencies (statistical generalisation). Research also argues in favour of case study research as a research strategy, disproving critics (Eisenhardt, 1989; Farquhar, 2012; Flyvbjerg, 2006; Hancock & Algozzine, 2021; Hartley, 2004; Merriam, 1998; Mills *et al.*, 2010; Taylor & Søndergaard, 2017; Tellis, 1997; Thomas & Myers, 2016; Yin, 2011; Yin, 2018).

Yin (2009:23) does note that using case studies for research purposes remains one of the most challenging of all social science endeavours. Yin (2009:23) also emphasises that this type of research is difficult, although conventionally considered 'soft', perhaps because researchers using the case study approach do not follow systematic procedures. Hancock and Algozzine (2021:58) state that the case study is commonly considered a strategy that allows some flexibility, but specific epistemological principles and methodological procedures must be followed and respected to develop quality work. Eisenhardt (1989); Yin (2016) echo this by stating that the case study rationale is based on the interpretation of the data and evidence of real social phenomena, and therefore several processes are essential to the validity and reliability of its results. Thus, the case study strategy demands skill and sensitivity from the researcher, to ensure that these requirements are met so that the results of the study are accompanied by methodological rigor and accepted in the scientific community (Hancock & Algozzine, 2021; Thomas & Myers, 2016; Yin, 2018). The measures taken to ensure validity and reliability of this case study are elaborated on later in Section 5.11.1 (p. 129).

Key questions to consider when selecting the most appropriate study design are whether it is desirable or indeed possible to undertake a formal experimental investigation in which individuals or organisations are allocated to an intervention or control arm, or whether the wish is to obtain a more naturalistic understanding of an issue (Siggelkow, 2008)? The former is ideally studied using a controlled experimental design, whereas the latter is more appropriately studied using a case study design (Thomas & Myers, 2016:21). Case study research strategy was used for this study due to its "naturalistic" design, which is in contrast to an “experimental” design that seeks to exert control over and manipulate (through hypothesis testing) variables of interest (Thomas & Myers, 2016:27). According to (Yin, 2018), case studies are useful in explaining, describing or exploring events or phenomena in the everyday context which they occur; which is what the researcher wanted to achieve in trying to understand the stipulated phenomena.

This research strategy allowed for closer scrutiny of key concepts and their dynamic interactions that are unique within a specific industry and a specific company. The case study approach lent itself well to capturing information in a more explanatory way of ‘*how* strategy formulation works during disruption’ , ‘*what* does strategy formulation look like when responding to disruption’ and ‘*why* are the phenomena of strategy formulation and disruption interlinked’ questions. The goal of the research was to understand and comprehend the phenomena specified and not necessarily to establish causal relationships between the phenomena. Case data led to the identification of patterns and relationships, allowing for some theory to be identified, extended and tested through specified proposition (Remenyi, 2013:33). Most importantly, the case study approach was able to offer additional insights into the gaps that exist and *how* strategy formulation within enterprises works during disruption.

A case study was most suitable for this study as the researcher wanted to investigate a particular phenomenon (strategy formulation during, and in response to disruption), within a unique industry and unique enterprise, so as to understand why those particular occurrences are unique to a particular industry. Another reason why the case study research strategy was used is that it is one of the best bridges for rich qualitative evidence in mainstream deductive research (Njie & Asimiran, 2014:36). The emphasis on this research was also on developing constructs and testable theoretical propositions, by focusing more on insight, discovery and interpretation, through the researcher going into field to find out what happens in the enterprise selected, seeking to understand how things worked, which was a process that was both intuitive and inductive (Marques, Camacho & Alcantara, 2015). Inductive research lets theory emerge from the data, which can be a valuable starting point (Siggelkow, 2008) and this was evident within this study.

Another reason why a case study strategy was chosen for this study was that an inherent characteristic of the case study is its deepening capacity for data, analysis and results compared to other research strategies (Marques *et al.*, 2015). Lillis and Mundy (2005) conducted a study on the research strategies used in management accounting studies illustrating levels of depth and breadth (from high to low), and the findings showed that case studies (both single and multiple) were placed at the highest level of depth and lower level of breadth category solely due to the size of samples analysed. This indicated that questions that require deepening the research on a subject or phenomenon being studied are best suited for case study strategy, which is what the researcher aimed to achieve.

Case study research strategy can be characterised as intrinsic, instrumental or collective (Taylor & Søndergaard, 2017:56). An intrinsic case study is typically undertaken to learn about a unique phenomenon (Crowe *et al.*, 2011). The researcher has to define the uniqueness of the phenomenon, which distinguishes it from all others. In contrast, the instrumental case study uses a particular case (some of which may be better than others) to gain a broader appreciation of an issue or phenomenon, as was the case with this particular study where the researcher wanted to examine and understand the relationship between two stated phenomena (Simons, 2014:455). Instrumental case studies are designed to better understand a theoretical question or problem, and when using this approach, enhanced understanding of the particular issue examined is less important than gaining insights into the theoretical explanation that underpins the issue (Hancock & Algozzine, 2021:32). This study can be characterised as instrumental. The collective case study involves studying multiple cases simultaneously or sequentially in an attempt to generate a broader appreciation of a particular issue (Crowe *et al.*, 2011). It is to be noted that these approaches are not necessarily mutually exclusive categories and studies can evolve into the three categories.

Case studies can be approached in different ways, depending on the epistemological standpoint of the researcher; that is whether they take a positivist, interpretivist (also known as constructivist), critical (also known as transformative) or pragmatic paradigm

(Grix, 2019:82). The pragmatic paradigm arose amongst philosophers who argued that it was not possible to access the truth about the real world solely by virtue of a single scientific method as advocated by the positivist paradigm, nor was it possible to determine social reality as constructed under the interpretivist paradigm (Kivunja & Kuyin, 2017:35). Rather these philosophers (such as Alise & Teddlie, 2010; Bsiesta, 2010; Tashakkori and Teddlie, 2003; Patton, 1990) argued that what was needed was a worldview which would provide methods of research that are seen to be most appropriate for studying the phenomenon at hand. Distinctive characteristics of the pragmatic paradigm are that it allows for choice of research methods depending on the purpose of the research, and utilises the lines of action that are best suited to studying the phenomenon being investigated (Creswell & Creswell, 2018). The research conducted within this paradigm draws on methodologies taken from both of these fields and case study strategy is commonly used in this paradigm, which made this paradigm best suited for this study.

Case study research designs can be exploratory, explanatory or descriptive (Hancock & Algozzine, 2021:33). The research approach for this study was descriptive in nature, as it was not investigating the cause and effect, but instead the objective of the study was to precisely understand and portray the reality of a particular phenomenon. Case studies can be holistic or embedded (Yin, 2018:49). A holistic case study has one (single) unit of analysis for each case. Holistic case studies are appropriate when no logical sub-units can be identified and when the theory underlying the case is itself of a holistic nature (Yin, 2018:49). This study is classified as a holistic study focusing on one unit of analysis with no sub-units, because based on the objectives of the study, the researcher believed that a single unit of analysis would still be able to provide rich and thick data to enable the researcher to conduct an in-depth analysis of the phenomenon.

5.5.1 SINGLE VS MULTIPLE CASE STUDY

Case studies can be based on single cases or multiple cases. In multiple case study design, the researcher studies multiple cases to understand the differences and similarities between the cases (Hancock & Algozzine, 2021:67). Multiple case studies can be used to either predict contrasting results for expected reasons, or predict similar results in the studies; and in this way the researcher is able to clarify whether the findings are valuable or not (Yin, 2018:98). A single case study is appropriate when it is critical to test a specific theory with a clear set of propositions, or also when it represents an extreme or unusual case (Yin, 2018:98), as it was with this particular study.

A single case study is a relevant design under certain circumstances. Firstly, when the case study represents the critical test of existing theory, secondly when the case is extremely unique, and lastly, when the case serves a revelatory purpose like the researcher studying a phenomenon which has not been studied before (Yin, 2013). Due to its exploratory and revelatory nature, this particular study clearly presented itself as a critical single case. Advantages of using a single case study are that the existence of the phenomenon can be richly described within a single case study, compared to multiple cases. As a result, single case studies are better at creating high quality theories and in this study, this allowed the researcher to question theoretical relationships as well as explore new ones, which led to the gaining of a deeper understanding on the subject (Yin, 2018:100).

The single case study method has the limitation of not being able to provide a generalising conclusion, especially when the events are rare (Swanborn, 2010:66). However, in order to improve the validity of the process, the data collected was triangulated by using both primary and secondary data to confirm the validity of the process and findings, which ultimately resulted in a detailed case description. Secondary data was in the form of financial reports and company reports accessed from the company open website; other website data, integrated reports, as well as additional desktop research gathered by the researcher.

Table 5.2 Provides a summary of the case study research strategy

Method chosen for the study	Explanation
Instrumental	Designed to better understand a particular issue (strategy formulation and disruption) as well as gain insights of the theoretical explanation that underpins the phenomenon (Hancock & Algozzine, 2021:32).
Pragmatic paradigm	This relates to the use of 'what works', so as to allow the researcher to address the questions being investigated (Kivunja & Kuyin, 2017:36).
Descriptive	The aim was to present a precise and complete description of a phenomenon within its context, without needing to understand the cause and effect relationship.
Holistic	The study focused on one unit of analysis, there were no logical sub-units that were identified, the theory underlying the case is itself of a holistic nature (Yin, 2018:49).
Single case study	The case is unique by nature and served a revelatory purpose because the researcher wanted to study two phenomena which have not been widely studied together in South Africa

This case study specifically sought to extract those special insights that participants bring to make sense of how they understand strategy formulation during disruption. This case study approach was able to generate a thick description and rich analysis of the relationship and connectedness of strategy formulation during disruption.

5.5.2 THE CASE STUDY PROPOSITIONS

Yin (2011) recommends the use of propositions to guide the research process. Propositions are helpful in any case study, and when a case study proposal includes specific propositions, it increases the likelihood that the researcher will be able to place limits on the scope of the study, ultimately increasing the feasibility of completing the project. The case study propositions below were included based on the preceding literature review from Chapter 2 (Strategy Formulation) and Chapter 3 (Disruption):

Table 5.3: Propositions of the case study

Propositions	Literature source
Proposition 1: Enterprises facing disruption will approach strategy formulation in a non-linear way.	Mintzberg & Waters (1985). Of strategies, deliberate and emergent. *Strategic Management Journal, 6(3),* 257-272 Leitner (2014). Strategy formation in the innovation and market domain: emergent or deliberate? *Journal of Strategy and Management, 7(4),* 354-375 Mirabeau, Maguire (2014). From autonomous strategic behaviour to emergent strategy. *Strategic Management Journal. 35(8).* 1202-1229
Proposition 2: Enterprises facing disruption are likely to follow a more emergent approach to strategy formulation than a deliberate approach to strategy formulation.	Christensen (2016). The innovators' dilemma: when new technologies cause great firms to fail. Christensen, Raynor & McDonald (2015). What is disruptive innovation. *Harvard Business Review.* Christensen & Wessel (2012). Surviving Disruption - Spotlight on how to manage disruption. *Harvard Business Review.*
Proposition 3: Enterprises facing disruption will find it challenging to grow or maintain their competitive position.	Downes & Nunes (2014). Big bang disruption - Strategy in the age of devastating innovation. Raynor (2011). The innovator's manifesto: deliberate disruption for transformational growth. Silberzahn (2017). A manager's guide to disruptive innovation: Why great companies fail in the face of disruption and how to make sure your company doesn't.

Proposition 4: Enterprises that incorporate innovation in their strategy will achieve competitive advantage.	Vecchiato (2017). Disruptive innovation, managerial cognition, and technology competition outcomes. *Technological Forecasting and Social Change, 116, 116-128*

Yin (2013) suggests that propositions are necessary elements in case study research because they lead to the development of a conceptual framework that guides the research. The conceptual framework serves to guide identifying who will and will not be included in the study, describing what relationships may be present based on logic, theory and/or experience as well as providing the researcher with the opportunity to gather general constructs into intellectual bins (Miles, Huberman & Saldana, 2019:18).

The conceptual framework serves as an anchor for the study and is referred to at the stage of data analysis. The final framework includes all of the themes that emerge from data analysis. (Yin, 2013) suggests returning to the propositions that initially formed the conceptual framework to ensure that the analysis is reasonable in scope and that it also provides structure for the final report.

5.5.3 BINDING THE CASE STUDY

In addition to applying case propositions, the issue of binding the case is significant in that it helps put parameters to the case which enables the type of concentration or focus needed to bring to light the issues that are at play within the case (Njie & Asimiran, 2014:37). Most importantly, binding the case avoids the ambiguity of ‘biting too much’ and the difficulty of concentrating and analysing large areas and volumes of information. Various scholars have suggested how to bind the case, with some harping on the spatial, contextual or time binding. Baxter and Jack (2008) particularly recommend binding the case in order to avoid making the scope of the research too broad and suggest three ways on how to achieve this. Firstly, the case must be bound by time and place (Creswell & Creswell, 2018); by time and activity (Stake, 2010); and finally by definition and context (Miles *et al.*, 2019).

For this case study, the case was bound by conducting the study for a specific period only instead of longitudinally. Furthermore, the context of the case study was also clearly defined and guided by propositions demarcated for the study. The boundedness of the study is similar to the development of the inclusion criteria also defined in the sample specifications of this case study, as discussed later on in the sampling section. Furthermore, to ensure that the study remained within a reasonable scope, the study was limited to a specific industry (pay television industry), and only focused on the market leader within that industry as the case, instead of extending it broader to all the enterprises within the industry.

5.6 RATIONALE FOR USING A QUALITATIVE RESEARCH APPROACH

According to Babbie (2021:270), qualitative research emphasises studying the actions of the participants in their natural setting and through the eyes of the participants themselves. Furthermore, qualitative research prioritises obtaining detailed descriptions and understandings of a phenomenon within the appropriate context (Creswell & Guetterman, 2018:187). This research approach was deemed most necessary for this study as it allowed the researcher to gather and analyse data on the phenomenon under investigation in the most effective way, thereby responding to the research questions posed.

According to Trochim and Donnelly (2008:179), qualitative research is characterised by conducting the study in the participants' natural setting, the researcher using him/herself as an instrument, thus using his senses and sensibilities, interpretation of the data based on participants' given context and essential particulars that the study seeks to understand, such as, in this context, the constructs of disruption and strategy formulation.

Qualitative research has the ability to ensure that the study remains focused because the study is conducted in the participants natural setting and all documents collected and conversations conducted represent life as it is experienced by the participants (Trochim & Donnelly, 2008:179). Qualitative studies require the researcher to utilise their senses and sensibilities, making the researcher open to subjective experiences as seen, felt and heard by participants (Trochim & Donnelly, 2008:179). Qualitative studies are interpretative by nature: interpretation of explanations or accounting for how a particular event will take place in a specific context (Trochim & Donnelly, 2008:179). Qualitative studies allow for attention to detail; paying attention to particulars in respect of their level of analysis and the extent that the study attempts to relate the participants to one another (Trochim & Donnelly, 2008:179).

5.7 SAMPLING

As mentioned in the previous section on binding the case study, it was important to develop boundaries for the case study to ensure that the questions to be answered and the phenomenon to be studied were manageable (Baxter & Jack, 2008). This was about determining the breadth and depth of the case study by defining and selecting the sample, stipulating the time frame of the case study, and the object to be studied.

This section outlines the sampling procedure used for the case study. It begins with identifying the case study's participants, followed by a discussion on the case study's unit of analysis, the sampling methodology, and finally an overview of the participants who took part in this case study. Selection of the sample was based primarily on accessibility. The researcher established contact telephonically with potential participants from the selected company, also through email and through online video interviews due to lockdown restrictions imposed during the corona virus pandemic.

Sampling is a process of selecting a subset of people to be studied from a larger population (Bristowe, Murtagh & Selman, 2015:1428; Gentles, Charles & Ploeg, 2015:1772). In particular, it is a process that entails the selection of specific data sources from which the researcher then collects data to address a study's research questions (Gentles *et al.*, 2015:1774).

5.7.1 PARTICIPANTS SELECTION

According to Cooper and Schindler (2018:88), a sample comprises of a portion of the participant selection (i.e. those people, events or records which contain the information desired by the researcher). Saunders and Lewis (2018:132) define a sample as a sub-group of the participant selection and indicate that the sub-group need not only consist of people but that it can also consist of enterprises or archival data. According to Robinson (2014:26), the criteria used by qualitative researchers to describe a suitable sample for a study can either be; inclusion criteria, exclusion criteria or a combination of both and in case studies, binding the case. The set of inclusion criteria specify characteristics that the sample must have in order to be considered for inclusion in the study, while exclusion criteria specify characteristics that disqualify them from participating (Robinson, 2014:26).

The primary aim of this study was exploring strategy formulation by managers in response to disruption within enterprises; and considering these fundamental objectives, it was apt to set the following inclusion criteria for identifying the participants from which the study sample would also be drawn. The participants of this study were limited to individuals who are in positions of management and have a professional background in strategic management (formulation, or implementation or evaluation), practicing in South Africa. The participants of this study were limited to individuals working in a leading pay television broadcasting company based in South Africa.

5.7.2 UNIT OF ANALYSIS

A unit of analysis, the actual ‘thing’ being studied, can range from individuals to groups, organisations, cities or even countries. The unit of analysis in this study was a large, leading South African pay television company that is being affected by disruption is some way or another. Leading company means that the company should have more than 51% market share within the specified industry (pay television). The company had to be large and profitable enough to be listed on the Johannesburg Stock Exchange, for the research to be able to assess the volatility of the dynamics of strategy formulation and disruption, especially if it can impact profitability.

5.7.3 RESEARCH SITES AND PARTICIPANTS

The study was conducted within a leading pay television company. Participants were individuals working in different levels of management, purposefully selected throughout the company. The participants were fully able to provide a view of their understanding of the disruption phenomenon in the context of strategy formulation in relation to their experience and scope of duties.

5.7.4 SAMPLING METHODS

Sampling comes in two forms, namely probability sampling and non-probability sampling. Bell, Bryman and Harley (2019:188) explain that a probability sample is selected using random selection, so that each unit in the population has a chance of being selected, thus ensuring a representative sample. A non-probability sample is not selected using random selection, therefore, some units in the population are more likely to get chosen than others, to ensure the richness of the data collected. Sampling in qualitative research is usually associated with non-probability, because participants are intentionally selected instead of randomly selected, in the quest for rich, meaningful data to enable the objectives of the research to be fulfilled (Cooper & Schindler, 2018:343; Creswell & Guetterman, 2018:206; Polit & Beck, 2012:517). For that exact purpose, this study employed a non-probability sampling strategy.

The specific non-probability sampling that was chosen was purposive sampling; a method that assisted the researcher to select specific individuals with the aim of gaining more insight into a central phenomenon (Creswell & Guetterman, 2018:206; Polit & Beck, 2012:517). Purposive sampling occurred at two levels – at the level of the company and at the level of the individual participants within the selected company. The following sub-sections discuss purposive sampling as a non-probability sampling technique, as well as the sampling methods used at both company and participant levels within this study.

5.7.4.1 Purposive sampling

The power and logic of purposive sampling lie in selecting information-rich cases (samples) that need to be studied in-depth. This involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about and/or experienced with a phenomenon of interest (Creswell & Clark, 2015). Information-rich cases are those from which one can learn a lot about issues central to the purpose of the inquiry, hence the term purposive sampling (Gentles *et al.*, 2015:1778; Patton, 2014:264). For this particular study, the researcher considered the size of the company and the number of employees as the main selection criteria for deciding which company to select for the case study. In addition to knowledge and experience, Bernard (2017) also notes the importance of availability and willingness to participate by participants and their ability to communicate experiences and opinions in an articulate, expressive and reflective manner. The participants selected were managers, at different levels of management, involved in strategic management within the company. The participants were knowledgeable about strategic management in general and had a solid idea of the disruptions surrounding their industry. They were therefore able to provide rich information which was relevant to the research questions posed to them.

According to Palinkas, Horwitz, Green, Wisdom, Duan and Hoagwood (2015:534), there are numerous purposive sampling designs and these include the selection of extreme or deviant (outlier) cases for the purpose of learning from an unusual manifestation of phenomena of interest, the selection of cases with maximum variation for the purpose of documenting unique or diverse variations that have emerged in adapting to different conditions and to identify important common patterns that cut across variations; as well as the selection of homogenous cases for the purpose of reducing variation, simplifying analysis and facilitating group interviewing

The researcher applied the inclusion criterion sampling method at both company and participant levels. The aim of the inclusion criterion sampling method was to identify and select all participants that meet some predetermined criterion of importance (Palinkas *et al.*, 2015:536). The researcher chose 'the case company' as an organisation based on the disruption that is happening within the digital pay television industry, also based on the importance of the company within its specific industry and most importantly, based on the importance of the company in its contribution to the economy of South Africa (based on tax contribution and the almost 10000 people that the company employs). The researcher subsequently identified and selected participants within 'the case company' who are in top, middle and low levels of management and are responsible for strategic input within the organisation in some way or another. The researcher purposefully selected managers from different departments within the organisation so as to obtain a broader view of the phenomenon under investigation.

5.7.5 PROFILE OF PARTICIPANTS

The researcher thoroughly explained to all the research participants that their identities would be kept confidential. This was to ensure confidentiality; the researcher assigned a code name and pseudonyms to all participants as illustrated in Table 5.4. As shown in Table 5.4 a total of 19 participants were interviewed in this study, 4 were in Top management, 7 in middle management and 8 in low level management. The participants had been working in the company for varying durations during the time of the study; ranging from 6 months to 23 years. Some participants have changed roles during their time working within the organisation, exposing them to different parts of the business and making them more knowledgeable about the company and the pay television industry at large. The participants have vast experience in strategy, either working on strategy within the current organisation, as well as previous roles outside the company. This context was important in qualifying them as participants, but also in the rich responses that they were able to contribute to the different questions posed. The participants not only related to strategy from a formulation perspective but were also able to address strategy at an overall strategic management level, covering formulation, implementation and evaluation.

5.7.6 SAMPLE SIZE

The sample size in qualitative studies is usually small and guided by the information required for a specific research problem (Pilot & Beck, 2018:521). Furthermore, the sample size needs to be based on the principle of saturation, which is the point where no new information is uncovered (Guest, Bunce & Johnson, 2006:60; Pilot & Beck, 2018:521). There is no rule regarding an adequate sample size to achieve data saturation, this is guided by the data collected and also the decisions on sample size which have to do with matching the sampling strategy to the purpose of the selected method of study (Merriam, 2009:80). With this is mind, the researcher reviewed the sample sizes in similar studies to obtain an estimate for the sample size used in this study. All participants came from a single organisation, to stay in line with the guidelines of single case studies. From the company, the researcher sampled 19 (nineteen) managers within ‘the case company’; 4 (four) managers in the top executive level, 7 (seven) managers within the middle level and lastly 8 (eight) managers in lower management positions. Top management entails executives who are at CEO level or those individuals who report directly to a CEO within the ‘the case company’ group of companies. Middle management include Heads of Departments as well as Senior Managers; while lower management entails managers and supervisors. The list and profile of participants is illustrated in Table 5.4. The researcher also works for the company, which enabled the researcher easier access to reach the targeted sample.

Involving participants from different departments within the company as well as from different levels of management, allowed diversity in the sample. This enabled the researcher to obtain different perspectives as the top executive management would have a different perspective on strategy formulation compared to managers in the lower levels. In addition, different levels of management would perceive the urgency of disruption in different variations. This is also the reason why the researcher applied the same research questions across all participants.

The researcher was willing to increase the minimum sample size until the data collected had reached saturation. Data saturation is reached when there is enough information to replicate the study, also when the ability to obtain additional new information has been attained and when further coding is no longer feasible (Guest *et al.*, 2006). A large sample size did not guarantee data saturation, nor did the small sample size (Burmeister & Aitken, 2012). According to Guest *et al.* (2006), data saturation typically occurs around the 12^{th} interview. For this study no new data emerged after the 15^{th} consecutive interview.

Table 5.4: Participants profiles

Participant Code Name	Job Title	Management Level	Department	Strategy Job Focus: Formulation, Implementation, Evaluation	Years in Organisation	Interview Duration (hh:mm)
P1	Senior Manager	Middle	Centre For Intelligence & Insights	Formulation and Evaluation	3 years 4 months	01:11
P2	Manager	Low	Centre For Intelligence & Insights	Formulation and Implementation	2 years 8 months	01:39
P3	Manager	Low	Marketing	Implementation and Evaluation	1 year 7 months	00:47
P4	Senior Manager	Middle	Content Strategy	Formulation and Evaluation	10 years	00:54
P5	Senior Manager	Middle	Product & Innovation	Formulation and Implementation	2 years	01:05
P6	Senior Manager	Middle	Strategy & Business Development	Formulation and Implementation	4 months	00:53
P7	Manager	Low	Human Resources	Formulation and Evaluation	3 years	00:58
P8	Manager	Low	Enterprise Business Services	Implementation	20 years	01:15
P9	Manager	Low	Marketing	Formulation and Implementation	16 years	01:08

P10	Manager	Low	Content Strategy	Formulation and Implementation	10 months	01:10
P11	Director	Top	Local Entertainment Channels	Formulation	6 months	01:13
P12	Senior Manager	Middle	Content Discovery	Formulation and Implementation	1 year 6 months	00:53
P13	Head of Department	Middle	Human Resources	Formulation and Evaluation	10 years	00:57
P14	Executive	Top	Sport Channels	Formulation, Implementation and Evaluation	12 years	00:52
P15	Manager	Low	International Entertainment Channels	Implementation	10 years	00:59
P16	Executive Head	Top	Media Sales	Formulation	18 years	01:12
P17	Executive Head	Top	Product & Innovation	Formulation	7 years	00:44
P18	Head of Department	Middle	Centre For Intelligence & Insights	Formulation and Evaluation	1 year	00:54
P19	Team Lead	Low	Strategy and Business Development	Implementation	12 years	01:05

5.8 DATA COLLECTION

According to Yin (2013:83-96), there are six possible qualitative sources of evidence for case studies; namely interviews, documents, archival records, direct observation, participant observation and physical artefacts. The use of multiple sources of evidence is a key characteristic of case study research (Thomas & Myers, 2016:118). Yin (2013:83-105) contends that the benefits from these six sources can be maximised if three principles are followed, namely, the use of multiple sources, creation of a case study database as well as maintaining a chain of evidence. The researcher will discuss how these were applied in the trustworthiness section of this chapter.

Typically, interview techniques are utilised as part of a case study method to address the *'how'* and *'why'* types of research questions (Yin, 2013:39). The main method for collecting primary data for this case study was semi-structured interviews with participants. Secondary data was also collected in the form of annual reports and information obtained from the participating company's website, as well as other various websites. The sub-sections below elaborate on the researcher's motivation for employing interviews as a data collection method for this study.

5.8.1 INTERVIEWS AS A DATA COLLECTION METHOD

Interview data was collected from different managers within the company. An interview is a process of obtaining information from a participant to determine their views on a specific research topic (Clarke & Braun, 2019:86). The interviewee is regarded as an expert, while the interviewer is viewed as the learner seeking answers to the research questions (Mack, Woodsong, Macqueen, Guest & Namey, 2005:29). Furthermore, interviews are generally easier and more comfortable for participants, especially if the researcher is seeking impressions, opinions or perceptions (Trochim & Donnelly, 2008:146). This data collection method enabled the researcher to probe and to ask follow-up questions.

5.8.1.1 Types of interviews

Berger (2019:215-217) identifies four kinds of interviews which can be employed as a data collection method; namely, informal, unstructured, structured and semi-structured. Semi-structured interviews are the most commonly used interviewing format for qualitative research (Rowley, 2012:262). These interviews are best suited for working with small samples of participants. In these interviews, the researcher usually has a set of predetermined open-ended questions to ask the participant but maintains limited control over the participants' responses. Semi-structured interviews allow for a free-flowing conversation and enable the participants to diverge from the questions, as further questions can emerge from the dialogue between the interviewee and interviewer, thus allowing the participant to introduce an idea or a topic (Merriam & Grenier, 2019:320). Semi-structured interviews present the opportunity for two-way interaction between the interviewer and the interviewee, where either participant can ask for clarity on questions or answers (Marshall & Rossman, 2016:97). The level of flexibility and the ability for engagement afforded by semi-structured interviews made this method the most appropriate, given the descriptive nature of this case study which allowed participants to thoroughly explain and clarify their responses.

5.8.1.2 Advantages of semi-structured interviews

Marshall and Rossman (2016:227) state that semi-structured interviews allow for in-depth probing, while also allowing the researcher to keep the interview within the parameters outlined by the fundamental objectives of the study. Similarly, Babbie (2021) suggests that semi-structured interviews are characterised by the presence of the researcher which allows for questions that come across as intricate to be explained in a way that can be understood by the participant. There is also more opportunity to ask probing questions, ensuring that views expressed by the participant are completely understood.

Mack *et al.* (2005:30) state that semi-structured interviews allow for the tone and expression of the participant regarding the central phenomenon to be heard, and that the researcher is able to obtain the perspectives and experiences of the participants relating to the research topic. Kvale and Brinkmann (2015:229) indicate that semi-structured interviews are usually planned around an interview guide, which helps to facilitate the conversation in a standardised manner, while making room for other perspectives relating to the phenomenon under investigation to emerge.

5.8.1.3 Limitations of semi-structured interviews

Research indicates that semi-structured interviews have several limitations (Francis, Johnston, Robertson, Glidewell, Entwistle, Eccles & Grimshaw, 2010; Guest *et al.*, 2006; Kvale & Brinkmann, 2015; Mason, 2010; Robinson, 2014; Rowley, 2012; Turner, 2010). The following limitations identified were taken into account in selecting semi-structured interviews as a data collection method for this case study. Semi-structured interviews can seem intrusive to the participant, they are time-consuming not only in terms of conducting them, but also in arranging them, travelling to the venue, post-interview transcription and analysis of the data. Semi-structured interviews can be expensive compared to other methods, and semi-structured interviews on a personal and/or intimate subject can evoke strong emotions and these emotions need to be handled with great sensitivity. Semi-structured interviews are susceptible to bias, which may include the participants desire to please the researcher, along with the desire to create a good impression, leading participants to answer dishonestly. The quality of the data can be affected by the interviewer's experience and skills.

During the interviewing stage of the research, the researcher considered the fact that some participants were not as articulate as other participants, and in some instances, participants were not as relaxed due to not wanting to over criticise the company they are working for. To ensure quality of the findings, the researcher followed guidelines for safeguarding the quality and rigour of the research. As outlined in Section 5.11 (p. 128), these principles include, *inter alia*, employing well established methods for executing qualitative research, as well as ensuring that frequent debriefs take place between the researcher and their supervisor, to test and scrutinise developing ideas.

5.8.2 PILOTING THE INTERVIEW GUIDE

Yin (2013:80) recommends conducting a pilot case study as a final preparation for data collection. This will help refine the data collection plans with respect to both the content of the data and the procedures to be followed. For this case study, this was done by piloting the interview guide. An interview guide can be pre-tested by conducting at least one informal interview with a possible representative of the target participants (Rowley, 2012:265). When piloting the interview guide to be used to collect data, the researcher is essentially simulating the genuine interview under as realistic conditions as possible. The interview guide used in the pilot semi-structured interview was clear, unambiguous and to the point (Clarke & Braun, 2019:87). Any notes taken toward improving the interview guide were largely based on the researcher's experience of conducting the interview and not from an inquiry of the participant's thought process (Majid, Othman, Mohamad, Lim & Yusof, 2017:1075).

Through piloting, the researcher aimed to achieve a realistic sense of how long the interview would take, whether the language used was meaningful to participants, whether participants indeed could answer the questions and also whether the questions were in a logical order. During the piloting phase of the interview, the researcher took note of what may possibly be improved, made final revisions and prepared to launch the study (Maxwell, 2020:105).

For the purpose of this research, a manager from the low level management structure within 'the case company' was recruited to participate in the pilot interview. This interview also served to test the validity of the interview questions. The pilot interview was also recorded to make sure that the recording would work seamlessly during the real interviews. Post the piloting interview, the researcher adjusted the wording and phrasing of questions, in order to simplify the academic terminologies and vocabulary used in the questions, as this vocabulary may not be familiar to many of the participants, which may end up compromising the objectives of this research. For example, instead of saying *'strategy formulation'* the researcher rephrased to '*how strategy is formulated'*, or instead of saying *'strategic management process'* this was rephrased as *'the management of strategic decisions'*. The overall intention of these interviews was to solicit responses that could shed light on what the participants understood as strategy formulation by managers in response to disruption in the company.

5.8.3 DATA COLLECTION PROCEDURE USED IN THIS STUDY

The primary data collection phase of this case study occurred between June and July 2020. To ensure that data was seamlessly collected, the researcher created a list of possible and relevant (in line with purposive sampling) managers that could participate in the study, by accessing a list of names from the internal email directory within the company. The researcher then contacted the managers telephonically and by email, introduced herself, explained the purpose of the study, and enquired whether the managers in question could offer assistance with the study. Most of the participants indicated that they were interested in participating in the study within three to five days after the receipt of the initial email and telephone call. A follow up email was sent to those willing to participate, outlining the background to the study, the researcher's request for permission to conduct interviews within the specific company (see Appendix A) and, the researcher's request to obtain a letter of permission that allowed them to conduct interviews with managers within the company (Appendix B). An informed consent form to be signed by participants (Appendix C) to show that participants participated in the study voluntarily also followed.

The researcher then scheduled meetings, via email communication with all of the participants. All interviews were conducted in English as it is the main business language in the company, and an interview guide was used to guide the conversation with the participants during the data collection process (see Appendix D). All interviews were recorded using a voice recorder and lasted between one hour to almost two hours (see Appendix G). All interviews took place via video calls on Microsoft Teams and Google Meet applications due to lockdown and social distancing restrictions imposed during the Covid-19 pandemic.

The interviews typically opened with formal introductions, firstly by the researcher elaborating on the background of the study and outlining critical ethical considerations, with the intention of putting the participants at ease, and then followed by an introduction by the participants. Participants were reminded that their participation was voluntary, and that they could leave the study at any time. The researcher asked the participants for permission to audio-record the semi-structured interviews before the discussion started. This was followed by introductory open-ended questions on the strategic management process and strategy, before delving into strategy formulation and disruption. The researcher approached the questions by categorising the interview guide into different sections, namely, the introduction, strategy formulation, disruption, the relationship between disruption and strategy formulation, as well as competitive advantage.

At the end of each interview, the participant was given a chance to make any further comments on the research topic. In closing, and as a matter of courtesy, the researcher sent a follow up email within 24 hours, thanking each participant for their time taken to participate in this study.

5.9 DATA PREPARATION PROCEDURES

Before discussing the data analysis procedures used in this research, it is important to highlight the data preparation procedures employed by the researcher.

McLellan-Lemal and Macqueen (2003:69) mention that the first step to making the data analysis task manageable is to avoid approaching the preparation of each interview transcript as a separate unique document. They also state that when a researcher is collecting and analysing data, it is important to create a common template so that each interview transcript has a consistent structure. This will minimise the amount of time spent locating standard text elements, such as specific questions or views in the transcript.

Data preparation has to be done in an organised manner and this involved making back-up copies of the interview recordings, then transcribing each recording and creating back-up copies of the transcripts (Bloomberg & Volpe, 2018:136). Data collected from the study semi-structured interviews needed to be arranged and labelled in folders. This process required attaching a name or label to specific sets of data collected (Creswell, 2012:239). After the completion of each interview, the interview was transcribed within 48 hours and saved separately in a Microsoft Word document which was later referred to during data analysis.

In addition, all of the company's annual reports and other desktop research that were collected as additional information were kept in a specific folder. The researcher made electronic copies of all original documents and these copies were placed in a secure place.

Transcription is a process of converting spoken words into text (Bloomberg & Volpe, 2018:136). In this study, the researcher transcribed the audio recordings of the semi-structured interviews, word for word into textual data. The researcher also listened to the interviews again while reading each transcript to check its accuracy. After the transcription of the recordings into text, the next stage was data analysis.

5.10 DATA ANALYSIS

The ultimate goal of the case study is to uncover patterns, determine meanings, construct conclusions and build some form of theory (Patton & Appelbaum, 2003:60). Data collection and analysis are developed together in an iterative process which can be a strength, as it allows for theory development which is grounded in empirical evidence (Hartley, 2004:329). Neuman (2009:430) describes data analysis in general as the means to searching for patterns in data. Once the pattern is identified, it is interpreted in terms of theory or the setting in which it occurred. The qualitative researcher moves from the description of a historical event or social setting to a more general interpretation and meaning. Yin (2018:109) maintains that data analysis consists of examining, categorising, tabulating, testing or otherwise recombining the qualitative data evidence to address the initial propositions of a study.

This study also followed Creswell and Creswell (2018) six steps of data analysis (as illustrated in Figure 5.1). Although these steps are described in a linear order, Creswell and Creswell (2018) describe them as an interactive practice to analysis. That is, there is a recursive element to following these steps and the process is not simply a static, linear order of analysis.

Figure 5.1: Steps of data analysis

Step 1: Organise and prepare the data for analysis.

- The reseacher reviewed recorded audio files from interviews and transferred them into Word document transcripts.

Step 2: Read through the data.

- This step aligns with Esterberg's directive to "get to know your data".The researcher reflected on the overall meaning to gain a general sense of the information and ideas that the participants conveyed.

Step 3: Began the detailed analysis with the coding process.

- Creswell's (2014) procedure for organising material into segments, by taking text data and segmenting sentences into categories was followed. The categories were then labelled with terms based on the actual language from particpants.

Step 4: Used the coding process to generate a description of the setting or people as well as categories for analysis.

- The researcher used this process to generate codes for the descriptions, which then led to generalising a small number of themes. Themes that emerged were analysed and then the various data gathered into general descriptions for this bounded case.

Step 5: Advanced how the description of the themes will be represented in the qualitative narrative.

- The emergent themes were woven into narrative passages, so that the findings emerged logically from the participants' responses.

Step 6: Interpreted the meaning of the data.

- Creswell (2014) recognises that a researcher's own background plays a important part of the meaning making process as a researcher's fidelity to theoratical lens. The researcher focused on what participants were saying and the conclusions they drew.

Source: Adapted from (Creswell & Creswell, 2018)

According to (Yin, 2018:115) there are three general analytic strategies for analysing case study evidence and these entail relying on theoretical propositions, thinking about rival explanations as well as developing case descriptions.

This case study applied the explanation building technique because it allowed for the finding of robust explanations of strategy formulation by managers in response to disruption, through using both the case propositions put forward during the research proposal as well as allowing new explanations to emerge from the data. For this case study, the analysis of data was further enhanced by reference to the case propositions and existing literature, as well as using this to raise questions about whether the researcher's findings were consistent with or different from extant research.

There are key terms that are used during data analysis and are explained in Table 5.5 below.

Table 5.5 Key terms associated with the qualitative data analysis process

Key terms	Definition
Memoing	An important process that is practised throughout a study is one through which researchers familiarise themselves with the collected data and make notes of ideas and insights they have during the qualitative data analysis process (Birks, Francis & Chapman, 2008:68).
Transcription	A process of converting electronic data such as audio recording to textual data (Miles *et al.*, 2019:359).
Themes	A theme is an attribute, descriptor, element or concept which aids the researcher in organising a group of repeating ideas, thus enabling the researcher to answer the research questions. This process requires integrating similar codes into a main idea that is related to the research topic (Bazeley, 2013:329).
Coding	A process in the data analysis where the researcher reads the collected data thoroughly, then assigns each classified item a label in the form of a name, number or symbol (Berger, 2019:308).
In vivo codes	This process places emphasis on the actual spoken words of the participants, allowing the participants' own words to be used as coding labels during the first few iterations of the analytical process (Merriam & Grenier, 2019).

5.10.1 DATA ANALYSIS PROCEDURES

The analysis of the collected data was centred on the propositions which were derived from the literature review. Explanation building was used to build themes around the data. Thematic analysis was used to build themes around proving or disproving the propositions. Thematic analysis is a method of analysis of qualitative data, which identifies, organises and establishes meaningful themes around a data set (Clarke & Braun, 2019:57). Thematic analyses require insightful understanding of the participant's contextual setting from the researcher. Thematic analyses thus move beyond counting clear and unambiguous words or phrases and focus more on identifying and describing both implicit and explicit ideas within the data.

Qualitative data analysis is usually based on an interpretive philosophy, meaning that it tries to establish how participants make meaning of a specific phenomenon by the researcher analysing participants' perceptions, attitudes, understanding, knowledge, values, feelings and experiences in an attempt to approximate their construction of the phenomenon (Maree, 2020:99). The best way to achieve this is through a process of inductive analysis of the qualitative data where the main purpose is to allow research findings to emerge from the frequent, dominant or significant themes inherent in raw data, without the restraints imposed by a more structured theoretical orientation (Maree, 2020:99). Using a more deductive approach where the categories of information (case study propositions) required from the data are formulated in advance (this is called *priori* categories, distilled from the literature on the topic) may obscure or render key themes invisible (Maree, 2020:99). The researcher therefore adopted the inductive approach and applying the case study propositions to data analysis.

The researcher read through the transcripts several times to familiarise herself with the data collected. This also allowed her to identify common patterns and trends pertaining to the way in which the participants expressed their views on strategy in general, on the strategic management process, as well as disruption, given their varying contextual settings. During the coding process, the researcher worked through the complete data set a couple of times and identified text segments, subsequently assigning code labels to the text segments based on what the participants had articulated in that particular text segments (Creswell, 2012:261).

A total of 90 codes emerged from the entire coding process. The researcher then scrutinised all the codes to identify similar codes, ultimately ending up with 40 sub-codes (see Appendix F). All of the merged codes were further scrutinised to identify related codes, from which the 11 sub-themes and subsequent 3 major themes were derived (see Appendix E). From this analysis, the researcher was able to present the data in the findings through figures, tables and a detailed discussion of the identified themes that aligned with the propositions (Yin, 2018).

5.11 DEMONSTRATING THE QUALITY AND RIGOUR OF THE RESEARCH DESIGN

It is crucial to evaluate the quality of the research if findings and recommendations are to be used within the industry, and also if findings are to be incorporated into learning about strategy in general, strategy formulation and disruption. When assessing the reliability of the research findings, the researcher ought to make judgements about the *soundness* of the research in relation to the application, the *appropriateness* of the research methods undertaken as well as the *integrity* of the final conclusions (Noble & Smith, 2015:34).

The following sections provide an overview of trustworthiness in qualitative case study research, as well as how trustworthiness was ensured in this study. This is followed by a discussion on how quality issues pertaining to the research were addressed.

5.11.1 TRUSTWORTHINESS IN QUALITATIVE RESEARCH

Case study research strategy lends itself to including numerous strategies that promote data credibility. Numerous frameworks have been developed to evaluate the rigour or assess the trustworthiness of qualitative data, because tests that are applied to confirm the validity and reliability of quantitative studies cannot be applied to qualitative research (Noble & Smith, 2015:34). It has been debated whether terminology such as validity and reliability are truly appropriate when evaluating the quality and rigour of qualitative research (Clarke & Braun, 2019; Morse, 2015; Noble & Smith, 2015; Patton, 2014; Ritchie, Lewis, Nicholls & Ormston, 2013). As a result researchers have sought out criteria for evaluating research quality and rigour of qualitative studies (Ang, Embi & Yunus, 2016) and a set of criteria first introduced by Lincoln and Guba (1985:218-219) have been largely adopted. These criteria consist of four elements, namely credibility, transferability, confirmability and dependability of a study. These criteria are similar to validity and reliability which are terms often readily associated with quantitative research. In addition, various researchers have also leveraged off these criteria to articulate approaches for demonstrating a qualitative study's quality and rigour (Babbie, 2021:776-778; Patton, 2014:652-653; Shenton, 2004:64-67).

5.11.1.1 Credibility

Credibility implies that there is confidence in the truth of the data collected, as well as truth in the research findings (Creswell & Clark, 2015:62; Polit & Beck, 2012:585). Credibility addresses the question "how congruent are the research findings with reality" (Merriam, 2009:214). Credibility in qualitative research assures that the results from the participants are true (Trochim & Donnelly, 2008:149). According to Patton (2014:653), the credibility of a qualitative inquiry depends on four interrelated inquiry elements, namely *systematic in-depth fieldwork* that yields high-quality data, systematic and conscientious analysis of data, *credibility of the inquirer,* which depends on training and experience; as well as t*he reader and users' philosophical belief* in the value of the qualitative inquiry, which is a fundamental appreciation of a naturalistic inquiry.

A limitation to credible qualitative findings stems from the suspicion that the analyst can shape findings according to their predisposition and biases (Patton, 2014:653). Shenton (2004:64-69) however proposes strategies that researchers may use to enhance the credibility of their studies. These strategies entail the adoption of well-established methods for the study; using research methods that have already been used and that have been accepted by previous researchers in various fields. The development of an early familiarity with the culture of participating organisations before data collection commences. For example, this may be achieved via consultation of appropriate documents and preliminary visits to the organisations in question. For this study, the researcher studied company reports available on the investors' website, which shed light upon current and planned strategies of the company. The researcher also read literature and articles on the phenomenon of disruption to increase her knowledge.

Triangulation of data sources, data types or researchers, is a primary strategy that can be used and supports the principle in case study research that the phenomenon be viewed and explored from multiple perspectives (Baxter & Jack, 2008:556). The collection and comparison of this data enhances data quality based on the principles of idea of convergence and the confirmation of findings (Baxter & Jack, 2008:556). One way in which triangulation can take place is through the involvement of a wide range of informants. Here, individuals' viewpoints, and experiences can be verified against others and, ultimately a rich picture of the attitudes, needs or behaviours of those under scrutiny may be constructed based on the contributions of a range of people. Another way of triangulating the data involves using several types of data about a central phenomenon, in order to develop a comprehensive understanding of the phenomenon.

Different participants were interviewed during this research and other data sources were also used. Tactics to help ensure honesty in informants when contributing data includes that participants should be encouraged to provide honest answers through encouraging them to be frank and provide their personal views on the questions being asked. Also, each participant who is approached should be afforded the opportunity to refuse to take part in the project to ensure that the data collection sessions involve only those who are genuinely willing to participate and are prepared to offer data freely. It should be made clear to participants that they have the right to withdraw from the study at any point, and should they decide to do so, they will not be required to explain their decision to the investigator.

Frequent debriefing sessions between the researcher and their supervisors, such as research supervisors. Through discussions, the vision of the investigator may be broadened as others bring to bear their experiences and perceptions. The meetings also provide a sounding board for the investigator to test their developing ideas and interpretations and enable probing by others, which may help the researcher to recognise their own biases and preferences. This also includes peer-to-peer scrutiny of the research project, which should welcome critique and feedback from colleagues, peers and academics. The fresh perspective that such individuals bring allows them to challenge the investigator's assumptions, as the latter's closeness to the project often inhibits their ability to view it with the necessary levels of detachment. Lastly, studying previous research in similar (or the same) fields can allow comparison and allows the researcher to see how well the findings are supported by the new work.

To address specific case study credibility, the researcher followed basic key elements described below to enhance overall study quality and trustworthiness, by ensuring that enough detail was provided so that readers can assess the credibility. The case study questions were clearly written, along with propositions that were well articulated and substantiated. The researcher provided proof that the case study research strategy was appropriate for the research question. The researcher followed purposive sampling strategies appropriate for case study. The researcher also ensured that data was collected and managed systematically and that the data was analysed correctly.

To further enhance the credibility of the research, the researcher consulted in frequent debriefing sessions with her supervisor to rigorously test and discuss any developing ideas and interpretations. The researcher also ensured that the participants were aware that they were at liberty to withdraw from the data collection process at any point in the process. The researcher also studied case studies in the fields of strategy and disruption to broaden her knowledge and perspective on the phenomena. Furthermore, the researcher developed familiarity with the participants' exposure to strategic management by conducting a pilot interview with a participant that suited the sampling requirements within the company.

5.11.1.2 Transferability

Transferability interrogates the extent and degree to which findings of research can be applied in other contexts and settings (Trochim & Donnelly, 2008:149). Transferability involves providing a rich description of data required so that a reader can evaluate how the findings can be transferred to other groups and situations (Pilot & Beck, 2018:585). This is achieved when the researcher provides sufficient information about the self (the researcher as an instrument) and the researcher context, process, participants and researcher-participant relationships, to enable the reader to decide how the findings may transfer. When qualitative research is applied to individuals and small groups, some critics suggest that the results are too precise to be replicated or used elsewhere (Shenton, 2004:69). Given the usual small sample sizes and absence of statistical analyses in qualitative studies and in case studies, qualitative data cannot be said to be generalisable in the conventional sense; thus it was important in this case study report not to imply that the findings could be generalised to other enterprises or industries (Morrow, 2005:252).

There are two preconditions required to ensure successful transferability of one's study, namely providing a comprehensive description of the phenomenon being investigated, as well as employing purposive sampling as a sampling technique (Anney, 2014:278). Providing the reader with a comprehensive description of the phenomenon investigated involves the researcher clarifying the research strategy, which includes data collection methods, and the context of the study up to production of the final case study report. These detailed descriptions enable other researchers to replicate the study with similar conditions in other settings (Anney, 2014:278). Shenton (2004:70) further argues that without a comprehensive description, it is difficult for the reader to determine the extent to which the overall findings ring true and can be adapted to other contexts. Purposive sampling on the other hand, enabled the research to focus on key informants who were knowledgeable on strategic management, but more importantly the strategy formulation phenomenon (Anney, 2014:278-279). The researcher employed purposive sampling to ensure that the research focused solely on the strategy formulation by managers in response to disruption within the pay television industry in South Africa only, and not broadening the study to the larger broadcasting industry.

5.11.1.3 Confirmability

Confirmability refers to the degree to which the findings of the research demonstrate a degree of neutrality in that they are shaped by the participants' contributions, and not the biases of the researcher (Shenton, 2004:70). The concept of confirmability is concerned with the researcher's demonstratable concern for objectivity. Confirmability was particularly important to adhere to as the researcher works for the case company and was also familiar with some of the participants. Steps were taken to ensure as much as possible, that the study's findings were the result of the experiences and ideas of the informants, rather than the characteristics and preferences of the researcher. Shenton (2004:72) states that the role of triangulation must be emphasised in promoting confirmability, especially in contexts prone to potential successive biases from the researcher. A detailed methodological description that enables the reader to determine how far back the data emerges, may be accepted. Critical to this process is the 'audit trail', showing how the data which eventually led to the formation of recommendations was gathered and processed during the course of the study (Shenton, 2004:72). According to Bowen (2009:38), an 'audit trail' offers visible evidence, from process and product, that the researcher did not simply find what they set out to find.

To ensure confirmability, participants' voices were reflected in the qualitative findings. Direct quotations, which reflected participants' voices, are visible in the findings of this study (see Chapter 6). Qualitative data analysis was based only on the information supplied by the participants. In addition, the researcher was encouraged to keep a reflexive journal in order to enhance the confirmability of the study. A reflexive journal includes documents kept by the researcher to reflect and ponder on thoughts, plans and interpretations that require more time and thinking to be crystallised. The researcher kept a reflexive journal so that all thoughts, plans and interpretations could be reflected upon and effectively concretised.

5.11.1.4 Dependability (Reliability)

Dependability in qualitative research addresses the identical connections within responses from participants should the same research be conducted in a similar context, with similar participants (Babbie, 2021:278). This is also referred to as reliability in case study research. To ensure dependability (reliability), procedures within the study should be reported in detail, thereby enabling a future researcher to repeat the work, but not necessarily to achieve the same results. Thus, the research design may be viewed as a prototype model (Shenton, 2004:71). However, because case studies are usually non-replicable, their reliability is primarily demonstrated by data triangulation resulting from the use of various data collection methods, evidence linking, and rigour in all of the procedures performed during the study (Eisenhardt, 1989; Taylor & Søndergaard, 2017:136).

Yin (2018) also suggests the use of the case study protocol (or interview guide) to ensure that the study or one of its procedures may be repeated. To ensure the dependability of this research, the researcher provided detailed descriptions of the research design adopted in the study. Finally, also checking the findings with the case study participants was a valuable part of the analysis and was useful in the enhancing of validity of this study.

5.11.2 MITIGATING DATA QUALITY PROBLEMS

Table 5.6 below summarises the provisions made by the researcher to validate the trustworthiness of this study.

Table 5.6 Provisions made to ensure trustworthiness of this study

Quality criterion	Provisions made by the researcher
Credibility **(in preference to internal validity)**	• Employed suitable research methods to collect primary data for this research. • Frequent debriefing sessions were held between the researcher and the study's supervisor to clarify thoughts, approaches and expectations. • Systematic and conscientious data analysis methods were implemented.
Transferability **(in preference to external validity and generalisability)**	• The researcher documented the study's background information to effectively establish the context of the study for the participants.
Dependability **(in preference to reliability)**	• The researcher provided a detailed outline of the research methodology employed in this study to enable replication.
Confirmability **(in preference to objectivity)**	• The researcher recognised and brought to light the limitations in the study's research methods. • The researcher kept a reflexive journal where she documented all her thoughts, plans and other pertinent notes for reference during the course of the study.

The following section gives an account of the ethical considerations observed by the researcher while conducting this study.

5.12 ETHICAL CONSIDERATIONS

How a researcher enters the research field, including how they address and select participants, raises important ethical issues. It should be taken into consideration whom the researcher informs about the research, its purpose and their expectations (Flick, 2019:44). Flick (2019:44) identifies key ethical considerations when conducting research and these include informed consent, employing ethical procedures, avoiding harm for participants in collecting data; as well as doing justice to the participants in analysing the data.

The following sub-sections elaborate on how the researcher took cognisance of these ethical considerations in conducting this study.

5.12.1 INFORMED CONSENT

To ensure adherence to the principle of informed consent as a requirement for participation, the researcher observed that the consent should be given by someone capable of doing so, the person giving the consent should be adequately informed and that the consent is given voluntarily (Flick, 2019:45).

The researcher liaised with the Human Resource Department (through the Learning Manager) of the participating company, outlining the background of the study and what the objectives were. The researcher advised the Human Resource (Learning Manager) that the company would not be mentioned in the study and that an alias name would be used as 'the case company'. The researcher also advised the Human Resource (Learning Manager) that an Informed Consent Form was available for all participants for their perusal and understanding. The Informed Consent Form addressed the critical aspects of confidentiality, as well as the way in which the collected data would be used (see Appendix C).

5.12.2 ETHICAL PROCEDURES

Formal approval of this study was granted by the Research Ethics Committee of the Faculty of Economic and Management Sciences, at the University of Pretoria, on 19 November 2019. The researcher made it clear to each participant that they were not obliged to answer any questions that they were not comfortable to answer. The researcher also mentioned to each participant that they had the liberty of terminating the interview at any stage, for any reason whatsoever. All of the participants indicated that they understood what was being explained to them and they expressed their willingness and interest to participate in the study.

The researcher also obtained permission from the company, by firstly, issuing a letter requesting permission to conduct research within the firm, and secondly, requesting a letter granting permission from the company (see Appendix A and Appendix B). The letter granting the researcher permission to conduct research within the company was signed by the Learning Manager in the Human Resource Department, on the company's official letterhead. In order to adhere to confidentiality as requested by the company, the company is referred to as 'the case company' and all references containing the company's name, employees, products and brands have been removed from both the chapters as well as from citations and the reference list.

5.12.3 AVOIDING HARM TO PARTICIPANTS IN COLLECTING DATA

During the data collection, the researcher refrained from coercing participants for responses and the researcher ensured that the participants remained comfortable during the interview. The researcher's interviewing style was conversational, which was intended to help the participants feel at ease when sharing their respective perceptions and insights on the phenomena under investigation.

5.12.4 DOING JUSTICE TO PARTICIPANTS IN ANALYSING THE DATA

The researcher explained to the participants how the data would be analysed after the data collection had taken place. Participants were told that the research would be made available to all who contributed to it on request. The researcher ensured that all interpretations from the interviews were grounded in the collected data (Flick, 2019:44).

In addition to the above mentioned ethical considerations, confidentiality was also ensured. When interviewing participants in the same enterprise, the need for confidentiality is not only in relation to public outside this setting. Readers of the final report should not be able to recognise any of the participants that took part in the research (Flick, 2019:45). The researcher assigned code names instead of real names for all participants to preserve confidentiality, and participants' names and specific job titles were removed from transcripts and quotations presented in Chapter 6.

5.12.5 INSIDER RESEARCH

In addition to the parameters of trustworthiness which were discussed in section 5.11.1, the researcher has to also address how the researcher's role as an "insider" contributed to the study. As an employee of the organisation, the researcher did possess pre-existing knowledge and context of the research, as the content has been topical within the company for some time. This allowed the researcher to develop and ask meaningful questions based on the rich understanding of the phenomena requiring investigation and such insights may not have been as easy to uncover by an external researcher (Chavez, 2008). The researcher also opened the semi-interviews with a disclaimer to participants; explaining to the participants that although the topic may have been discussed many times within the company, the participants were encouraged to respond as if they were discussing the topic for the first time with someone who has not been exposed to the topic before.

The researcher did not know many of the participants personally, however, the interactions with participants as co-workers during the interviews were more open and it appeared that participants seemed more at ease speaking with a colleague than they would have with an external researcher. The researcher kept all interactions with participants formal, professional and standardised in order to eliminate inconsistencies in the data collection. There was spoken and non-verbalised rapport between the researcher and participants; especially on the sensitivities around what information should not be divulged outside the company. As an insider researcher, the researcher had access to privileged company information which is not available externally. It was thus critical for the researcher to maintain confidentiality as well as be cognisant of not using "privilege information" for the purpose of the research. The researcher only used information that is published in external company reports or public websites, as well as what was safely shared by participants.

Critics of insider research argue that member knowledge is the result of subjective involvement which can be a deterrent to objective perception and analysis (Greene, 2014). It is argued that the perception of the "insider researcher" can be narrowed by familiarity and thus limit the analysis of the data collected (Aguiler, 1981). Delyser (2001) further notes that greater familiarity can lead to a loss of objectivity and the increased risk of the researcher making assumptions based on their prior knowledge or experience. It was thus important for the "insider researcher" of this particular study, to ensure that the research design had rigour and transparency in the methods of data collection. In order to mitigate the above risks, the researcher also did not deviate from the discussion guide. The researcher also remained neutral throughout all the semi-structured interviews and did not share or express their own experience or opinion. The researcher also did not interrupt participants during their responses and made sure that all interviews were recorded and transcribed verbatim according to participants' responses.

A beneficial advantage of being an "insider researcher" was during the data analysis and interpretation stage of this research. Understanding case study methodology, it lessened some time in getting to know the nuances of the case items. The researcher's knowledge of the company and industry allowed for easier interpretation of participants' response and it was harder to misunderstand or take responses out of context.

5.13 CHAPTER SUMMARY

A pragmatic research paradigm was adopted for this study, which assumes that the outcomes sought from the study are pivotal in improving the practice of strategy in general with a focus on strategy formulation within the presence of disruption. This study is classified as a qualitative inquiry, applying a single case study research strategy, with the primary aim being to explore the various perceptions of strategy formulation by managers in response to disruption, and this strengthened the rationale for adoption of a qualitative approach to the study.

Purposive sampling was carried out in selecting the company as well as the participants to take part in the study. Semi-structured interviews were employed as a means of collecting primary data from participants, and the interviews were transcribed into Word documents and data was coded manually. This chapter concluded with a discussion of the strategies that were used to enhance the trustworthiness of the findings. The analysis and findings are reported in the next chapter.

CHAPTER 6: DATA ANALYSIS AND PRESENTATION OF RESULTS

Chapter outline:

The purpose of this chapter is to:

- discuss the background of this study's participants;
- provide an overview of the qualitative data analysis approach and findings of this study;
- illustrate the different themes that were derived from the data collected;
- present the main findings of the study in relation to each posed research question;
- discuss the approach to strategy formulation during disruption;
- examine the relationship between disruption and strategy formulation; and lastly
- discuss continuous sustainable advantage as a shock absorber against disruption.

6.1 INTRODUCTION

Chapter 5 gave an extensive overview of the research design and methodology employed in this study. The purpose of this chapter is to describe the qualitative data analysis process followed in this study. This process involved transcribing interviews, coding the data, clustering the codes and finally developing themes. The chapter also presents the different themes that were derived from the collected data, and outlines the main findings of the study in relation to each of the research questions. The main themes and sub-themes emerging from the study's findings are summarised in Figure 6.2 (p. 149) and the list of codes presented in Appendix E (p. 266). The three main themes which represent the study's findings are as follows: *The approach to strategy formulation during disruption; the relationship between disruption and strategy formulation* and *continuous sustainable competitive advantage as a shock absorber against disruption.*

The findings consistently focused on exploring strategy formulation by managers in response to disruption and revealed the disruption that is taking place within the pay television industry in South Africa. Insights were therefore unearthed into how disruption is influencing strategy formulation within 'the case company'. Consequently, the study addressed the main research questions which sought to understand the awareness of disruption, preparedness for disruption, as well as the actions taken by the company to mitigate disruption within 'the case company'. This chapter initially explores the background of the participants, as a discussion of the participants' professional background is important and relevant in order to contextualise the findings of the study, especially in relation to strategy.

6.2 BACKGROUND OF THE STUDY PARTICIPANTS

It is important to understand the background of the participants, because it influences the manner in which they relate to and perceive the construct of strategy formulation and disruption in practice, along with the respective practices documented in the literature. Pseudonyms were used to protect the identity of the participants. All of the participants were employed by 'the case company' at the time of the research. The participants had worked extensively on strategy within their careers (ranging between five to more than twenty years) and their varied experience spans across strategy formulation, strategy implementation and strategy evaluation. Table 5.4 (p. 116) in the preceding chapter provides detailed profiles of the 19 participants.

The study participants were experienced managers who have had extensive exposure to working on strategy in different roles and in different industries throughout their careers. The excerpts below give insight into some of the participants' experience in strategy:

> *"My role in strategy spans over a period of over 10 years in different parts of strategy. That includes the crafting of strategy or strategy design. I also do strategy implementation. My role touched different industries. " (P5: Senior Manager - Middle Management)*

> *"Since leaving varsity, which was 20 years ago, I have been doing strategy. Started out with Accenture. 20 years of doing strategy specifically in different industries; from financial services to management consulting, to oil and gas, FMCG and Tech and then obviously media." (P6: Senior Manager - Middle Management)*

From the interviews it was easy to assess the varied involvement of participants in strategy formulation, whether in their current position within the organisation, or in their previous roles outside the company. All participants were deemed eligible to participate in this research because they have been working within strategic management for a significant number of years. The excerpt below gives an account of how a participant views their individual involvement in the strategy process within the company:

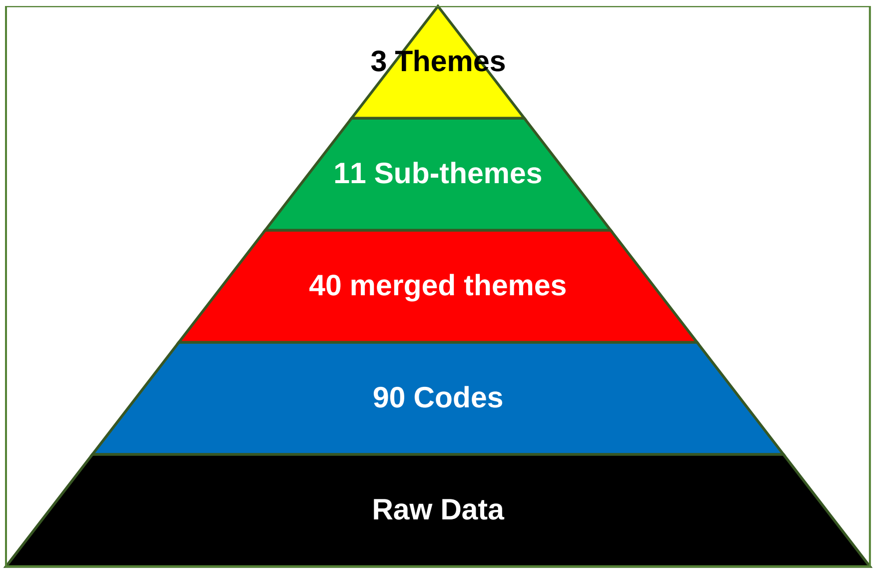
> *"I've never occupied a role that out and out said 'whatever-whatever Strategy'. But slowly, particularly over the past 5 or so years, I've found myself developing reports and insights that speak to the macro environment of the businesses that I have been involved with." (P2: Manager - Lower Management)*

All participants were key employees and were somehow involved with strategic management within the organisation. Overall, the participants were very knowledgeable about the study's central phenomenon, they provided rich information on the practice of strategy in general within the organisation, as well as gave detailed revelations on how the strategy formulation process works within the company. The participants were also able to give their account of disruption and how managers are navigating around strategy formulation within the organisation.

6.3 A DESCRIPTION OF THE DATA ANALYSIS PROCESS FOLLOWED IN THE STUDY

Data analysis was performed through the use of thematic analysis. Thematic analysis is described as a process of identifying, analysing and reporting patterns (themes) within a data set (Braun & Clarke, 2019:589). This process involved preparing data, followed by conducting the actual analysis by delving deeper into understanding the data and interpreting the broader meaning of the data (Creswell, 2012:238). Figure 5.1 (p. 125) outlines the data analysis process followed in this study and Figure 6.1 below further illustrates the coding and theming process adopted by the researcher.

Figure 6.1: An illustration of the coding and theming process of this study



As an initial step, the researcher transcribed the interview recordings into a written format (Clarke & Braun, 2019:60). Prior to beginning the data analysis process, the researcher listened carefully to the recorded interviews and concurrently transcribed them into a verbatim written format. The researcher typed the transcriptions of interviews into a Microsoft Word document and then printed the transcripts in preparation for data analysis. Next, the researcher read through the transcripts while listening to the recordings to verify the accuracy of the transcripts. This stage also involved memoing. The researcher recorded the memos that included reflective notes about ideas, insights and lessons learnt during this study. Thereafter, the transcripts and filed notes collected during the interviews were read repeatedly in order to become familiar with the data. Each participant was assigned a pseudonym as illustrated in Table 5.4 (p. 116).

The second step in the data analysis process entailed reading and rereading the data in order to establish codes (Clarke & Braun, 2019:61). The researcher read the data critically with the objective of manually establishing codes. Codes are used to identify and attach a tag to a characteristic of the textual data that is meaningful to the research questions (Clarke & Braun, 2019:61; Creswell, 2012:238). A total of 90 codes were created during the first coding stage. The researcher used the transcribed data as a guide for naming the chosen codes; an illustration of this procedure follows. The statement below was a response given by a participant:

> *"… not everyone can be involved in strategy and that is just the reality. The strategy formulation for 'the case company' ends at a senior management level, the layer below that is more focused on implementation and execution." (P13: Head of Department - Middle Management)*

In this case the researcher coded this code as "Barriers to inclusivity in strategy formulation". This approach was adopted in the manual coding of all the data. After producing the first iteration of codes, the researcher scrutinised each code in order to identify similarities. This led to the merging of codes, which resulted in 40 merged codes.

This phase allowed the researcher to gain deeper understanding of the information participants provided on this study's central phenomenon, namely strategy formulation and disruption. The researcher read through each transcript, writing down notes on the basis of formulating codes. Notes were written next to the data that appeared to be potentially important and relevant to this study. Table 6.1 illustrates the way in which codes and main themes were identified during this study.

Table 6.1 Examples of extracts from the coded transcripts illustrating the link between codes and main themes identified in this study

Raw data and extracts	Codes	Main themes
"I think that 'the case company' as an organisation and I think this also goes to other organisations, they need to formulate strategies and identities for themselves that even when they hash out, and even when they are disrupted and even when they respond to disruptions and formulate their strategies" (P1)	Approaches to strategy formulation	Approach to strategy formulation during disruption
"Your measure is that ability to assess and change as you go along. That flexibility is quite important, and I think having seen it at play now in May (2020 - Covid 19 lockdown), it is comforting to know that if something is going wrong, we are able to stop it." (P11)	Balancing reactive and proactive strategy in strategy formulation	The relationship between disruption and strategy formulation

"I think disruption will always come. Something will be bigger than Netflix, somebody will come up with something better than Netflix, that is how the world works. I do not think we will ever be cruising, ever, those days are gone. Technology is so rapid, and technology is so impressive that we will never have a day where you just go to sleep at peace, it will never ever happen." (P14)	Understanding disruption	Continuous sustainable competitive advantage as a shock absorber against disruption

To further synthesise the merged codes into meaningful themes, the researcher read through all the merged codes, identifying the codes with clear connections. As illustrated in Figure 6.2, 11 sub-themes emerged, ultimately resulting in three main themes: *Approach to strategy formulation during disruption; the relationship between disruption and strategy formulation* and *continuous sustainable competitive advantage as a shock absorber against disruption.* Figure 6.2 also illustrates how these themes link to the research questions outlined in Chapter 1. The aforementioned three main themes and their associated themes are discussed later in the following sub-sections.

Searching for themes is a critical part of the data analysis process because themes capture significant aspects of the data with regard to a study's research questions (Clarke & Braun, 2019:63). Themes represent a number of patterned responses within the data. The themes ought to reveal multiple perspectives from participants and be supported by several quotations from the data. This part of data analysis required analysing codes to determine how diverse codes could be joined to form a theme (Clarke & Braun, 2019:63; Creswell, 2012:249). In this study, the researcher searched for themes by identifying patterns of key issues that relate to strategy formulation, disruption, competitive advantage, sustainable competitive advantage and innovation, from the participants' interview sessions. Furthermore, the field notes compiled during the semi-structured interviews were used to verify similarities or conflicting views regarding each theme for in-depth analysis of the relationship between strategy formulation and disruption. After identifying the main themes indicated in Table 6.1 above, the next stage of the data analysis process was to review potential themes.

The themes identified in the above section were critically reviewed. This aspect is extremely important because it relates to the quality of the data. This requires a review of developed themes relating to the overall data collected (Clarke & Braun, 2019:64). During this stage the researcher reviewed the available data and went back to literature to further make sense of the data. Themes have to be clearly defined, indicating the uniqueness of each specific theme. It is important to consider how each theme relates an articulate account of the data (Clarke & Braun, 2019:64). During this phase, the researcher assigned each theme a specific focus in order to address the study's research questions and case study propositions.

During the final step of data analysis, the researcher identified and affirmed the study's main findings (Clarke & Braun, 2019:69). The researcher also ensured that attention was paid to exceptions, and that findings were verified to enhance trustworthiness of the report. The various themes in the data were utilised to acquire an in-depth understanding and develop a rich description of exploring strategy formulation by managers in response to disruption in practice within the pay television industry.

Constructing the case study final report required careful data analysis and a clearly detailed summation of the findings. This information as well as the conclusions were then drafted into a comprehensive final case study research report in Chapter 7. By clearly describing the research methods used, reporting fully on the data collected and analysis thereof, and presenting the results and interpretations clearly, the researcher will produce a final case study report (Chapter 7) that assures readers of trustworthiness of the findings (Clarke & Braun, 2019:69).

The specific themes identified during the data analysis process are discussed in the next section.

6.4 AN OVERVIEW OF THEMES EMERGING FROM THE STUDY

The data analysis phase of this study identified three main themes related to strategy formulation by managers in response to disruption , namely:

- the approach to strategy formulation during disruption;
- the relationship between disruption and strategy formulation;
- ensuring continuous sustainable competitive advantage as a shock absorber against disruption.

These three main themes and their related sub-themes are summarised in Figure 6.2 below. The main themes and sub-themes are discussed in detail in the remainder of this chapter. This discussion starts with the findings related to the participants' views regarding strategy formulation within the organisation.

Figure 6.2: A summary of the main themes and sub-themes identified in the study

Exploring strategy formulation by managers in response to disruption within a case study

	Theme 1	Theme 2	Theme 3
	Approach to strategy formulation during disruption	The relationship between disruption and strategy formulation	Continuous sustainable competitive advantage as a shock absorber against disruption
Sub Themes	1.1 Approaches to strategy formulation 1.2 Strategy formulation as a top down process 1.3 Barriers to inclusivity in strategy formulation 1.4 Collaboration in strategy formulation	2.1 Perception of disruption 2.2 Situational awareness of disruption 2.3 Strategically responding to disruption 2.4 Balancing reactive and proactive strategy in strategy formulation 2.5 The impact of disruption on strategy formulation	3.1 The importance of sustainable competitive advantage 3.2 Strategy agility as an enabler of sustainable competitive advantage

Research Questions

Research Question 1:
How does management prepare for and create awareness around disruption?

Research Question 2:
How does management alter strategy formulation in response to disruption?

Research Question 3:
What are the actions taken by management when faced with disruption?

Case Propositions

Proposition 1:
Enterprises facing disruption will approach strategy formulation in a non-linear way

Proposition 2:
Enterprises facing disruption are likely to follow a more emergent approach to strategy formulation than a deliberate approach to strategy formulation

Proposition 3:
Enterprises facing disruption will find it challenging to grow or maintain their competitive position

Proposition 4:
Enterprises that incorporate innovation in their strategy will achieve competitive advantage

6.5 APPROACH TO STRATEGY FORMULATION DURING DISRUPTION

Research question 1 asked how management prepares for and creates awareness around disruption, while research question 2 asked how management alters strategy formulation in response to disruption. This section discusses the construct of strategy formulation during disruption which has been articulated in Section 2.5 (p. 45), as currently experienced by the company and provides a descriptive analysis of how the company is currently addressing their strategy formulation in the quest to answer both research question 1 and research question 2. The task of formulating strategy is continuous and will mostly evolve incrementally as a result of the industry in which the organisation operates (Collins & FastDigest-Summary, 2017:11). Before delving into the strategy formulation process of the company, it was first important to gain insights into how ‘the case company’ manages its strategy process overall. This section also addresses the findings related to Theme 1, which relates to the first and second research questions, as well as the first and second case study propositions as illustrated in Figure 6.2 above.

From the interviews with participants there is a clear demarcation between the corporate, the business and the functional strategy within ‘the case company’. As illustrated in the literature in Figure 2.5, the corporate strategy sets the strategic goals for the company as a whole, while the business strategy sets the strategic goals for the different business units or departments within the company, and lastly the functional strategy sets the strategic goals to deliver on the business and corporate goals while continuing to strengthen, improve and enhance the functional area itself (Pearce & Robinson, 2013).

Literature states that the corporate strategy is the broadest and the most long-ranging, it is delivered first to provide direction to the business and functional area. In line with the description in literature the corporate strategic goals of 'the case company' are discussed in Section 4.6 (p. 91). The corporate strategy is then followed by the business strategy which is informed by the corporate goals, the successes or challenges of the current strategy, the business market conditions, including shifts in customer preferences, market innovations and regulatory shifts.

When asked to explain their understanding of the overall strategic management process within the company, the four top executive management participants related the corporate strategic management process, while the seven middle management participants related both the corporate and the business strategy management process, and the seven low management participants gave account of the functional strategy. The excerpts below give an account of this:

> *"Then we take our strategy and we have to present it because we play a role in the whole 'the case company' ecosystem, we take that strategy and we present it to the strategy team because the strategy team must make sure that our strategy is complementary to the objectives of 'the case company' as a group, so we cannot be different, our goals and aspirations cannot be different to those of the 'the case company' group." (P14: Executive - Top Management)*

> *"Remember there are two types of strategies that will at any given time affect an operation like the company that I work for, you can have a business unit strategy, you can have a corporate strategy. You find that there is an interrelationship between the two where your corporate strategy influences the business strategy and the business strategy likewise has an impact on the corporate strategy." (P5: Senior Manager - Middle Management)*

> *"…the strategy is determined by people on different roles and levels, like you say, CEO's, Directors, Senior Managers and then from my side I am just giving input, research and content suggestions or ideas." (P15: Manager - Lower Management)*

From the discussions with the various participants, all participants had a clear understanding of where their demarcation of responsibility lies within the strategic management process of the company. From the onset it became apparent that the formulation of strategy within the company was hierarchical, with most of the authority designated to the executive management.

The following sub-sections discuss findings relating to the sub-themes under Theme 1 (see Figure 6.2 p.149). Findings pertaining to the participants' varying interpretations of how 'the case company' approached strategy formulation are discussed first, followed by findings on strategy formulation as a top-down process within the company. The researcher also discusses the opportunity for collaboration in strategy formulation within 'the case company' and concludes by looking into the barriers that hinder inclusivity in strategy formulation within the company.

6.5.1 APPROACHES TO STRATEGY FORMULATION

As presented in the literature in Chapter 2, strategy formulation process is one of the steps within the strategic management process. It is an analytical process depicted in Figure 2.5 of selecting the best suitable course of action to meet strategic objectives and the vision of the organisation (Amos *et al.*, 2020:88). The strategic plan allows an organisation to examine its resources, provide a financial plan and establishes the most appropriate action plan for increasing profits (Malhotra, Majchrzak & Niemiec, 2017). Strategy formulation is a formal process of conception implemented through organisational layers, structure and control systems (Mishra & Mohanty, 2020). This approach seeks to attain a match or strategic link between the internal organisational capabilities and external opportunities.

The sub-sections below provide an explanation of the strategy formulation process within 'the case company' as accounted by participants.

6.5.1.1 The Strategy formulation process within 'the case company'

Although there was varied understanding by participants of the strategy formulation process followed by the company, from the different responses from participants 'the case company' follows a similar theoretical strategy formulation process to that depicted in Figure 2.5 p.35 and the excerpts below also support this:

> *"We look at the way the world of technology is moving and we base our strategy, we really look at the technology of tomorrow 'where is it going to, where is it going to lead our type of business, how are people going to consume our content; because at the end of the day, whether content is delivered by analogue signal or by a decoder or by the internet or Netflix, what remains is the need to create content that people want to pay for." (P14: Executive - Top Management)*

> *"There probably is a process. I mean with any kind of strategy formulation, this is just kind of how I see it is, 'what is it that you ultimately want to achieve', 'where is it that you want to go'? Taking various things into consideration, like micro and macro-economic factors as well as looking at your business and understanding what your issues and opportunities are. " (P3: Manager - Lower Management)*

> *"From what I have observed it is certainly you get enviro scan, you look at what is happening in the market, and then you sit down with the different Executives of the different business units and then you develop or design the strategy because they obviously also have their PNLs and they are looking at what is particularly happening within the business. So that is married with the enviro scan and then from there you come up with new initiatives that will be executed for the coming year or coming next 3-5 years. And then budget is allocated to those particular initiatives and then from there onward, it goes into execution per se and then it is tracked and then monitored. And then the cycle repeats itself." (P6: Senior Manager - Middle Management)*

A top executive management level participant did however caution that 'the case company' was not entirely rigid in its approach to strategy formulation, and that the company did not aim to conform to specific academic processes when formulating the strategies of the organisation. This is particularly important when navigating strategy formulation in response to disruption, as rigid methods will not work in the face of disruption.

> *"The case company is not like a bank or a mine, we are not a formal company. We do a lot of work based on experience and based on what we see in the world and what we think is right for our customers. We do not do textbook things where we use a methodology from McKenzie or from Boston Consulting Group or any other strategy consultants." (P14: Executive - Top Management)*

There was unanimous agreement from the participants that the executive team of 'the case company' and their direct reports were the principal and sole drivers of the strategy formulation of the corporate strategy of the organisation, which is also in line with theory and literature. The executive team comprised of the different CEOs of the different companies owned by 'the case company', as well as their direct reports (Executive Directors). The executives decide on the strategic objectives that the company should focus on for a particular period, and thereafter they have to present it to the 'the case company' board of directors for approval. The organisation's board of directors then reviews and approves corporate level decisions before they can be filtered down to business units, senior and middle management for implementation. Senior and middle managers then have to craft their business strategies which will directly support the overall corporate strategy of the company. The corporate strategy relates to the overall purpose and scope of the organisation such as the type of business to be conducted, geographical areas to be covered, and diversity of products or services to pursue (Tawse *et al.*, 2019). From the interviews, the senior executives were consequently most aware of the strategy formulation process followed by the company for the corporate strategy and were able to describe and articulate the strategy formulation process better than lower levels of management.

Middle management, who are mostly involved with the business level strategy, were aware of how the strategy formulation of both the corporate and business strategy took place. They also explained that although they may not directly be involved in the strategy formulation process of the corporate strategy, they are sometimes required to give some form of indirect input. Middle management participants explained that once the corporate strategy is formulated, it informs their business strategy; which they then have the responsibility of formulating and cascading down to lower level managers and employees to implement. This hierarchical structure of strategy formulation is in line with literature.

It is also to be noted that six of the nineteen participants (mostly in lower level management) were of the opinion that there was no particular strategy formulation process followed within 'the case company', however when they elaborated their answers based on their observations of how strategy formulation took place within the company, they described a process where an analysis of the market takes place and ultimately influences the objectives that are set by the company; and this is in line with the theory of strategy formulation. The excerpts below give an account by some of the participants:

> *"I do not know if there is a way that it is being done. But I imagine you still need one way or the other, people who are not bogged down with the day to day things. People that are given the latitude to be able to think because sometimes you get so bogged with the business as usual that you do not really get a chance to have a helicopter view of what is happening with the business." (P7: Senior HR Business Partner - Lower Management)*

> *"I am not exposed to it. But we sincerely hope that somebody has a foundation at least that can be followed." (P9: Manager - Lower Management)*

6.5.1.2 Defining strategic objectives

Setting strategic objectives is an integral part within the strategy formulation process and it involves establishing what the organisation must achieve in order to become competitive and ensure long term sustainability (Amos *et al.*, 2020:89). Strategic objectives come in the form of specific market responses or specific goals of the organisation in addressing issues regarding competitiveness, long term sustainability and other business challenges (Martin, Scott & Thompson, 2017:128).

According to participants there was a general understanding that the strategic objectives are set every fiscal year, however these objectives usually have a one to three or even five years implementation cycle. The strategic objectives are also revaluated continuously with a mid-year review, in order to make sure that the business is aligned with changing market conditions. 'The case company' is a listed company on the Johannesburg Stock Exchange and therefore needs to follow specific processes as described by a participant below:

> *"Our strategy has to be approved by the board in February of each year. We start working on the strategy formulation in October of the previous year because our strategy must talk to the next 3 years. It reviews the current year and then it talks to the next 3 years as well. We work on it from October, November, December, January and then in February we get sign off from the board, that is how it works." (P14: Executive - Top Management)*

Participants explained that the executives rely on data, market and business intelligence, as well as market and viewership research as a foundation for establishing strategic objectives. Theory dictates that strategic intelligence allows executives to identify potential threats and opportunities, as well as to generate alternative courses of action (Lazenby, 2018). From the participants' responses, the company's strategic objectives are mostly driven by the need to respond to potential threats and disruptions such as new competitors (mostly Netflix) who pose a risk to their market share. The excerpt below illustrates this:

> *"… you do that market sizing, you see the feasibility, you check the competition, you check the gaps* – *what is it that our competition is doing, where are they lacking - what other value offerings can we put in there." (P19: Team Lead- Lower Management)*

> *"We basically work with Product Managers, and obviously they see a gap in the market. What I've noticed is that they will then monitor competitors or what is the current trend of I guess new markets in the business. They will go and say, 'what is our response to this disruption." (P1: Senior Manager - Middle Management)*

When examining the company's strategic objectives for the last two years; the main focus has been on further strengthening the company's local content offering, as this will provide the company with a competitive advantage over their main competitor-. The company had also been focusing on improving their video streaming business, which was also a response to competition from Netflix. Building a sustainable competitive advantage remains a key goal for the organisation, as they continue with their expansion strategy, with the aim to widen the gap between themselves and competitors, while increasing the healthy customer base coverage. 'The case company' offers cheaper services (digital terrestrial service) outside South Africa and their expansion strategy into the rest of Africa is based on capitalising on first to market advantage, as well as having a well-established affinity with Africans by providing them with unmatched country specific local content.

Participants were asked how often the company evaluates its strategies and mixed accounts were recorded. Thirteen participants responded by saying that strategy evaluation takes place yearly coinciding with annual strategic objectives. According to McNamara (2018:13) the frequency of strategy reviews depends on the nature of the organisation and the environment in which it is operating. Organisations that are experiencing rapid change or disruption from inside or outside the organisation may need to monitor implementation of the plan at least on a monthly basis (Allison & Kaye, 2015:138). However as more explanations were given by participants, it was clear that the corporate strategy is evaluated every six to 12 months, while the business and functional strategies are tracked more frequently (approximately monthly) in order to ensure that the company is on track with meeting the corporate objectives.

The strategy evaluation pattern behaviour influences whether the company's approach to strategy formulation is more deliberate or emergent. If the company reviews its strategies frequently, it means that they may quickly revise their strategies in response to changing environments, indicating the emergent approach; while if they do not review often it means that the company will stay on course on their deliberate strategies, and take a long time to respond to disruptions. The excerpt below illustrates this:

> *"I think for goals like channel performance, those sorts of strategies, they happen monthly Are we on track, aren't we, what do we need to do to get back on track? But that is really just for targets. In terms of annual strategy, like the vision, where are we going, what is our plan for the future, not so much for the business because the business has their vision, in terms of the department that probably happens once a year." (P15: Manager - Lower Management)*

"The evaluation right now is based mostly on how we are tracking, when it comes to the key deliverables that we have. And like I said it depends on whether we are lagging behind and then there is more aggressive action. Where I am saying that we can do better is where our evaluation is more proactive in that we are not waiting for things to go wrong before we change things, if that makes sense." (P13: Head of Department - Middle Management)

Participants' interpretations of how 'the case company' manages its strategy formulation process corresponded with definitions provided in the literature. These participants outlined the responsibilities carried out by the executive top management in driving the strategic direction of the company. The findings on the top-down nature of strategy formulation are further analysed in the following section.

6.5.2 STRATEGY FORMULATION AS A TOP-DOWN PROCESS

Many businesses, especially large ones, have a well-established hierarchy in which power lies at the apex of the management pyramid. According to Mishra and Mohanty (2020), one of the most important roles of the CEO and the senior leadership team is to develop and successfully execute their company's strategy. One of the most important roles of a board of directors is to provide input during the development of the strategy plan and vote for its adoption (Tawse *et al.*, 2019). The board of directors' role is an advisory one and also to pose questions to executive management in order to stimulate thought while providing guidance to assess the risks of the strategies under consideration, as well as to evaluate alternative strategies. This process takes place over a number of board committee meetings, so that the directors have time to think about what is being presented before voting on the strategy plan. The CEO and the senior leadership team must own the strategy plan and the board is there to monitor progress and hold the CEO accountable for results (Köseoglu *et al.*, 2020).

Ten of the nineteen participants were aware that strategic objectives need to be run through the company's board of directors for approval and that the board of directors has a final say on the strategic objectives proposed by the executive team of 'the case company'. The excerpt below gives an explanation of this:

> *"The big sort of subscriber numbers decisions for us right now are made at Group CEO and board level, along with the Group Video Entertainment CEO, in terms of setting the hardcore targets for the business, in terms of what things need to look like and then they go back to the board and the board will say, yes we accept or don't accept." (P13: Head of Department - Middle Management)*

As explained in the literature in Chapter 2, a top-down strategy formulation approach is where higher authority personnel determine the larger goals that will filter down to the tasks of lower level employees (Demir *et al.*, 2017). In line with literature the strategy formulation at 'the case company' follows a top-down approach as strategy formulation sits with highly senior leadership as previously explained, where the CEOs and their immediate teams are responsible for formulating the corporate strategy which they present to the 'the case company' board of directors for approval. Middle management is then responsible for the business strategy which is usually informed and guided by the corporate strategy and the low level management are purely responsible to facilitate the implementation of the strategy in order to ensure that the company remains competitive.

When participants were asked to give their understanding of how the strategy management teams were setup, sixteen of the nineteen participants related that the corporate strategy sits with the CEOs, while the business unit strategy formulation sits with heads of departments and senior management within the company. The excerpt below gives an account by participants on the above:

> *"I think it is specific people who lead that, and I can understand probably why in that you have a massive, a very complex organisation that is being run with lots of pieces and lots of layers and levels and things. It is probably like a top layer, which is probably why they do not include a lot of other people in it. Top layer oversees and decides on the things." (P3: Manager - Lower Management)*

> *"In terms of the structure, you have got General Entertainment CEO who are at the General Entertainment level who become part of strategy sessions of the 'the case company' Group*

CEO. Then you have the layer of subsidiary CEO, then the subsidiary CEO and his direct reports which is us, we are the ones that give direction to the clusters below us." (P11: Director - Top Management)

Formulation definitely is with the Exco's. I do not see it with people at my level, it is definitely with Exco's. (P9: Manager - Lower Management)

From the discussion with participants, it was evident that the entrenched rigid hierarchal nature of strategy formulation within the company did not allow much room for collaboration between the different levels of management. Although there was a general acceptance of the status quo by participants, middle and lower management participants believed that cross collaboration between the different management levels, including the executive level, could provide many benefits for the company. The benefits of collaboration in strategy formulation are discussed in the next sections.

6.5.3 COLLABORATION IN STRATEGY FORMULATION

The planning approach to strategy has been criticized for being too much of a top-down management approach and for not being realistic enough given the unpredictability of the twenty first century competitive environment (Amos *et al.*, 2020). A top down approach to strategy formulation generally excludes non-executive managers in the formulation of strategy, and this was also evident within 'the case company'.

Participants in the study were asked for their perceptions of whether the formulation of strategy filters up within the company; this with the aim to assess whether those on the ground are given some form of opportunity to become directly or indirectly involved in the formulation of strategy. Mixed reviews were received from participants. Twelve of the nineteen participants believed that middle or lower management, as well as some operational staff, may have sometimes gotten the opportunity to indirectly inform or input into the formulation of the corporate strategy based on the work that they carry out. These participants believed that what they did on a day-to-day basis eventually contributed to the formulation of strategy and the selection of strategic objectives for the organisation, although they themselves may not have directly gotten involved in the strategy formulation process. This is further elaborated by the excerpt below:

> *"If you think about it, everybody has input. In fact everybody in every company has input from what I have seen in the past years and obviously from literature as well. It is just that it is not, what people fail to see is that it is not deemed a 'strategy meeting'. Even the lowest level employee, whoever they report to, there is data that is being given to that person. And that person that they report to has to also provide data to their boss or manager, until it goes all the way to the middle level and also to our Executive team." (P6: Senior Manager - Middle Management)*

> *"I …it comes in different forms, it comes in obviously in Team meetings, the expectation is that everybody in the team will give their input. It might not come out as raw as you put it in when you are at a team level in the bottom, that is one part of it. Obviously, it will be combined with other opinions, other pieces of information that will then gel into the formulation that will help formulate the strategy." (P5: Senior Manager - Middle Management)*

Participants were asked whether they believed that lower level management and/or operational staff should be more involved in the formulation of strategy and why they thought this would be beneficial for the company. All 19 participants unanimously agreed that it was important to have consistent inclusivity and collaboration when it came to strategy formulation within the company. The main benefits of inclusivity and collaboration during strategy formulation as mentioned by participants are listed below:

- Non-executive staff, which entails middle and lower management, as well as operational employees, are primarily located on the ground and thus closer to customers; which makes them more in touch with customer experiences of the products, customer needs, customer frustrations, as well as customer perceptions of the products provided by the company;
- Executives formulate strategy based on summarised and simplified views of the business, and thus may not always have the full insights into the feasibility and operational challenges that may impact certain strategic objectives;

- There is massive knowledge and expertise that sits outside the executive circle that remains unutilised due to hierarchical structures of the company;
- Non-executive staff represent the typical customer base (demographically and socio-economically) of the company, from a consumer behaviour viewpoint, and are therefore more in touch with consumers' expectations;
- Collaboration and inclusivity can foster effective and efficient ideation and innovation within the company;
- Involvement of non-executive staff in the strategy formulation process would improve strategy translation to lower employee levels, thus improving strategy buy-in across employees and ultimately positively impacting the implementation of the strategy within the company.

The excerpts below narrate some of the above benefits of collaboration in the strategy formulation process as expressed by participants:

> *"…we would be putting the right emphasis to giving our employees a voice to be able to influence the strategy formulation. So because there is a lack of that and it does not exist, I do not think there is a realisation of how valuable employees can have input into the strategy." (P7: Senior HR Business Partner - Lower Management)*

> *"At the end of the day if your product is a consumer product, your employees are your consumers as well." (P14: Executive - Top Management)*

> *"A lot of the times you get an 'us and them' kind of thing, the thinkers and the doers' and you cannot have success in your long-term strategy if there is a constant division between the 'thinkers and the doers'. The doers must be at the same table as the thinkers because they will tell you, 'you are wasting time, you are wasting money, that thing will never come to fruition because you have not factored in a particular thing'" (P2: Manager - Lower Management)*

Based on the feedback from participants, innovative ideas and solutions could come from anywhere within the organisation and were not necessarily reserved for executive senior management. Ideas and innovations are especially most needed in environments where the company is facing disruption. Executives may be too far removed from certain operational chains, which may hinder them from coming up with innovations that can disrupt industries, while non-executive employees may be better placed to realise disruptive innovation opportunities.

Based on the discussions with participants, it can be concluded that there was a yearning by non-executive management for more inclusivity and collaboration within the strategy formulation process of 'the case company'. That being said, there are certain barriers which at that point in time prevented inclusivity in strategy formulation within 'the case company', and these are discussed in the following section.

6.5.4 BARRIERS TO INCLUSIVITY IN STRATEGY FORMULATION

Whittington, Cailluet and Yakis-Douglas (2011) argue that strategy inclusivity goes against the grain of conventional strategy, because strategy is traditionally exclusive. They further explain that from the beginning of the discipline, theory has held it vital that strategic responsibility be kept rigorously detached from operational management. According to Williamson (1970:125), strategic planners should comprise of an elite staff, who perform in-depth analyses in order to help a detached top management carry out the role of strategic overseer tasks effectively.

Although some managers participating in the study felt that they were contributing to the strategic objectives of the company in some form in line with literature, the top-down approach to strategy formulation as practised by the company was designed to exclusively reserve strategy formulation for very senior executives. Even though a few managers may have been able to indirectly contribute to or inform the strategy formulation, the final decisions on the strategic direction of the company were solely decided by the executive management layer.

Whittington *et al.* (2011) and Chandler (2013) explain that strategy is normally regarded as a secret, and the possibility of sustained competitive advantage relies substantially upon asymmetries and ambiguities of information that hamper rivals' efforts to imitate successful strategies. From the discussions with participants it was clear that there were barriers that hindered the broader involvement of employees in the strategy formulation process within the company. The participants who believed that strategy formulation did not filter up within the organisation explained that there were key reasons which prevented the wider involvement of other managers in the strategy formulation process. Firstly, the sheer size of the company poses a challenge and was thus consistently mentioned as a barrier in extending broader participation within the strategy formulation process of the organisation. This also relates to the staff complement, hierarchical composition, as well as the multi-company structure of the organisation. The organisation consists of multiple subsidiary companies, and several organisational structures, that involve numerous management layers and a vast number of employees; and all of this makes it difficult to rope in everyone possible within the decision making process. Secondly, confidentiality was also raised as a barrier to inclusivity. As mentioned by Whittington *et al.* (2011), strategy that is geared towards building sustainable competitive advantage has to be secretive in order to protect the organisation from its competitors; especially so if the goal is to become a disruptive organisation or if the company is responding to disruption. Wider inclusivity would compromise closely guarded secret moves that the company was working on, jeopardising its competitive advantage. Thirdly, the fast paced nature of the business also made it challenging for executive management to be inclusive in strategy formulation. Inclusivity would slow down the decision making processes considerably and jeopardise some swift first mover decisions that the company may need to take. Lastly, organisational culture was also listed as a barrier to inclusivity. Participants explained that the culture of the organisation was hierarchical and rigid by nature, making strategy formulation inclusivity harder to attain in the organisation.

Strategy inclusion refers to participation in an organisation's strategic conversations, the exchanges of information, views and proposals that are intended to shape the continued evolution of an organisation's strategy (Vaara & Mantere, 2008:187). From participants' feedback the researcher noted that the existing barriers to inclusion did not make inclusivity completely impossible, however, inclusivity initiatives may need to be managed effectively to facilitate strategy formulation inclusivity within 'the case company'.

In summary, Theme 1 addressed Research Question 1 by discussing the strategy formulation process of an organisation facing disruption. Although findings on the construct of disruption are formally discussed in the next section, Section 6.6, the researcher deemed it necessary to first provide an overview of how the strategy formulation process within 'the case company' was handled. The next section will address the relationship between disruption and strategy formulation, by firstly understanding the nature of the disruption facing the company, as well as how this was impacting how 'the case company' navigated around its strategic formulation process.

6.6 THE RELATIONSHIP BETWEEN DISRUPTION AND STRATEGY FORMULATION

This section aims to present the perception of disruption by participants as well as the relationship between disruption and the strategy formulation process within the company. This section also addresses the findings associated with Theme 2 which encompasses the study's two main constructs, namely disruption and strategy formulation. As a result, Theme 2 addresses all three research questions, as well as the three case study propositions illustrated in Figure 6.2.

The relationship between disruption and strategy formulation was presented in the literature in Section 3.4.2 (p.68). The construct of disruption in strategy is linked to disruption innovation, which describes how market leading companies can miss game changing transformations in the industry through poor competitive responses (Denning, 2016:12). Many organisations that faltered as a result of disruption followed the dictates of good management; they listened closely to their customers, they carefully studied their market trends, they allocated capital to the innovations that promised the largest returns, however, in the process they neglectfully missed disruptive innovations that opened up new customers and markets (Nelson-Brantley, 2020:63). The findings on the phenomenon of disruption within 'the case company' are discussed in the following section.

6.6.1 PERCEPTIONS OF DISRUPTION

During the study, it became apparent that disruption carried different meanings to the various participants. Participants were asked to mention the first thing that came to mind when hearing the word 'disruption'. The researcher themed the different responses and plotted these themes into a Word Cloud application, which then generated the Word Cloud as illustrated in Figure 6.3. A Word Cloud is an image composed of words used in a particular subject (in this case disruption) in which the size of each word indicates its frequency or importance; therefore the more often a specific word appears in the text, the bolder and bigger it will appear in the Word Cloud.

Figure 6.3: The meaning of disruption as accounted by participants, themed into a Word Cloud

The themes 'change' and 'unconventional' were most prominent with the association with disruption as related by participants. Both themes appeared seven times during the theming process. In their explanation of disruption, participants were describing disruption as an occurrence that brings something different to the status quo. The excerpts below give a recollection of both themes:

"My instant thing is something positive, like a positive shake for change. Opportunity, progressive change." (P3: Manager - Lower Management)

"'Uncomfortability', risk - high risk, high reward, high failure, easy to say, difficult to do, new ways of working, those thoughts come to mind." (P12: Senior Manager - Middle Management)

"I always think of disruptions as external. Stuff that happens externally that impacts how we do business internally." (P4: Senior Manager - Middle Management)

"Something that is surprisingly different and then changing the way people behave in a major way." (P10: Manager - Lower Management)

This study draws on the disruptive innovation theory to assess the participants' actual or planned responses to disruption. As indicated in the literature section, the theory of disruption innovation describes the process in which a smaller company, usually with fewer resources, is able to challenge an established business (incumbent) by entering at the bottom of the market and continuing to move up-market (Larson, 2016). However Christensen recognises multiple patterns of disruption in the marketplace today, for example companies like Netflix, Tesla and Apple have achieved market disruption by introducing a premium product and then rapidly enhancing it to appeal to an increasingly discerning market (Denning, 2016:11).

Although participants did not describe disruption in the exact academic context, there were many correlations between their articulation and Christensen's theory of disruption. Based on the literature definition of disruptive innovation, Netflix presents itself as a conspicuous disruptive innovation within the pay television industry, and the new competitor was cited continuously by participants as a notable disruption. It was thus important for the researcher to understand the level of awareness of disruption by managers working in the company, as discussed below.

6.6.2 SITUATIONAL AWARENESS OF DISRUPTION

The researcher deemed it necessary to assess the level of awareness of disruption within the company because managers can understand what disruption is. However, it was important to assess whether the managers recognise the construct in a real life context within the company. To analyse this awareness by managers within 'the case company', the researcher applied the Situational Awareness (SA) theory. SA is the perception of environmental elements and events with respect to time and space; the comprehension of their meaning and the projection of their future status (Endsley, 2015:4). The management theory of SA has been around for many years, with research confirming the benefits associated with this tool in performance improvement. This theory has been recognised as a critical prerequisite for successful decision making across a broad range of situations, but most especially in dynamically changing situations (Fischer *et al.*, 2017:262; Salmon, Stanton & Jenkins, 2017:22).

SA consists for three primary constructs, namely the first level, which involves perception and noticing, Level 2, which is about comprehension of the situation, and lastly Level 3 relates to the projection of a dynamic situation over a short period of time. Endsley (2015) points out that the model is not strictly linear; in other words a person can possess Level 2 and Level 3 situational awareness without an accurate level of Level 1. The analysis of the study's findings by the researcher relating to disruption in the context of the three levels of SA are unpacked in the sub-sections below.

6.6.2.1 Level 1 SA – Perception and noticing of disruption within 'the case company'

This entails exploring the relevant elements in the environment, including their attributes, status and dynamics is the most basic level of SA (Brandt & Gawlick, 2019:193). It is about the awareness of the elements, in this case disruption, and its current state. The perception of disruption by participants was initially uncovered in the previous Section 6.6.1 but in addition, the researcher wanted to delve deeper into the construct by focusing on ‘the case company’ specifically, and not on disruption in the general business context. When asked whether they thought that the company was currently facing disruption, 17 of the 19 participants were in agreement, demonstrating Level 1 SA.

The remaining two participants (both in low level management) were of the opinion that there was no disruption and that everything happening in the industry was business as usual, according to their observations. It can thus be concluded that these managers did not possess Level 1 SA. Their accounts are reflected in the excerpts below:

> *“No. I think there is confusion but not disruption.” (P15: Manager - Lower Management)*

> *“The unfortunate part is that the majority of the people or the minds out there believe that your Netflix is a threat and all those other services, and I would even say the most vocal. It is a psychology, it is a psychology game essentially, that is what it is.” (P19: Team Lead - Lower Management)*

It is to be noted that Level 1 SA does not only involve the recognition of the relevant elements, but that it also requires on-going monitoring of the elements as they may change over time. This is particularly important with regards to disruption, because disruption is a process and not an instantly occurring event.

6.6.2.2 Level 2 SA – Comprehension of disruption within ‘the case company’

Level 2 SA requires integrating the information perceived in Level 1 in order to understand the significance of those elements (Brandt & Gawlick, 2019:194). Level 2 SA is about the holistic understanding of the environment that allows for the comprehension of the significance of the elements or events.

In order to assess the level of comprehension (Level 2 SA) of the construct of disruption, the researcher asked the 17 participants who agreed that the company was facing disruption to identify what they believed were the biggest disruptions facing the company. The researcher lists the disruptions identified by participants as well as their number of mentions in Table 6.2 below.

Video streaming technology has disrupted the television and video industry, as new players are gradually replacing traditional broadcasters and thus impacting consumers' consumption of television and video content (Deloitte, 2018:4). Video streaming services no longer serve just as a platform for movies and TV shows, but they are also investing in producing and licensing their own content (Deloitte, 2018:4). Video streaming entails video content that is sent via a streaming company (e.g. Netflix, VOD service of the case company, Amazon Prime Video) in a compressed form over the internet and is consequently displayed in real time to the viewer (Cloudfare, 2021). With video streaming a web user does not have to wait to download the content, instead the content is sent in a continuous stream of data and plays as it arrives. The study participants demonstrated their comprehension of the impact of the surge in video streaming and mentioned video streaming as the top disruption facing the company. Not surprisingly, Netflix was the second most mentioned disruption by participants, as they related how this company had been gradually gaining a foothold in the industry since its arrival and how the company had gradually eroded the case company's 'top segment' subscribers.

In addition to Netflix, participants also mentioned other similar services such as Disney+ and Amazon Prime Video, which were also making inroads in the South African Pay Television space, potentially disrupting the 'the case company' business. The occurrence of these competitive players along with Netflix, is in line with the theory of disruption innovation as discussed in the literature. Other disruptions mentioned were socio-economic conditions in South Africa which could negatively impact the affordability of 'the case company' products by consumers, Covid 19 was also mentioned as a disruption as it posed financial and operational threats for the company. Other disruptions mentioned by participants included the rapid advancement in technology which was enabling the rise of independent content creators who are able to produce and distribute content at much cheaper levels threatening the unique selling proposition with which 'the case company' prided itself.

Table 6.2 The biggest disruptions facing 'the case company' as mentioned by participants

Disruption	Number of mentions
Video streaming	9
Netflix	7
Corona Virus	6
Other VOD services Apple TV, Disney+, Amazon Prime Video, YouTube	5
Technology in general	4
Economy (job losses, currency devaluations)	4
Distribution of content (proliferation of content)	2
Viewing behaviour	2
Business model (USP, Price)	1
Social factors (growing mass market)	1

6.6.2.3 Level 3 SA – Projection of disruption within 'the case company'

SA is not only about being aware of the current state of events, but also involves being able to understand what is likely to occur in the near future given the current events (Level 3 SA). The third and highest level of SA involves the ability to project the future status of the elements in the environment. Given perception and comprehension of the situation (Levels 1 and 2 SA), as well as knowledge about how the elements interact dynamically, Level 3 SA is achieved by using this information to project likely future states of the environment that are important or useful for decision making (Baclawski, Chan, Gawlick, Ghoneimy, Gross & Liu, 2017:4).

It is important for organisations to continuously conduct environment scanning activities in order to remain on the pulse of opportunities and threats that are present in the external environmental (Louw & Venter, 2013:144). Furthermore, it is important for organisations to have systems in place that will enable them to detect potential disruptions (ideally before the disruption occurs) in advance and to allow them to develop contingency plans timeously (Ntimane, 2020).

Participants were asked whether they were aware of tools or methods that were in place to detect disruption early within the company, and 11 participants said that they were aware of such, while 6 participants said that they were unaware, and 2 participants said that they did not know if such existed. The constant environmental scanning mechanisms in place within the company were unanimously listed as the main source of early detection of disruption.

Participants were also asked as to whose responsibility it was to detect disruption within the organisation. Seventeen out of 19 participants said that it was the responsibility of every employee to be vigilant and to be able to foresee and identity possible disruptions that could impact the company in any way. Participants explained that there was a need for the establishment of effective channels that would allow for employees to communicate and alert senior management about projected disruptions. From the majority of the responses it was clear that the detection of disruption should not be reserved for senior leadership of the company; and that efficient and effective communication channels needed to be established to allow lower level managers or non-managers to alert senior management of possible future disruptions, as well as current disruptions which may be unbeknown to senior management.

This communication channel gap became apparent when participants were asked as to whether they thought that management realised that operational (non-managers) staff might have been able to detect disruptions earlier than the top-level management. Twelve of the participants responded that senior leadership within the company may have been aware that operational staff and lower management were well positioned to detect disruption before anyone else, however the hierarchical structures and the hierarchical mindset of senior leadership within the company did not take full advantage of the expertise, knowledge and information that sat within the lower structures of the business. From the different participants it became apparent that the organisational culture positioned senior management as the ‘thinkers’ who are there to instruct the ‘doers’ (operational level) on what needs to be done, and that there seems to be an absence of collaboration and communication that happens from the bottom upwards. This was also mirrored by the top-down approach to strategy formulation within the organisation as discussed in Section 6.5.2. The excerpts below further elaborate on this finding:

> *"I think they may know it subconsciously but there aren't enough cross functional sessions where the operations guys can then just confidently say 'hey we are experiencing something that you might care about'. A lot of the times you get an 'us and them' kind of thing, the thinkers and the doers' and you cannot have success in your long-term strategy if there is a constant division between the 'thinkers and the doers'." (P2: Manager - Lower Management)*

> *"I want to say no, but I also want to say yes. I am saying no because nothing has shifted, everything in my experience has shown me the complete opposite, I want to say no because everything has shown me that the management decides about the disruption as opposed to the operational person on the ground, so that is what I have seen. But I think it is also a case of I think the opportunity is there, but I just don't think we make space for the opportunity. I just do not think there is space for it." (P3: Manager - Lower Management)*

Another participant raised the point that the fast paced environment that the company operated within, regularly meant that the majority of managers were pressed for deadlines, it became challenging for them to find the creative space or the reflective space to suss out or project disruptions. The excerpt below illustrates this:

> *"… I think it is because it is such a high energy, high performance environment that people do not have time to actually sit down and talk about stuff. We are just chasing deadline after deadline. The organisation needs to find a place for people to star gaze, to just say 'actually today I am actually doing nothing but thinking about what can I do next'? We do not have time to do that." (P11: Director - Top Management)*

Participants of this study broadly shared common levels of SA which speak to the perception, comprehension as well as the detection and projection of disruptions facing the company. The awareness (perception, comprehension and projection) of disruption at senior, middle and low level management levels within the company is critical, as the preparedness for disruption should present the opportunity for all leaders in the company to think about new ways of working by developing dynamic capabilities, as well as fostering a spirit of innovation within the business. This would ultimately allow 'the case company' to respond efficiently and effectively to counteract the disruptive innovations they were facing. The section below discusses how 'the case company' is responding to disruption.

6.6.3 STRATEGICALLY RESPONDING TO DISRUPTION

According to Christensen *et al.* (2015:55), companies must react to the threat of disruption, but importantly, they must not overreact by dismantling established profitable ways of doing business. Markides (2017) contextualises disruption to a business as both a threat and an opportunity; and that it is almost impossible to address both with one strategy, as one has to defend the threat to the core business with one strategy, while attacking the disruptive opportunity with another strategy. Markides (2017) describes the following steps below as guidelines for responding to disruption; be clear about the disruption, understand what the disruption is that is shaking your market, create a sense of urgency, frame the disruption as a threat and opportunity, defend your core business and attack the disruption, come up with new ideas about what to do: and avoid imitating the disruptor, and instead disrupt the disruptor.

6.6.3.1 Responsiveness to disruption

When asked as to whether the company was responding mostly reactively or mostly proactively with regard to addressing disruption, 9 of the participants said that they believed that the company was mostly reactive in its response to disruption; while 7 of the participants believed that the company was mostly proactive, and only 3 participants said that there was a balanced response which was equally reactive and proactive.

Participants mentioned that when it came to technology, they believed that the company was not innovating at the level of other video streaming companies like Netflix and Amazon Prime Video for example, and that most of the strategies that were in place within the company served as a reaction to disruptions or changes that were happening in the industry. The concept of disruption is adjacent to growth and competitive response, and innovation presents as a tangible solution to disruption (Denning, 2016:14). Participants raised examples of innovations such as Artificial Intelligence, commenting that 'the case company' was relatively behind in adapting and applying this technology compared to other technology companies.

A participant from the *Innovation and Product Department* within the company mentioned that unbeknown to many employees, there was some sort of an internal innovation hub and innovation suggestion box in the form of an online platform upon which employees could put through innovation suggestions or alert the business to potential issues or disruptions. The participant however mentioned that the system had not been as efficient and had not successfully enticed nor elicited much response and engagement from employees. As a result, the company is looking at improved programmes that will foster an innovation communication hub within the company, which would ultimately work for the benefit of both the business and for employees, as it would have employee remuneration attached to it.

A participant who previously worked at First National Bank (FNB), explained how FNB was awarded the *'Most Innovative Bank in the World'* in 2012 as well as being accoladed as the '*South Africa's Best Digital Bank*' for more than 7 years in 2021 (Celliers, 2021; Mzekandaba, 2012). This South African bank encouraged employees to share innovation ideas through internal competitions. It was reported that employees who suggested the winning idea could win R1 million in cash. The reward system helped in inciting participation and engagement from across the business and employees stretching themselves in coming up with the best idea with the hope of winning the prize money. Participants also raised the fact that the size of the company, as well as the structures within the company posed a bureaucratic challenge in affording the company the agility and swiftness to become more innovative.

Other participants explained that as an incumbent 'the case company' was forced to be both reactive and proactive in its response to disruption. The company was forced to react to what new start-ups were doing and also try to close the gap where they saw an opportunity to do so. A participant explained that the company was forced to adapt in order to meet the bare minimum that the new entrants offered to customers and once that was met, the company then had to surpass the competition. For example when it came to content, the company was leading the way in developing content that resonated with their audiences across the continent, strengthening their competitive advantage against competitors. The VOD service of the case company was introduced as a streaming service to react to Netflix, however instead of creating a purely copycat service, the company was offering local and international sports content on the service and Netflix currently did not have sports content at the time of this study.

Another participant explained that the company was leading on most of the key aspects of the industry, giving the example that 'the case company' was the first company in video entertainment to introduce high definition broadcast, which was a breakthrough at that time. The participant further explained that the company was the first broadcaster in South Africa and amongst the first in the world, to supply video content to viewers using 8K ultra high definition image resolution technology. The participant mentioned that 8K was not yet a mainstream technology and 'the case company' has been a trailblazer by adopting this technology as a standard in the delivery of their video content to viewers in Africa. Participants explained that through continuous environmental scanning, the company regularly benchmarked itself against broadcasters in Northern America as well as Europe, and their observation was that 'the case company' was at the time of this study above the required international practice in what they offered to customers and where they fitted in that spectrum.

From the different participants it was clear that most participants felt that there was room for improvement in how the company responded to disruption. Some participants explained that as a first comer to the industry, the company had built years of expertise, knowledge and competitive advantage and that it could not afford to discard all of that first mover advantage in order to deal with new disruptions. Instead the company needed to evolve and adapt in order to build onto that as well as work more efficiently on skinning their reactive approaches.

6.6.3.2 Measures to counteract disruption

- Participants were asked whether they were aware of measures that had been put in place to address disruption, and 17 of the participants who believed that the company was going through disruption said that they were aware of measures that were put in place by the company. Participants did raise confidentiality concerns, mentioning that they were unable to disclose counter-disruption moves and plans of the company. Participants were freely able to discuss the counter-disruption measures listed below without infringing on confidentiality, as these measures had become public knowledge. Firstly, the introduction of the VOD service of the case company, as well as adding sports content on the VOD service of the case company. This service was at that time priced much cheaper than competing streaming services like Netflix. In addition the service is offered for free to the 'top segment product' customers. Video streaming companies currently did not at the time of this study offer sports on their platforms. Secondly, in June 2020 'the case company' announced its move to integrate Netflix and Amazon Prime Video as part of their streaming service through a dish-less decoder. The new decoder came with a carrousel user interface display that incorporated icon titles for Netflix and Amazon Prime Video streamers (Ferreira, 2020). With this move by the company and the adjustment to its business model, 'the case company' morphed into a pay television super aggregator and a content 'one stop shop' (TheCompany, 2020a). A content aggregator is an entity that gathers web or media content from different online sources for the purpose of reuse or resale (TechTarget, 2019). 'The case company' also reported that it planned to carry more third party video streaming services on the 'new decoder in the future. These business model changes are in line with business model innovation literature (Juma, 2019; Kuncoro & Suriani, 2017; McDowall, 2018; Ramdani, Binsaif & Boukrami, 2019; Roy, 2018; Satell, 2017; Schoemaker, Heaton & Teece, 2018). Business model innovation describes the process in which an organisation adjusts its business model. Organisations pursue business model innovation by exploring new ways to define value proposition, create and capture value for customers, suppliers as well as partners, by fundamentally changing how they deliver value to customers whether through the development of new revenue streams or distribution channels (Ramdani *et al.*, 2019). An extensive body of the literature asserts that innovation in business models is of vital importance to organisation survival, as well as business performance and a central source of competitive advantage (Johnson, 2018:48; Landau, Karna & Sailer, 2016:481; Velu, 2016:125). This move by the company may have influenced the company's position as an innovative market leader, rather than an incumbent who was unable to sustain their competitiveness in a disruptive environment.

Thirdly, another counter-disruption move mentioned by participants was the company's aggressive expansion into the rest of Africa. Participants did not want to divulge the full expansion strategy, but they mentioned that the company had reached a state of saturation in the South African market and was now focusing on growing aggressively in the rest of Africa. In their FY20 report, the company reported 8.4 million subscribers in South Africa who account for 67% of the company's revenue and 11.1 million subscribers in the rest of Africa accounting for 30% of the company's revenue. The company also reported that they are actively operating in 50 countries on the continent (TheCompany, 2020a). In November 2020 'the case company' announced that it had expanded its repertoire with an agreement to purchase a 20% stake for R1,3 billion in Nigeria's sports betting platform (Prinsloo, 2020). The case company executive explained that sport betting was aligned to the company's pay-tv business, as there is a lot of sports on the digital satellite service of the case company and there that was a relationship between sports viewership and sports betting.

The company's response to disruption as related by participants aligns with literature on growth strategy, according to the Ansoff Matrix (as depicted in Figure 6.4), also known as the Product or Market Expansion Grid which speaks to growth strategies in the quest for sustainable competitive advantage. The Ansoff Matrix is commonly used in strategic planning as a tool that provides a framework to help strategy formulators to analyse and plan strategies for growth (Dugguh, Aki & Isaac, 2018; Hague, 2019; Roth, 2017).

Figure 6.4: Ansoff Matrix for growth strategies

Source: Adapted from (Ansoff, 1957)

Literature states that Market Penetration focuses on increasing sales of existing products within an existing market and thus increases market share (Ansoff, Kipley, Lewis, Helm-Stevens & Ansoff, 2018; Demir *et al.*, 2017). To achieve this, 'the case company' needed to attract customers away from competitors as well as ensure that their current customers are purchasing the organisation's products more often. The excerpt below illustrates how 'the case company' has done this:

> *"First the company started on selling one product i.e. Top segment product. Then the company saw and it adapted, and it saw that a lot of Black people are in the middle class now, they do not care about international shows, they want local shows. So they introduced a middle segment subscription, and they said in the middle segment subscription we will have soccer and we will have local shows, that is a change in strategy. And then from middle segment subscription they said, even in those Black people, there are different subsets of Black people; there are Black people with a lot of money who can afford middle segment subscription, there are Black people who do not have a lot of money but they yearn and aspire to have pay-tv, so we will have the mass market segment subscription bouquet for R100 or R99 at that time." (P14: Executive - Top Management)*

Literature states that Product Development focuses on introducing new products within an existing market and may be used to extend the offer proposed to current customers with the aim of increasing turnover (Amos *et al.*, 2020; Andersen *et al.*, 2019). This can be achieved by acquisition rights to produce someone else's products, or joint development with ownership of another company who need access to the organisation's distribution channels or brands. The except below illustrates how the company has done this:

> *"…the fact that we are negotiating with all these super content aggregators, that were supposed to just be studios. We are negotiating to get their services running concurrently or rather let me say running on our boxes." (P10: Manager - Lower Management)*

Literature states that Market Development strategy focuses on entering a new market using existing products by increasing sales of existing products in previously unexplored markets, and thus involves an analysis of the way in which a company's existing offer can be sold in new markets or how to grow their existing market (Adobor, 2019; Demir *et al.*, 2017; Thomas & Ambrosini, 2015). This can be achieved by identifying different customer segments, going into new areas or regions. The excerpt below illustrates how 'the case company' has done this:

> *"…it is an aggressive growth; it is aggressively going for growth. It is not just about South Africa or Nigeria or Kenya, I think it is just going for African growth. It is about what does Ethiopia look like to Ethiopians, what does Angola look like for Angolans." (P9: Manager - Lower Management)*

> *"You have this ambition to launch, from a channel and content perspective, to launch more channels in East Africa and West Africa and I think that once again allows the business to draw on a few more economies for stability and not just be solely reliant on South Africa for revenue generation." (P2: Manager - Lower Management)*

Literature states that when a company is following a Diversification strategy it focuses on launching new products in unexplored markets (Lin, Hsu, Hsu & Chung, 2020; Lin & Kim, 2020; Ramaswamy, Purkayastha & Petitt, 2017). This is deemed the riskiest strategy and requires marketing of completely new products in completely unknown markets. Diversification strategy was not evident in any of the feedback provided by participants.

From the feedback received from participants, it can be concluded that 'the case company' was aware of most of the disruptions that were taking place around them, and were thus vigorously trying to ensure that the company did not become redundant and that they continued growing their competitive advantage.

6.6.4 BALANCING REACTIVE AND PROACTIVE STRATEGY IN STRATEGY FORMULATION

In order to remain competitive, it is important for organisations to make decisions swiftly to meet changing environments. According to Christensen (2016a), very often companies miss emergent opportunities while trying to implement deliberate strategies that are focused on specific goals. Emergent strategies are the right choice when the future is uncertain and when it is unclear what the right long term strategy should be (Kopmann *et al.*, 2017a; Stobierski, 2020). Typically, emergent strategies are most useful during the early phases of a company's life, or when the competitive landscape is significantly changing as is the case with 'the case company'. Literature informs that embracing an emergent strategy allows the organisation to remain nimble enough to make adjustments as more information becomes available while knowing that they are working towards a goal that makes sense (Davey, 2020; Hooley, Piercy, Nicoulaud & Rudd, 2017; Todorov & Akbar, 2018).

In trying to establish whether the company operated mostly on deliberate or emergent strategies, participants were asked to provide their understanding of whether the strategies that the company had in place had been planned over a period, or whether they have been developed on the go. According to (Hayward, 2019; Mintzberg, 1994), deliberate strategies provide organisations with a sense of purposeful direction, while emergent strategy implies that an organisation is leaning to what works in practice. Deliberate strategies tend to arise from conscious, thoughtful and organised action on the part of the business and its leadership (Hernández-Betancur *et al.*, 2020; Mintzberg *et al.*, 2020). As previously mentioned by participants, 'the case company' relied heavily on data, business intelligence and research to define their strategic objectives, which is very much in line with the development of emergent strategies.

Three participants who are in middle management responded that they believe that the company's strategies were developed mostly on the go (emergent), which made them feel reactive and sometimes haphazard. The excerpt below elaborates on this:

> *"I do not think that we have a specific method that we follow and the reason I will say that is, if you look at for example our objectives, every time we have a 'State of the station', our objectives are different. I feel sometimes that every 6 months we have different objectives and sometimes we come up with new objectives before we have completed the last ones. I find it haphazard and very reactive." (P4: Senior Manager - Middle Management)*

Eight of the participants believed that the strategies were planned over the long-term which spans over a period of 5-10 years. They explained that the strategies that 'the case company' was currently executing were based on what the company planned approximately 5-10 years ago. Three of the participating managers believed that most of the strategies were medium term (spanning about 3 years), with implementation phased out and tweaks made during the 3 years to the strategies in response to evolving market conditions. The excerpt below illustrates this:

> *"Strategy in its very nature is a long term thing, so you try to take a mid to longer term view. That does not mean it binds you to your position or not being able to be flexible enough to change some of these things." (P5: Senior Manager - Middle Management)*

Five participants believed that there was a balanced response by the company of both planned and reactive strategies, explaining that at that time of the study, business environment required strategy agility and that it was dangerous for companies to be too rigid about their plans, due to the nature and rate of change as well as the uncertainty that characterised this industry. These participants also explained that it was also not feasible for the business to rely on strategies that were formulated much 'on the go', as the leadership of the organisation needed to provide some form of direction, guidance and anticipation for the future in order to steer employees towards achieving something. The excerpts below illustrate this:

> *"Gone are the days of a 5 year strategy being the Bible so to speak because especially if you are in a digital company, certainly you still follow the same frameworks and procedures and the periodicals that are stipulated, but nowadays strategy is very dynamic, hence your monthly views and your quarterly views and your cost correction." (P6: Senior Manager - Middle Management)*

> *"For me it is a bit of both because I think if you hear some of the narratives that come up like State of The Station, the Group CEO will do a State of The Station address, there are certain themes that have been constant … But there are certain things that are just a constant in 'the case company'." (P7: Senior HR Business Partner - Lower Management)*

> *"It is both, there are strategies that have been formulated a while ago and they are being implemented slowly but surely. But then there are things that are being done now that are like 'oh guys I think we should start this project, and this is the purpose, but we need to be done with it in 3 months' time for example'…There are a lot of things that the company is doing that have been planned before and there is stuff that is just someone's idea right now." (P10: Manager - Lower Management)*

> *"It is a bit of both. Some of them definitely are actually your longer term strategies and obviously driven by the sizing, market readiness, and sometimes you are just waiting for the technology to catch-up, that does happen, where you have an idea but there is nowhere to implement it. Some of them they would actually take a little bit longer to implement and others are actually reactive to, this is what is happening, there is a new player in the market disrupting all of us, what do we do, we cannot just sit there and hope for the best, you react to it and then you go through the whole you basically formulate a new strategy to respond, to react or to compete, or to partner or to acquire, those are all the different options that would normally come out of some of these strategic discussions." (P19: Team Lead - Lower Management)*

Traditional deliberate strategies based on cycles of stability and predictability are no longer relevant for today's business environments, especially in the case of companies operating in environments characterised by disruption, as is the case with 'the case company' (Mintzberg, 2011:128).

This section highlighted contradictions by participants, because in Section 6.6.3.1 when asked whether the company was responding mostly reactively or mostly proactively to disruption, 9 of the participants said that the company was mostly reactive, while 7 of the participants believed that the company was mostly proactive, with only 3 participants saying that there was a balanced reaction which was equally reactive and proactive. However in this section, 8 of the participants believed that the company's strategies were planned over a long-term (deliberate), in contradiction to the larger number of 9 participants who believed that the company was highly reactive in its reaction to disruption. This was also contradictory to the 3 participants who believed that the company's strategies were developed mostly on the go in an emergent approach. Only 5 participants believed that there was a balanced approach to strategy (both emergent and deliberate) by the company, which was also inconsistent with the previous Section 6.6.3.1 where only 3 participants believed that the company was equally reactive and proactive in addressing disruption. This contradiction implied that the managers were not associating the company's responses to disruption, with the strategic objectives that were communicated with them exposing a gap in the awareness of the responsiveness to disruption. The managers may have been interpreting the strategic objectives as 'business as usual' and that presented missed communication opportunities and poor strategy translation within the organisation. Perhaps because strategy formulation remains inclusive in the organisation, only executives that were involved in the strategy formulation process would have had consistent awareness of the relationship between the company's strategies and disruption.

6.6.5 THE IMPACT OF DISRUPTION ON STRATEGY FORMULATION

Literature has constantly reported that disruptive innovations have the potential to impact business growth and employment by creating new markets, which may require new business practices and different labour skills (McDowall, 2018; Nelson-Brantley, 2020;

Ntimane, 2020; Silberzahn, 2017). Section 3.4.1 in the literature chapter extensively discussed the relationship between disruption and strategy formulation and how these two constructs relate to each other (Christensen & Wessel, 2012; Drejer, 2017; Hagel *et al.*, 2015; Juma, 2019; Markides, 2017)

All participants in this study attested to the fact that the disruption in the industry was either already affecting them directly and impacting their job deliverables or job roles; and those who had not yet felt the effect of disruption were waiting in anticipation for the impact to land. Naturally, job security was listed as the main concern, with participants being aware that they are going to have to upskill and future proof their skills so that they do not become obsolete. Brougham and Haar (2020) report that employees' awareness of disruption has a significant influence on their outlook on job insecurity and that if employees perceive that their job may be threatened by disruption, they may look to leave the organisation. With the rise of video streaming services in South Africa which are offering video entertainment at much cheaper prices to consumers, employees were questioning the future of pay television as they know it today and where that left them as employees. The excerpts below elaborate on this:

> *"Why would we need Portfolio Managers when the portfolio is actually shrinking? Because maybe Disney (portfolio) might come off the platform (digital satellite service of the case company) because now, they have got their own thing going, maybe they do not need us. What if they (Disney) explode in Africa and become really great and then we just become a nobody because now there is Disney+ and Netflix? Maybe I will be first to go?" (P10: Manager - Lower Management)*

> *"If we do not meet disruption with proper strategies, we will not have jobs. If 'the case company' keeps losing customers because customers are all going to Netflix and other services, we will have to cut the number of people, because we won't have jobs for us, that is the impactful way that disruption has on our daily lives, and that is fundamental." (P14: Executive - Top Management)*

Still on the job front, a participant mentioned that the profile of skill set required by the organisation had significantly changed. Autor (2015) argues that there is an interplay between machine and human comparative advantage and that it allows computers to substitute for workers in performing routine, codifiable tasks while amplifying the comparative advantage of workers in supplying problem solving skills, adaptability and creativity. The participant gave an example that the company had recently appointed Artificial Intelligence Managers for the first time. The participant gave the example of how organisations like banks are now leaning on Behavioural Economists in strategy formulation. These are job roles that did not exist a few years ago. The participant also made a comment that the company was employing more people from various sectors and no longer solely focusing on individuals with broadcasting experience only. The company is starting to look at different skills sets outside of Video Entertainment, in order to widen their perspective and improve innovation. The participant previously comes from the banking industry, and he also mentioned that half of his colleagues came from other different industries. The most recent appointment came from the telecommunications sector. The participant explained that the skills that were now needed within the company were different because the future was uncertain and organisations needed to consider vertical and horizontal integration; which required employees that were going to think about strategy not in an industry specific way, which is imperative for driving innovation. The excerpt below further explains this:

> *"In order for companies to survive, it is important to hire lateral thinkers, people that think differently. The recruitment is no longer around specific skill and experience, it is about the attitude and parallel skills that you can get to formulate the strategy and that is becoming more and more not just what the company is." (P5: Senior Manager - Middle Management)*

The impact of disruption was not completely projected as doom and gloom by participants. Some participants received disruption as an opportunity for positive change within the company; especially in the promotion of higher scale collaboration across company structures and levels. Participants mentioned that disruption might probably inspire management to start collaborating better and effectively from a top-down and bottom-up approach, with the hope that this will make management understand and embrace the importance of becoming more inclusive, especially when it comes to strategy formulation. Most research advocates for the opening up of strategy formulation as organisations can benefit from broadening the strategy formulation process (Adobor, 2019; Malhotra *et al.*, 2017).

In addition, participants felt that as a result of the presence of disruption, employees across the business would have to approach business challenges in a multidimensional way to problem solving, instead of an individualised area of expertise. Participants also mentioned that disruption was changing the way in which they engaged and interacted with their customers; this was requiring them to be more customer centric by embracing more ownership of innovation within the company. There is a general consensus that with disruption, every employee is bound to get challenged, everyone is going to have to change their way of thinking or reconsider their approach to strategy and basically be the best or the better of whatever is coming.

6.6.5.1 Aligning strategy formulation to address disruption

From participants responses (all participants), the biggest change in strategy that they had observed within the company was the increased focus on local content as a sustainable competitive advantage. The company had not only increased its investment in local content in South Africa alone, but also in Nigeria, Kenya, Tanzania, Zambia, Angola, Ghana, Mozambique and Ethiopia, by customising local content that is relevant and relatable within these specific countries.

Another notable change in strategy was the change in target market focus. The ‘ company was initially built on the foundation of serving a limited but affluent market through ‘top segment’ subscribers, however the change in the economy as well as the rise of the Black middle class across the continent made the company aware of the untapped growth opportunity presented within the mass market. Other responses to disruption have been seen in the product changes that came about in response to video streaming services, in particular Netflix.

With regard to how the formulation of strategy was aligning in the effort to address disruption, 11 participants felt that formulation of strategy within the company was changing and evolving. Participants said that they are noticing a culture of inclusivity and collaboration that was budding within the organisation. The company had implemented strategic projects and programmes which had become the foundation for strategy formulation and was thus informing the strategic direction of the company, with the aim of building a future fit organisation. This inclusivity would create a rich repository for disruptive ideas which would improve innovation management within the organisation.

In addition, executive management had become more reliant on the expertise and knowledge of employees beneath them, making sure that the executives get the holistic view of the business from the people who are more hands on, instead of basing the company's strategic objectives on a birds eye view, which is what was done in the past. Participants said that they had also noticed that the pace of decision making in the organisation had become faster, and this was driven by the accelerating pace of change within the environment that the company operated in. Participants mentioned that the change was slowing eroding the bureaucracy which could hamper progress and discourage a culture of innovation within the company. Participants believed that the company was becoming more responsive, much quicker than what they had seen in the past. The excerpts below indicate the above:

> *"I think formulation it is different because they are involving more people in the formulation." (P1: Senior Manager - Middle Management)*

> *"Let me just point to even the profile of any reporting meeting, reporting meetings now seem to have Execs from a lot more arms of the business. Just even from a casual observation, it seems that there is a greater inclusivity". (P2: Manager - Lower Management)*

> *"I do recognise that the company is trying to be at all places to make sure that there is inclusivity…" (P11: Director - Top Management)*

Five participants felt that the strategy formulation process within the organisation had not changed at all. Two of these 5 participants commented that they were aware of the faster pace of strategy formulation, however, they believed that the process was as it had always been. The excerpt below indicates this:

> *"I wouldn't say it changes, I think the pace changes but the way we formulate strategies is still in place because of those ticks and balances that needs to happen. You might miss a thing or two there. The pace is a little bit faster especially with dealing with such things, but it is also phased again." (P16: Top Management – Executive Head)*

Two participants said they did not know whether the strategy formulation process had changed, mostly due to lack of context and limited exposure to the strategy formulation process, and therefore did not have a benchmark to compare against. This once again speaks to the inclusivity of strategy formulation as previously discussed in the literature.

Interestingly, 1 participant who is in a low management position voiced that the strategy formulation could not change and that it needed to remain exclusive in order to maintain order and eliminate confusion. These sentiments are captured below:

> *"To always be inclusive may slow you down. I think for me it is like 'as the mom I make the best decisions for my child', we'll work around what the impact is. Not to say that you are arrogant or dictatorial, but it just does not work…Sometimes being too democratic or inclusive may slow the way forward...Inclusivity as an example will not necessarily work. (P9: Manager - Lower Management)*

In summary, Theme 2 addressed Research Question 1, Question 2 and Question 3, by discussing the constructs of strategy formulation during disruption within 'the case company'. In so doing Theme 2 also incorporated all four case study propositions that served as the study's guidelines and have consequently been extensively linked to literature within this study.

6.7 CONTINUOUS SUSTAINABLE COMPETITIVE ADVANTAGE AS A SHOCK ABSORBER AGAINST DISRUPTION

Research question 3 aimed to understand what actions were taken by management when faced with disruption. As discussed in the previous section, 'the case company' has been implementing various strategies to counter act the impact of the changing competitive landscape. It is also evident that the company has been making efforts to strengthen their competitive advantage, particularly in the middle and mass segments, where competitors are still struggling to make inroads. The final theme addresses the importance of sustainable competitive advantage as part of strategy formulation as a protective barrier against the harsh consequences of disruption. Competitive advantage is sustainable when rival firms give up plans to imitate the resources of the competitors, or when the barriers to imitation are relatively high (Barney & Hesterly, 2018:137; Haberberg & Rieple, 2012:246). When the imitative actions have come to an end without disrupting the organisation's competitive advantage, or when it is not easy nor cheap to imitate, an organisation's strategy can be termed as being sustainable (Grant, 2019:146; Hill *et al.*, 2020:177).

6.7.1 THE IMPORTANCE OF SUSTAINABLE COMPETITIVE ADVANTAGE

When asked whether they have seen a change in the competitive advantage of the company, 12 of the 19 participants said that the competitive advantage of 'the case company' had undeniably changed. They explained that the company was no longer the sole source of video entertainment, as was the case a few years ago, as new technologies had enabled consumers to consume video entertainment content in many different ways. This feedback from participants is in line with literature of competitive advantage (Dess, 2018; Neugebauer *et al.*, 2016; Porter, 1990; Porter, 2004; Thomas & Ambrosini, 2015; Whittington *et al.*, 2016). As a result, consumer awareness has heightened, making consumers question what is available, comparing options and exercising their right to choose differently if they wish to do so. This behaviour is also in line with literature when assessing the presence of disruptors in the market (Christensen, 2006; Denning, 2016;

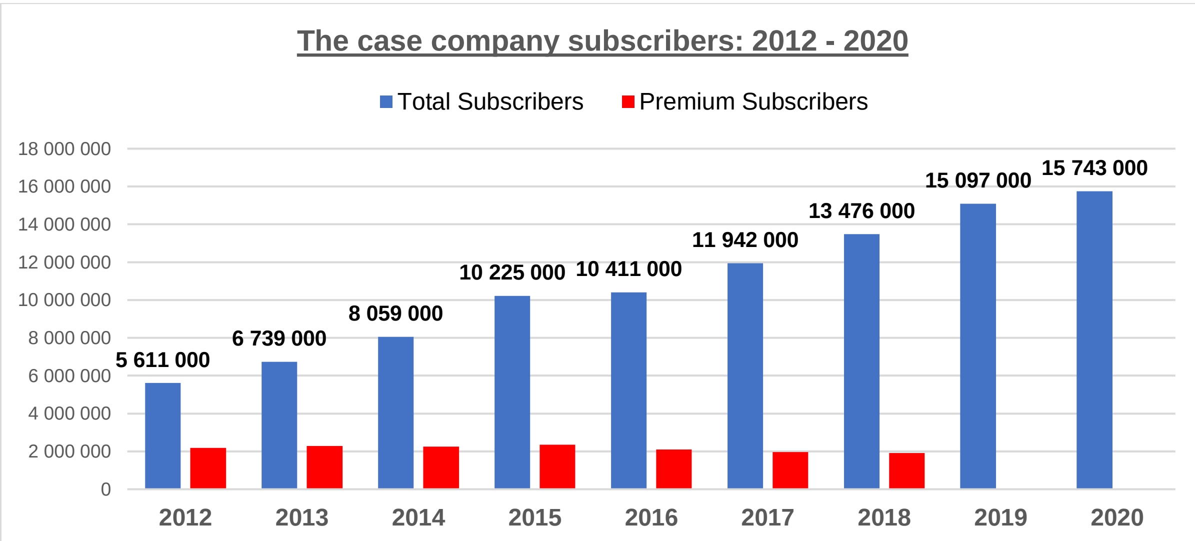
Downes & Nunes, 2014; Lepore, 2014; Silberzahn, 2017; Weeks, 2015). This has consequently impacted the share of wallet and the share of eyeballs for 'the case company', as this change in competitive advantage was gradually shifting as global competitors such as Netflix, Amazon Prime Video and Disney+ tried to cement their presence in the mind of the African consumer.

There were 7 participants who believed that the company's competitive advantage had remained the same and even strengthened over the last few years. These participants mainly spoke to the fact that 'the case company' remained the largest broadcaster and pay television company in Africa; with its market dominance increasing annually. Figure 6.4 shows published South African subscriber numbers between 2012 and 2020 of 'the case company' and it was evident that the company had not lost market share overall and had actually continued to grow its subscriber base over the years, even in the advent of disruption. This behaviour aligns with literature which speaks to the fact that sustainable competitive advantage is the advantage that allows a business to continuously become more successful than its competitors over a long period of time (Adobor, 2019; Cândido & Santos, 2015; Malhotra *et al.*, 2017; Maniak & Midler, 2014; Porter, 1990; Porter, 2004; Semuel, Siagian & Octavia, 2017).

What Figure 6.4 is also illustrating, is that it was the more affluent and most profitable subscribers that were leaving the company's 'top segment product' service in favour of Netflix, while 'the case company' was showing notable growth within the middle to lower income base. Some of the factors mentioned by participants that may have been compromising the company's competitiveness may have been the ease of business that competitor services are offering. These include the ease of transacting; Netflix has simplified the joining and payment processes for consumers, pricing is also a big factor, as well as the ease of product usage and product relevance. The above speaks to the theory of disruption which relates how a disruptor (like Netflix) is able to challenge an established incumbent (like 'the case company') by entering a certain segment of the market and slowly gain traction in that particular market by meeting their needs at a reduced cost compared to what is offered by the incumbent (Christensen, 2017;

McDowall, 2018; Nelson-Brantley, 2020; Roy, 2018; Vecchiato, 2017). These factors could pose a risk for the company's sustainable competitive advantage in the future; near or far. The company's continued growth was attributable to their strength in local content and their ability to connect and resonate better with African viewers, which would take the global competitors, especially Netflix, some time to replicate or surpass.

Figure 6.5: Digital satellite service of the case company South African subscriber numbers 2012-2020



Source: Adapted from (Vermeulen, 2020a)

6.7.1.1 What is at the core of the sustainable competitive advantage

The 7 participants that said that 'the case company' had a sustainable advantage, believed that the sustainable competitive advantage had a lifespan of on average between 5 to 10 years. That is the period of time that they believed the company could enjoy uncontested market leadership across the continent. A few participants believed that the sustainability could even stretch to 20 years, however those were only 2 participants, both being in low management positions. The excerpt below gives an account of this:

> *"It is sustainable and for 20 years. I am also linking it to the current stuff that is already cooking and taking it forward. I am not seeing anything affecting us in the next 10 years, I*

am not. There is awesome stuff happening for the business." (P19: Team Lead - Lower Management)

Participants were asked to give their account and understanding as to what sat at the core of the sustainable competitive advantage that they believed 'the case company' possesses. The factors below give an overview of factors that were at the core of the sustainable competitive advantage as related by participants. First mover advantage as a result of many years that 'the case company' has invested in building its empire both in South Africa and in the rest of the continent. The time invested has resulted in an accumulation of sizeable resources, infrastructure, years of learning and building best practices, business models, brand knowledge and brand recognition, that will take competitors some time to match up. Numerous conceptual and empirical studies advance the notion that first movers achieve long term competitive advantages and these studies purport to demonstrate the presence of a systematic direct relationship between order of entry for products, brands, or businesses and market share (Das, 2019; Hirose, Lee & Matsumura, 2017; Nishida, 2017; Park, 2021).

'The organisation's resources also enable the company to operate better than its competitors. Resources in terms of expertise, financial, technology, people, infrastructure, learning which has made the company almost 'untouchable' in some ways. Before unbundling from Naspers, the company enjoyed years of Naspers affiliation as well as the financial benefits that came with that relationship. The Naspers empire extends to China where Naspers owns WeChat, which is the leading chat application in China. This international technological learning may have benefited the company. These resources are not just based in South Africa but throughout the continent, enhancing the company's competitive advantage even further. The resource based view (RBV) theory of strategy planning in literature motivates the organisation's position of long standing competitive advantage by explaining that competitive advantage and superior long term performance are usually as a result of resources that organisations possess, and resources that are not easily duplicable by competitors, thereby raising barriers to competition (Barney, 2001; Campbell & Park, 2017; Hart, 1995; Hoskisson, Gambeta, Green & Li, 2018; Kraaijenbrink, Spender & Groen, 2010).

Participants also mentioned the company's leadership as another contributor to the company's sustainable competitive advantage. Leadership is an important component of effective strategy formulation as the leadership of the organisation hold the highest responsibility in fulfilling the vison and mission of the organisation. Participants heralded the leaders of the company for continuously steering the company in the right direction amidst the changing competitive landscape. They commended the leadership for decisions that have been made including the recent decision to become a content aggregator and incorporate Netflix and Amazon Prime Video services into the digital satellite service of the case company. They also acknowledged the fact that the company leaders were not entirely perfect, however they recognised that there is great responsibility that comes with running a company of this nature and this magnitude, and that it takes strong strategic leadership to be able to keep the company profitable and competitive during disruption, with minimal casualties. Participants commended the company for their handling of the Covid 19 pandemic. The swift and seamless decisions that enabled staff to work from home before hard lockdown rules were enforced. The company also made sure that there were no direct job losses or salary cuts due to the pandemic, all this while providing uninterrupted service to their customers. They were also commended for different initiatives in which they partnered with the South African government to assist the country to deal with the pandemic. Participants believed that the leaders had the best interests of the country and the continent, as well as the best interests of their employees in mind. Research continues to highlight the importance of strategic leadership capabilities specifically in enabling strategy formulation, in building sustainable competitive advantage, especially in disrupted environments (Crossan *et al.*, 2008; Ireland & Hitt, 1999; Lear, 2012; Schoemaker *et al.*, 2018; Semuel *et al.*, 2017).

Another reason for the sustainable competitive advantage that 'the case company' has as related by participants is its location. Participants mentioned that because the company is an African company and is also based in Africa, (the organisation has offices in 52 countries in Africa), this gave the company an added advantage over the American competitors. This is not just only due to proximity, but also due to their tangible understanding of African consumers, since it is a company by Africans for Africans. Participants mentioned that the South African growth had plateaued, however there is still massive untapped growth on the rest of the continent, region to region, country to country, and the organisation's location makes them better placed than the American competitors.

The then current active subscriber base of 20 million subscribers was also listed by participants as a sustainable competitive advantage that the company had over its competitors or future competitors. Participants believed that it would take a long time, as well as countless resources, for competitors to erode this customer base and as indicated in Figure 6.4, the company continued to grow its subscriber numbers, consequently widening and strengthening its competitive advantage.

Participants also believed that the company's different established brands were entrenched in consumers' minds and the company had managed to build years of brand loyalty, brand equity and brand value over time. Therefore, the goodwill of the organisation's name and its brands put the company at a better seating than its competitors. In line with literature, this speaks to brand equity and brand value which the organisation has managed to build and acquire over the years. Brand equity is a set of assets (or liabilities) in the form of brand visibility, brand associations, and customer loyalty that add (or subtract) from value of a current or potential product or service (Keller & Swaminathan, 2020; Sharp, 2019; Sierra, Iglesias, Markovic & Singh, 2017). Brand equity attests to the fact that a brand is not only a tactical aid to generate short term sales, but also serves as a strategic support to a business strategy that will add long term value and sustainable competitive advantage for the organisation (Keller & Brexendorf, 2019). Brand value is the financial worth of the brand, this would entail the market share value of the brand.

Participants spoke about how the organisation has spent years on perfecting payment systems across the continent in order to make it easy for their diverse customer base to pay for the services offered by the company. Participants explained how challenging it is to collect money in this type of business, especially when your customer base consists of consumers from different socio-economic backgrounds, especially outside South Africa. Consequently, the company has spent many years investing in payment infrastructures that allowed the company to collect money from banked and unbanked customers across the continent.

Lastly, participants mentioned people (human capital) as another contributor to the company's sustainable competitive advantage. Participants spoke about how the company had the ability to recruit and maintain highly skilled staff that contribute towards making the company what it is today, and also gearing it up for the future. One participant who is in senior management, related how he believed that the company had the right people to protect the company from the harsh effects of disruption, as well as take the company to the next level through effective strategy formulation.

Although participants were confident about the sustainable competitive advantage that the company had managed to build, participants were also cautious about its real sustainability, bearing in mind that under the then current economic challenges, consumers' loyalty can be fickle, and the company could not afford to let its guard down in any way.

6.7.2 STRATEGIC AGILITY AS AN ENABLER OF SUSTAINABLE COMPETITIVE ADVANTAGE

To thrive in an increasingly disruptive world, organisations must become as strategically adaptable as they are operationally efficient (Hamel, 2008). As discussed in the literature in Section 3.4, disruption, as well as rapid and unexpected changes increase the volatility of the business environment, and this requires flexible and creative strategies. Managing uncertainty and reducing risk is relevant to an organisation's success and it is therefore important for organisations to attempt to reduce the impact of uncertainty by proactively anticipating change, as well as equipping themselves to manage the change within the business environment (Arena, 2018; Chan & Muthuveloo, 2020; Kotter, 2014; Prange & Heracleous, 2018). Thus, competitive activity in disruptive environments is dependent on the organisation's ability to manage changes, as well as on its flexibility.

Literature describes the organisation's strategic agility as a way to manage changes and risks, and thus improve its competitive activity. Chan and Muthuveloo (2020); Doz (2020); Reed (2020); Shams, Vrontis, Belyaeva, Ferraris and Czinkota (2021) argue that 'many organisations fail not because they do something wrong or mediocre, but because they keep doing what used to be the right thing for too long, and fall victim to the rigidity of their business model'. Literature has used the construct of strategic agility to interpret how successful organisations respond to specific concerns such as disruptive innovation amongst others (Doz & Kosonen, 2010; Wilson & Doz, 2011).

The 19 participants were asked as to whether the company had changed its strategy over the last few years. Eighteen of the 19 participants were in agreement that the company strategy had been changing and evolving over the last few years. The one participant who did not say yes, said that she had no point of comparison as she was new in the organisation (had only been working at the company for a year). In terms of how the company had been changing its strategy, participants were cautious about not wanting to divulge confidential and sensitive company information, however they were able to talk about the publicised strategy of going 'hyper local' and reducing reliance on international content in order to protect the business from competitors like Netflix. Participants also spoke about a change in strategy in terms of resource allocation, budget allocation, capacity allocation and also how the company had been increasing its focus on improving its technologies. Participants also spoke about how historically the company depended heavily on the affluent 'top segment' subscribers to drive revenue; however the business had now shifted its focus to the massive middle to low income earners who form a large percentage of the African population. The company had also heightened its strategy on growing the business in the rest of Africa (outside South Africa), which also represented a large market size and massive revenue potential for the company. All agreeing participants also commented that the change in strategy felt as though it was happening at a very fast pace compared to previous years, where change was more gradual or slow.

The 19 participants were also asked as to whether they had noticed changes in how the company was formulating strategy in comparison to previous years. Fifteen of the 19 participants responded that they definitely saw some changes in the strategy formulation process within the company, while 3 participants said that they did not notice any changes and the 1 new participant said that she did not know as she had not worked in the company long enough. For the 15 participants who said that they noticed changes; inclusivity was unanimously cited as a glaring difference. Participants mentioned that they are noticing that top management is starting to involve some non-executive managers in some decision making processes and that the strategy formulation process had become noticeably more consultative than before. The excerpts below provide an account of this:

> *"I think formulation is different because they are involving more people in the formulation". (P1: Senior Manager - Middle Management)*

> *"Reporting meetings now seem to have executives from a lot more arms of the business. Just even from a casual observation, it seems that there is a greater inclusivity, to say let us get the most holistic picture of things and let us not just dictate things." (P2: Manager - Lower Management)*

> *"But it seems as if we are more consultative across the group. Whereby during strategy formulation, you have different departments working together to say 'CII this is your input, Content this is your input, Marketing Product this is your input." (P4: Senior Manager - Middle Management)*

> *"I do recognise that the company is trying to be at all places to make sure that there is inclusivity". (P11: Director - Top Management)*

Another change in the way that the company formulates strategy as related by participants was the speed of strategy formulation. Speed is a critical competent within strategy agility; because in order to be an agile company, strategies need to be formulated and implemented as fast as necessary, so as to be able to meet the requirements of the changing business environment (Arena, 2018; Reed, 2020). The excerpts below provide an account of this:

"I am seeing that the decision making is becoming a little bit faster. I am seeing that the decision making around being responsive to disruption is a little bit quicker than my previous experience." (P7: Senior HR Business Partner - Lower Management)

"The pace is a little bit faster especially with dealing with such things, but it is also phased again. The pace changes and obviously things improve". (P19: Team Lead - Lower Management)

Furthermore, participants were asked about how the company formulates strategy; if there were specific activities that the company was performing differently compared to historic behaviour. The 15 participants who said that the company's strategy formulation process was different mentioned that they had noticed activities that were different in the strategy formulation process within the company, as part of the company changing its approach to strategy formulation in reaction to the competitive environment. According to participants, the company was increasingly adopting a project based approach to strategy formulation. The current projects that were mentioned were the projects called 'Vibranium' and 'Wakanda' which are strategic business optimisation projects which were geared to future proof the organisation. The excerpts below provide an account of this:

"We have a whole programme now called Wakanda that is supposedly a strategic project and it is big and it is worth millions and millions of Rands for the next couple of years." (P1: Senior Manager - Middle Management)

"There are more strategy programmes such as Vibranium and Wakanda, because in the past we would have hired a big consulting company, with endless collection of data, putting together this and that. For the fact that we are tuning inward to look at how we provide solutions for different things, for me this tells me that it is very progressive." (P7: Senior HR Business Partner - Lower Management)

As previously mentioned by participants, the company's growing reliance on data and insights in order to make critical decisions as part of their strategy formulation, was another observation by participants in how the strategy formulation process had been changing, as well as how the activities of the business had been done differently as part of strategy formulation.

An organisation's resilience capacity captures its ability to take situation-specific, robust and transformative actions when confronted with environmental changes that have the potential to jeopardise the organisation's long term survival. Strategic agility is a complex, varied construct that can take multiple forms, but captures an organisation's ability to develop and quickly apply flexible, quick and dynamic capabilities especially as part of strategy formulation (Doz & Kosonen, 2010).

6.8 CHAPTER SUMMARY

The data analysis process started with the coding of the 19 interview transcripts which resulted in a total of 90 codes. These codes were then merged into 40 codes, ultimately resulting in 11 subthemes. As shown in Figure 6.2 (p.149), the three main themes derived from the data analysis process were; the approach to strategy formulation during disruption, the relationship between disruption and strategy formulation, and lastly looking at continuous sustainable competitive advantage as a shock absorber against disruption.

The approach to strategy formulation within 'the case company' was explored and this unearthed the drivers of strategy formulation within the organisation. The hierarchical structure of the company as described by participants had a strong influence on the strategy formulation process being such a top-down process, where the responsibility of strategy formulation solely sat with the executive senior level. This posed some challenges which restricted strategy formulation collaboration which is much needed in the presence of disruption and fuelled the exclusive nature of strategy formulation within the company. The data indicates that there are still gaps in how the company manages strategy formulation, particularly in the midst of the disruption that is taking place around the organisation.

In the process of understanding the strategy formulation by managers in response to disruption, it was important to explore the perceptions and awareness of disruption by the different managers within the company. There were different perceptions of the phenomenon of disruption which impacted the awareness and ultimately the actions that were administered to mitigate against disruption. The impact of disruption on strategy formulation played out on how the company has to balance reactive and proactive strategies. Participants' perceptions resonated with the practices that are documented in the literature with regard to the emergent and deliberate approach to strategy formulation in the midst of disruption.

The next chapter discusses the study's findings in relation to the research questions outlined in the first chapter. The chapter also describes the current study's contributions to both theory and practice, acknowledges its limitations and offers recommendations for future research.

CHAPTER 7: DISCUSSION OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

Chapter outline:

The purpose of this chapter is to:

- reiterate the study's research questions;
- reiterate the study's case propositions;
- summarise the main findings of the study in relation to each research question;
- discuss the managerial implications of the study's findings and provide practical recommendations for strategy formulation during disruption;
- articulate the study's contribution to the existing body of knowledge;
- acknowledge the limitations of the current study; and
- offer recommendations for future research.

7.1 INTRODUCTION

Chapter 6 presented the study's findings that were derived from the analysis of the data collected. This chapter begins by reiterating the study's intended purpose, as well as revisiting the research questions that guided this enquiry postulated in Chapter 1. The case study propositions are also considered. The main contributions that this study has made are also affirmed in this chapter. The managerial implications of the study's findings for theory and its contribution to the existing body of knowledge are also discussed and practical recommendations for strategy managers are given. The chapter concludes with a discussion of the study's limitations for both researchers and managers of strategy, and recommendations for future research are presented in closing.

7.2 MAIN PURPOSE OF THE STUDY

In order to position the current study's findings, it is important to revisit the purpose as well as the research questions which guided this investigation. The aim of the study was to explore strategy formulation by managers in response to disruption within 'the case company' which is a leading pay television company. In order to guide the investigation, the following research questions were outlined:

- How does management prepare for and create awareness around disruption?
- How does management alter strategy formulation in response to disruption?
- What are the actions taken by management when faced with disruption?

In addition to the research questions, the case study propositions below were presented to guide the study:

- Proposition 1: Enterprises facing disruption will approach strategy formulation in a non-linear way.
- Proposition 2: Enterprises facing disruption are likely to follow a more emergent approach to strategy formulation than a deliberate approach to strategy formulation.
- Proposition 3: Enterprises facing disruption will find it challenging to grow or maintain their competitive position.

As discussed in the previous chapter, Propositions 1 and 2 align with Research Questions 1 and 2, while Proposition 3 aligns with Research Question 3.

In response to the research questions and affirmation of the study propositions, the findings confirmed the presence of disruption within the company and furthermore revealed that the company was indeed aligning its strategies in response to the disruption happening in the pay television industry. The disruption has also had an impact on the strategy formulation process of the organisation, confirming that disruption does impact how organisations will steer their strategy formulation. The following sub-sections provide a summary of the findings within the company.

7.2.1 HOW MANAGEMENT PREPARES FOR AND CREATES AWARENESS AROUND DISRUPTION

The strategy formulation process of ‘the case company’ was analysed and discussed at length throughout Chapter 6. There was varied understanding by the different managers who participated in the study of the strategy formulation process followed by the company, and it was evident that the company followed a similar theoretical strategy formulation process to that depicted in Figure 2.5 (p.35).

Participants consistently emphasised that the executives relied on data, market and business intelligence, as well as market and viewership research as a foundation for establishing strategic objectives during strategy formulation. This is in line with the theory of competitive intelligence which is the ability to gather, analyse and use information collected on competitors, customers and other market factors that contribute to a business’ competitive advantage (Hill *et al.*, 2020; Hitt *et al.*, 2020; Köseoglu *et al.*, 2020; Louw & Venter, 2013:144; Rothaermel, 2020). This data and information not only form the foundation for decision making, but also gives the strategy formulators strategic insights that highlight threats, opportunities and disruptions in the market. Theory dictates that strategic intelligence allows executives to identify potential threats and opportunities, as well as to generate alternative courses of action (Krippendorff, 2007; Levina & Su, 2008; Stonehouse & Snowdon, 2007). The strategic objectives of the company were mostly driven by the need to respond to disruption, most particularly Netflix and other video streaming services that are wanting to make inroads in Africa.

As discussed in Section 6.5.4, strategy formulation within ’the case company’ is exclusive to the executive management layer and there are multiple barriers that inhibit complete inclusivity of other employees. This presents a challenge to the awareness of disruption because the lower level managers (or even non-managers) may be aware of certain disruptions or new looming disruptions of which executive management may not be aware. This is likely to happen because the people lower down the management chain have closer proximity to ‘real life’, to customers as well as to operational matters from which executives are so removed. The company is particularly hierarchical by nature and it means that it may not always be possible for lower management or even non-managerial staff to flag disruptions to the executives who are in control of the formulation of strategy within the company. From the interviews with participants, it is evident that intentional and consistent inclusivity and collaboration would improve the upward movement of information (including alerts of disruption), which would increase the awareness of disruption by those who formulate strategy and thus positively impact strategy formulation within the organisation. In addition, this inclusivity would create a rich repository for disruptive innovations which would improve innovation management within the organisation and ultimately make the company a disruptor in the industry.

The theory of Situational Awareness (SA) was used in section 6.6.2 to analyse the awareness of disruption within 'the case company'. SA was used to analyse the perception and recognition of disruption within the company, the comprehension of the disruption, and lastly the ability to be able to project disruption over a short period of time (Brandt & Gawlick, 2019; Fischer *et al.*, 2017; Gasaway, 2015). What was assuring in the findings was the high level of awareness and agreement amongst participants (17 participants) that the company was facing disruption, and also that there was unanimous agreement on what the biggest disruptions are for the organisation. This means that the managers are aware of their surroundings and potential threats.

When the participating managers were asked as to whose responsibility it should be to detect or look out for disruption, 17 of 19 managers said that it was the responsibility of every employee to be vigilant and aware of their business surroundings, in order to be able to foresee and identity possible disruptions. This implies that managers are not solely placing the responsibility of awareness of disruption on the executive management, but instead there is a collective agreement that every employee should be aware of their environment as well as the disruptions that can impact the company.

Awareness of disruption in the company is at safe levels, however, what needs to be resolved are the communication channels that will allow employees to communicate and flag disruptions that they may come across, because not all employees will have access to decision makers, which will mean that some disruptions may be uncommunicated until it is too late.

7.2.2 HOW MANAGEMENT ALTERS STRATEGY FORMULATION IN RESPONSE TO DISRUPTION

In today's hyper paced world, few things are more important to business success than the ability to respond quickly to sudden changes in market conditions or customer needs (Stowell & Mead, 2016). Whether the disruption comes from the introduction of a new technology, a new competitor that nobody saw coming or drastic changes, successful companies are those that respond the quickest.

Section 6.7.2 discussed the flexibility and dynamism required by the company in order to maintain its competitive advantage and market leader status. The study revealed that disruption not only requires awareness, but also needs preparedness through strategy agility which is mostly driven through strategy planning and strategy formulation (Chan & Muthuveloo, 2020; Doz, 2020; Reed, 2020). The company has mostly responded fast to counter the effects of disruption by changing their strategy to meet market conditions. Section 6.6.3.1 discussed the company's attempts at mitigating the effects of disruption. When asked as to whether the company was responding mostly reactively or proactively with regard to addressing disruption, 9 of the participants believed that that the company was mostly reactive in its response to disruption; while 7 of the participants believed that the company was mostly proactive, and only 3 participants believed that there was a balanced response.

Participants raised concern that the company was not innovating at the same level and pace as disruptors, and this could compromise the company's preparedness for disruption effects. Innovation plays a critical role during disruption because it cushions the incumbent against the harsh effects of disruption, but also allows the incumbent to widen the gap between themselves and competitors. Researchers caution companies against believing that upgrades are equal to innovation. They argue that innovation done in increments is a thing of the past, because disruptive innovation is where organisations need to look to survive, agility is key (Johnson, 2021; Strydom & Buckley, 2020; Tidd, 2020). Disruptive innovation is what allowed a giant like Amazon to follow an exponential innovative path that transitioned the company from selling books, to e-books, to e-commerce, cloud technology, entertainment content, drones logistics and home automation, just to name a few (Kuratko, Goldsby & Hornsby, 2019).

Christensen (2016b) advises that in order for companies to be disruptive, a SMART plan for innovation is required, and the CEO should be involved in the innovation process and take ownership of innovation within the organisation. The company also needs to have a first mover and not fast follower mindset and operate accordingly, and this requires taking risks and focusing on ground-breaking moves. The company should commit a budget to innovation by following the golden rule of 70% on incremental innovation and 30% on disruptive innovation.

7.2.3 ACTIONS TAKEN BY MANAGEMENT WHEN FACED WITH DISRUPTION

Section 6.6.5.1 of this study extensively discussed how the company realigned its strategy formulation process to address disruption. From the participants responses, the strategy formulation process of the organisation remains relatively the same with minor changes. What has changed significantly are the strategic objectives which were also discussed throughout Chapter 6.

Some participants did comment that they have noticed a change in the pace of decision making within the organisation and this has since improved tremendously; it is now faster than it has ever been. There are also traces of improvements when it comes to inclusion in decision making; from the standpoint that the executives are leaning more and more on the expertise of their employees, albeit that strategy formulation remains a closed and exclusive process. The company has implemented strategic projects and programmes which have become the foundation for strategy formulation and thus inform strategic direction of the company. These strategic projects allow for inclusivity and involvement by non-executive employees. What became apparent was that participants did not recognise that these programmes give input into strategy formulation.

7.3 CASE STUDY PROPOSITIONS

- **Proposition 1: Enterprises facing disruption will approach strategy formulation in a non-linear way.**

As discussed in Section 2.5, research identified uncertainty as a crucial constituent that influences the strategy making process, and that elements of market uncertainty play a significant role in the strategy making process (Elbanna & Child, 2007). As a result, formal and rigid strategy processes have been proven to be insufficient in shaping strategy in response to disruption (Kopmann, Kock, Killen & Gemünden, 2017c). The concept of non-linearity in strategy is not new and still remains relevant. Quinn (1980) explains that successful business strategies do not arise from the highly formalised approach to planning as per recommendations from many textbooks. His findings were that in large organisations the processes used to arrive at the total strategy are typically fragmented, revolutionary and mostly intuitive. In contrast to literature described above, the company's strategy formulation process was related as linear, methodological and systematic by participants. This strategy formulation process was out of character for a company operating under disruption.

- **Proposition 2: Enterprises facing disruption are likely to follow a more emergent approach to strategy formulation, than a deliberate approach to strategy formulation.**

Section 6.6.4 in the previous chapter discussed how 'the case company' balances between emergent and deliberate strategy, in light of the disruption which they are facing. Eight of the participants believed that the strategies were planned over a long term, and thus the company is operating mostly on deliberate strategy. Participants elaborated that the strategies that 'the case company' was currently executing were based on what the company planned approximately 5-10 years ago. This is in contrast to literature in Section

2.4.2, which says that organisations facing disruptions are most likely to follow emergent strategies, where strategic decision making needs to be an ongoing and inductive change process, which can be incremental and path-dependent as strategies become continuously modified (Papagiannakis *et al.*, 2013). Emergent strategy formation is also particularly significant in the product innovation domain because companies can respond quicker to changing customer demands or employees' ideas (Leitner, 2014).

- **Proposition 3: Enterprises facing disruption will find it challenging to grow or maintain their competitive position.**

Section 6.7 discussed the competitive advantage of the company. Although some participants expressed that the competitive advantage of the company was not as solid as it has always been, the financial reports reflect how the company has been continually growing over the last couple of years and growing in financial profits as well as in subscriber numbers. This is in contrast to the theory of disruption which states that disruption will compromise the incumbent's competitive advantage.

The study's findings have valuable implications for theory and practice. The study's managerial implications are discussed first.

7.4 MANAGERIAL IMPLICATIONS

The researcher recognises that participants of this study operate in various levels of management, with varying involvement in strategy formulation, and therefore articulated strategy formulation from different levels of strategy, namely corporate, business or functional strategy. This is an important factor that played a role in participants' inconsistent interpretations of the strategy formulation process within the organisation. Executive managers in organisations should therefore strive to create awareness of the corporate strategy formulation activities to other levels of management, as well as to explain how these activities affect the business or functional strategy, which are areas managed by middle and low level managers. Doing so will enable all levels of management to have a common understanding of strategy formulation and disruption.

The main managerial implications of the study are discussed herein. Firstly, the findings indicate that strategy formulation needs to be approached differently during disruption. Managers and employees who are responsible for strategy implementation should also be involved in strategy formulation processes. Competitive moves are chosen by executives' suites, but ultimately implemented by frontline employees. Organisational success depends on all employees in all roles as is does on executives' ability to master strategy. The benefits of an integrated and inclusive approach to strategy formulation will assist in ownership of the entire strategic management process by all managers and employees (Adobor, 2019; Köseoglu *et al.*, 2020).

Articulation and translation of the corporate strategy from executive level to other levels of management and non-managerial employees is required. In the study it came to light and was apparent that some managers could not deduce that some of the formulated strategic goals of the organisation were in response to disruption or were a counteraction against disruption. This oversight also hampers the awareness and recognition of disruption by non-executive managers. Being a technology company, a formal dedicated disruption management system needs to be put in place. A disruption management system will help decision makers respond to disruptive events in real time, so that the damage effected by the disruption is reduced to a minimum and addressed timeously. Christensen and Dillon (2020); Kivimaa *et al.* (2021) exposed many organisations who ignored disruptive technologies that evolved to displace them and encouraged organisations to become disruptors amidst disruption.

An innovation management strategy is needed in the organisation as a mitigator for disruption. Innovation can be a fundamental driver of competitiveness, and innovation management is one of the most challenging aspects of modern business (Juma, 2019; Szczepańska-Woszczyna, 2021; Tiem & Burns, 2020). The organisation needs to establish a culture of encouraging employees to come up with innovative ideas that could positively impact the business. Although there is already a platform where employees can contribute ideas, it is not well managed and not well marketed because only one participant could recall it. A rebrand of this portal with a more lucrative reward and compensation structure will encourage wider participation within the organisation. Employees currently do not feel motivated to come up with innovative ideas, and if they do, they are unaware of the correct channels to communicate ideas so that these ideas can be considered for development.

7.5 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

Despite the important findings summarised above, there are some limitations to the study that should be acknowledged.

The study specifically focused on the strategy formulation and disruption within a large pay television broadcaster in South Africa and did not include other broadcasters. In addition, this study employed a total sample size of nineteen participants from a single pay television company in South Africa. This limits the transferability of the study's findings to other organisations in other industries and regions. The normal limitations associated with qualitative research, such as tentative generalisation and small sample size, also apply to this study.

Furthermore, this research employed semi-structured interviews as a data collection method. Consequently, all limitations related to semi-structured interviews also apply to this study (see Section 5.8.1.3). Future research may employ other qualitative data collection methods such as focus groups, which may allow for larger sample size, thus including more managers of strategy in other parts across multiple industries. Future research may also employ quantitative data collection methods such as surveys, thus enabling the researcher to empirically test the generalisability of the participants' awareness and preparedness for disruption. Due to the fact that this research was only limited to a single organisation and a single industry, in future this study can be expanded to a wider sample, comprising of more broadcasters and pay television companies, and possibly even more industries.

Lastly, the research focused only on one element of the strategic management process. As discussed in literature in Chapter 2, the strategic management process consists of strategy formulation, strategy implementation and strategy evaluation. Recommendations for future research are to assess whether disruption will have an impact on the entire strategic management process, and if other parts of the strategic management process can be more impacted than others.

7.6 CONCLUSION

The findings of the study revealed that response to disruption through strategy formulation cannot be ignored and that disruption does indeed require attention within strategy formulation in order to sustain competitive advantage. Based on literature and the findings of the study, disruption can hit fast and hard, but sometimes the effects of disruption may take a long time to reveal themselves. In that case it is important for affected organisations to use the opportunity to upskill, upgrade, hyper innovate and disrupt, so that they do not become obsolete. The study also revealed that the traditional formats of strategy formulation require reinventions in times of disruption.

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LIST OF APPENDICES

APPENDIX A

- LETTER REQUESTING PERMISSION TO CONDUCT RESEARCH -

University of Pretoria
Economic and Management Sciences Building
Room 3-56

2018-09-18

The Manager
MultiChoice

For attention: Ms Anabela De Rose: Senior Manager: Learning

re. Request for permission to conduct research among staff members of MultiChoice

Dear Ms De Rose

I am currently supervising Ms Ursula Shikhati, who is an MCom student in Business Management in the Department of Business Management at the University of Pretoria. As part of her studies, she has to conduct research on the impact of disruptive innovation on the strategic management process, specifically looking at the broadcasting sector.

She hereby request permission to conduct semi-structured interviews with 12 managers (executive and middle level) in your organisation on a date and time to be arranged with each manager. Each interview will last approximately 60 minutes.

The study will be guided by the following principles:

- Once she has received permission from you, the study will be submitted to the University of Pretoria's Research Ethical Committee for final approval. The study already complies with all the ethical requirements of this committee.
- Participants will participate in the interviews on an anonymous and voluntary basis and will not receive any incentives to encourage their participation.
- She will schedule appointments with each of the managers at a time convenient to them.
- The name of your organisation and the names of the interviewees will not be mentioned in the research report.
- She will provide you with a copy of the final research report on request.

Please feel free to contact her, (Cell: 082 880 5095, Email: ursula.shikhati@multichoice.co.za). If you need additional information about the study. You are also welcome to contact me, (tel. 012 420-4195, e-mail: reba.letsholo@up.ac.za), to confirm that this is a legitimate research project.

Your kind co-operation is highly appreciated.

Sincerely,
Reba Letsholo
Lecturer: Business Management
University of Pretoria

APPENDIX B

- LETTER GRANTING PERMISSION TO CONDUCT RESEARCH -

MULTICHOICE
ENRICHING LIVES

PO Box 1502

Randburg

01 October 2019

University of Pretoria

To Whom It May Concern

We hereby support Ms. Ursula Shikhati's application, a Masters in Commerce coursework student from the University of Pretoria, to conduct a qualitative study in a form of interviews with 25 of our employees during the period of 2020.

Permission is granted to Ms. Ursula Shikhati subject to her obtaining ethical clearance to conduct research from the Ethics Committee of the University of Pretoria and by abiding to its terms.

We acknowledge that Ms. Ursula Shikhati will obtain the necessary consent from the participants and the subject of the study will be based on the topic of her research for her thesis which is on **Investigating the relationship between disruption and strategy formulation in practice – a case study**

For further enquiries please contact Katlego Mogole (011) 289 4406.

Kind regards,

KMogole

Katlego Mogole

Senior Specialist Learning

Human Resources – Talent Management

APPENDIX C

- INFORMED CONSENT FORM -

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
Department of Business Management

**LETTER OF INTRODUCTION AND INFORMED CONSENT
FOR PARTICIPATION IN ACADEMIC RESEARCH**

Title of the study:
Investigating the relationship between disruption and strategy formulation in practice – a case study
Researcher:
Ursula Shikhati (u17257434)
082 880 5095

Dear Participant

You are cordially invited to participate in an academic research study conducted by Ursula Shikhati a Master's student from the Department of Business Management at the University of Pretoria.

The purpose of this qualitative case study is to investigate the relationship between disruption and strategy formulation in practice.

Please note the following:

- This study involves a semi-structured personal interview. Your name and that of your company will not appear in the final research report and the answers you provide during the interview will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to me. You may, however, choose not to participate and you may also stop participating at any time without stating any reasons and without any negative consequences. You, as participant, may contact the researcher at any time in order to clarify any issues pertaining to this research.
- The study will take about 1 hour of your time.
- With your permission I would like to record this interview and well as write notes which I will use later for transcribing.
- The results of the study will be used for academic purposes only and may be published in an academic journal. You will be provided with a summary of our findings on request. No participants names will be used in the final publication.

WRITTEN INFORMED CONSENT

I hereby confirm that I have been informed about the nature of this research.
I understand that I may, at any stage, without prejudice, withdraw my consent and participation in the research. I have had sufficient opportunity to ask questions.

Respondent: **NTHABISENG NGOBEZA**
Signature _______NP Ngobeza______________

Researcher: **URSULA SHIKHATI**
Signature *UShikkhati*

Date: **16 July 2020**

Contact number of the Researcher: **082 880 5095**

APPENDIX D

- INTERVIEW GUIDE -

Interview Discussion Guide

Case Study: Exploring strategy formulation by managers in response to disruption within a case study

Dear Participant,

My name is Ursula Shikhati and I am currently a Masters (MCom) Strategic Management student at the University of Pretoria. Firstly, I would like to thank you for taking time out of your busy schedule to meet with me and contribute to my study. The research I am conducting is focusing on Disruption and Strategy Formulation, specifically investigating the relationship between the two constructs. My study seeks to solicit valuable qualitative insights from managers within the company.

The results of this research will benefit management within the company by underpinning the importance of understanding and managing disruption within strategic management in 'the case company', more specifically within strategy planning and strategy formulation.

Your participation in this study is completely voluntary and you are free to withdraw from the interview at any time, if you feel uncomfortable. You are also free to not participate in answering any questions that may seem inappropriate to you. The sole intended use of the data collected is for research purposes only and all your responses as the participant will be treated with utmost confidentiality. I would like our interview to be a very open and frank discussion based on the research topic, bearing in mind that my goal is to gain insights from you, therefore no answer could be regarded as right or as wrong.

With assurance of your confidentiality, I would like to ask for your permission to audio record the interview as this will assist me in analysing your responses more accurately whilst also allowing me to keep the conversation flowing. As a participant, I would also like to remind you that your participation is voluntary, and you may request to end the interview at any time and decline answering any specific question. I request that you sign the prescribed informed consent form that will serve as protection of your confidentiality.

Kind regards,

____

Ursula Shikhati

WRITTEN INFORMED CONSENT

I hereby confirm that I have been informed about the nature of this research.
I understand that I may, at any stage, without prejudice, withdraw my consent and participation in the research. I have had sufficient opportunity to ask questions.

Participant: _______________________

Researcher: _______________________

Date: _______________________

Contact number of the Researcher:

____

Interview Questions:

A. Introduction

The initial questions are introductory questions that will help me understand your role and position within the company.

1. Can you please tell me what your job title is in the company?
2. Which department are you currently working in?
3. How long have you worked in this particular position?
4. How long have you worked in the company in total?
5. Would you say that your job is classified as top, middle or lower level management?
6. Can you briefly describe your experience in strategy in this role as well as previous strategy based experience?
7. There are key phases in strategy; in terms of your current job role and deliverables, which phase do you think you fall in? Would you say that you are more on the *formulation* (coming up with) of strategy, the *implementation* of strategy or post *evaluation* of strategy? Please kindly elaborate your answer.

B. Strategy Formulation

The next couple of questions will focus on the strategic management process (*i.e. the process of how strategic decisions are formulated, implemented and evaluated*) within the company, specifically focusing on strategy formulation.

8. Can you please explain your understanding or observation of the overall strategic management process (*i.e. the process of how strategic decisions are formulated, implemented and evaluated*) followed by the company?
9. What is your understanding or observation of how the strategy management teams are setup?
10. Is there a specific way that the company formulates its strategies?
11. How often does strategy formulation take place?

12. According to your knowledge, the strategies that the company has in place, have these been planned or have they been developed on the go?
13. In terms of hierarchy of teams, when it comes to how strategy is formulated within the company, what is your understanding of how this is set up?
14. How does the formulation of strategy filter up within the company? Are those on the ground allowed or given the opportunity to get involved in the formulation of strategy?
15. In your opinion, should lower level management and/or operational staff be involved in the formulation of strategy? Why do you think this would be beneficial for the company?
16. How often does the company review or re-evaluate its strategies?
17. How does the company review or re-evaluate its strategies?

C. Disruption *(Awareness, Responsiveness and Actions)*

Now that we have covered strategy in previous questions, I would like us to talk about disruption which forms an important part of this research. According to the Cambridge dictionary, *a disruption can be described as an interruption in the usual way that a system, process or event works*.

18. I When you hear the word disruption, what comes to mind?
19. In your opinion do you think that the company is facing disruption and why?
20. What do you think is/are the biggest disruption/s facing the company? And why?
21. According to your knowledge, are there measures that have been put in place to address the disruption/s that the company may be facing?
22. Are you aware of the current strategy/strategies of the company that are in place to deal with disruption?
23. Are you aware of any measures, tools or methods in place to detect disruption early? And if so, can you please tell me about them.
24. Do you think that the company is more reactive or more proactive with regard to addressing disruption?
25. Do you think that the company is responding adequately to the disruption/s that they are is facing? And why?

26. In your opinion, whose responsibility is it to detect disruption in terms of which level of management, or across?
27. Does management identify or realise that the operational staff might detect disruption earlier than the top-level management?
28. How do you think the disruption that the company is facing will influence your job? Will there be a direct impact on how you perform certain activities? And how so?

D. The relationship between Disruption and Strategy Formulation *(Awareness, Responsiveness and Actions)*

29. Has the company had to change its strategy over the last few years?
    a. In what way have they changed the strategy and why do you think they have had to do so?
    b. Do you think that this change in strategy has been more drastic in the past year compared to the last five years? *(The researcher wants to assess delayed responsiveness and whether the company is becoming more responsive now (in the last year) compared to five years ago)*
30. With regards to how the company formulates strategy, what is the company doing differently compared to previous years?
31. With regard to how the company formulates strategy, are there specific activities that the company is performing differently compared to historic behaviour?

E. Competitive Advantage

I am now going to ask you questions about competitive advantage. *A <u>competitive advantage</u> is an advantage that an enterprise has over its competitors allowing it to generate greater sales or margins and/or retain more customers than its competitors.*

32. Has there been any change in the company's competitive advantage over the past few years? Is so, how has the competitive advantage changed?
33. Would you say that this change has been more drastic over the last year than over the last five years?

34. According to your knowledge, is the company's focus more on maintaining its competitive advantage, or more on growing its competitive advantage? Please elaborate.
35. Do you know how they are planning to go about this?
36. Do you think that the company has a sustainable competitive advantage?
    a. If so, why do you think it is sustainable?
    b. What is the core of this sustainable competitive advantage?
    c. If not, why not and how will they remain competitive?
37. Any closing comments that can further inform this research?

APPENDIX E

- THEMES AND SUBTHEMES EMERGING FROM THE ANALYSED DATA -

APPENDIX F

- MERGED AND SORTED CLUSTERS OF CODES -

ANSWER	CODE	SUB-THEME
Combination of formulation and evaluation of strategy	Successful strategy entails a thread between formulation, implementation and evaluation	Strategic management is top town
Combination of implementation and evaluation of strategy		Strategic management should be consultative
Combination of formulation and implementation of strategy		The strategic management process, strategy formulation needs to be proactive to survive disruption
Mostly formulation		Drivers of strategic formulation
Mostly implementation		Communication as an enabler of strategy by-in
All three phases - formulation, implementation and evaluation		Approaches to Strategy Formulation: Intuition Approach, Gap Analysis, Portfolio Approach, Key-Factors Approach and a Few Others (mostly intuition and experience) https://www.businessmanagementideas.com/strategic-management/approaches-to-strategy-formulation/19873
Executive levels have to formulate and evaluate corporate strategy	Strategy formulation largely driven by executive management (top-down)	Adaptive and agile strategy is required in the phase of disruption
Middle Managers formulate their business unit strategy so they can implement the corporate strategy	Middle Managers formulate their business unit strategy so they can implement the corporate strategy defined by executive management	Disruption is an agent of change
Low level Managers are full time implementors of both the business unit strategy and the corporate strategy	Low level Managers' role is to implement the strategy	Innovation management
Strategy requires collaboration across different business units and different layers of management	Strategy requires collaboration across different business units and different layers of management	Sustainable competitive advantage is crucial in surviving disruption
Strategy formulation requires inclusivity in order to get buy-in from those who need to implement it successfully	Strategy formulation requires inclusivity in order to get buy-in from those who need to implement it successfully	Strategy myopia
If those who have to implement the strategy do not have proper context of the strategy, they cannot fulfil their duties optimally	Those who are responsible for formulating the strategy need to give context of the strategy to those who need to implement in order for formulation to be successful	
Strategy is very classified and very hidden ta MC, it is very-very top level management , there is little to no engagement with the rest of the organisation in terms of input	Strategy can be classified and confidential, preventing the formulation process to be inclusive	

Strategy formulation is a top-down approach at MC	**Strategic management and strategy formulation are hierarchical (top-down)**	
Strategy management process is consultative at MC	**The consultation is not consistent around strategy formulation**	
Strategy formulation is consultative in other areas but not consistently so across the business		
Interrelationship between Corporate Strategy and Business Unit - Corporate strategy informs the business unit strategy		
MC strategic process and strategic decision making is reactive	**Strategy needs a balance of being reactive and proactive**	
Continuous market analysis is important in order to stay on top of things	**Environmental scanning and analysis are crucial pillar in strategy formulation process**	
The company strategy formulation is mostly focused on being responsive and does not lean too much on being a disruptor		
Pursuing growth outside SA (which has plateaued)	**MC is applying is applying all growth strategies (Ansoff model: product market)**	
Complexities of strategy outside your country		
Strategy division does not really do strategy but is more project based	**Strategy formulation as a designated function**	
Multiple layers and levels of strategy	**Strategy formulation is influenced by different layers and levers of strategy**	
Strategy is secretive at MC		
Many people do not know what the Strategy division actually do		
Overlapping strategy formulation and overlapping and duplication of strategy implementation		
Internal and external market analysis is important in strategy formulation		
The sheer size of the company makes strategy challenging to be inclusive	**The size of the organisation has an impact on strategy inclusivity**	
Strategy formulation touches at every level but essentially it is a CEO domain.		
Different involvement levels in strategy formulation by different groups and stakeholders		
Research and data as foundation for strategy formulation		
Formulation process differs across the company - from no process to some form of process depending where you are	**Different approaches to strategy formulation within MC**	

execs are more aware of strategy formulation process than the other levels of management		
strategy formulation follows an entrepreneurial approach (you do what needs to be done and not following an academic framework)	**Strategy formulation mostly based on experience, intuition and research**	
strategy formulation is top down approach		
strategy formulation has a 3 and 5 year view - 'in 5 years this is where we want to go, in 3 years this is where we want to go', but the review is done on a yearly basis that add up to that number of years.	**Strategy formulation is executed in different phases (3-5 years)**	
strategy must talk to the next 3 years. It reviews the current year and then it talks to the next 3 years as well.		
strategy by nature requires a mid to long term view (because you have to wait for things to actualise - some strategies take a long time to implement)	**strategy by nature requires a mid to long term view (because you have to wait for things to actualise - some strategies take a long time to implement)**	
strategy formulation requires flexibility	**Strategy needs to be agile, adaptive and dynamic**	
strategy formulation and strategy need to be dynamic		
Strategy evolves, influencing strategy formulation		
Decision making is at Executive level and at board level (due to it being a listed company)		
Strategy formulation takes a multi-functional approach	**Strategy formulation takes a multi-functional approach**	
strategy formulation cannot involve everyone, but it also cannot be exclusively for a few people - there needs to be a balance		
The input and involvement in strategy formulation happens in different ways, direct and indirect. Direct for top layer and indirect for everyone else		
Different levels of influencing strategy formulation		
Size of company makes strategy inclusivity challenging		
Confidentiality and sensitive information make it difficult to open up strategy formulation to a bigger forum		
The desire for collaboration is there, but the reality in implementing and practitioner that collaboration is a different story		
Operational staff are more in touch with what is happening on the ground and can flag potential challenges	**Operational staff are more in touch with what is happening on the ground**	

People at the bottom do not get to have a full view of the strategy because they are not included in the formulation of strategy	**Lower management and operational staff only get the summarised version and view of the strategy**	
Executive level only has the summarised view of business issues and operational challenges because of their focus on the big picture	**executive level only has the summarised view of business issues and operational challenges because of their focus on the big picture**	
Formulated strategies require buy-in from the bottom in order to ensure successful implementation		
Corporate strategy needs to be reviewed quarterly and business unit strategy and short term goals need to be reviewed more frequently e.g. monthly	**Strategy evaluation is just as important as formulation and execution**	
Evaluation does not happen enough		
When it does it is through trackers or scorecards		
Disruption is unexpected drastic change	**Disruption is inevitable**	
Disruption is progressive change	**Disruption is a good thing for everyone (the industry + consumers)**	
Disruptive brands - Netflix, Uber, FNB		
Disruption is opportunity		
Disruption is positive shake		
Disruption is what happens externally that impact how we do business internally		
Disruption - market disruptions, competitive disruptions, regulatory		
Disruption is an external change that impacts how we do business		
Disruption is against the grain, against convention, lacking or the clean traditional definition		
Disruption is new product, underserved market.		
Disruption is like a new way of doing things		
Disruption is about efficiency, a better way of doing things		
Disruption is game changer - something that is surprisingly different and then changing the way people behave in a major way		
Disruption is about being agile and adaptable		
Disruption is the opposite of comfort zones		
Disruption is high risk high reward		
Disruption is about breaking the norm		

Disruption means different things to different people	**Disruption means different things to different people**	
MC facing disruption in terms of changing technology		
MC facing disruption in terms of changing consumer behaviour		
MC facing disruption in terms of changing the industry		
MC facing disruption in terms of changing competitive landscape		
Technology is changing consumer behaviour, which is then changing the industry and the competitive landscape		
Economics in general (what are MCs biggest disruptions)		
Because the company is now a mass market company - economics, unemployment are a big issue right now (what are MCs biggest disruptions)		
Evolving customer base (what are MCs biggest disruptions)		
Currency devaluations in Rest of Africa (what are MCs biggest disruptions)		
Content production and content consumption habits (what are MCs biggest disruptions)		
Competition from VOD companies (from a customer perspective and from a content perspective because they get content from some of them and this may be at risk in the future) (what are MCs biggest disruptions)		
USP (what are MCs biggest disruptions)		
Price point (what are MCs biggest disruptions)		
VOD service of the case company		
Minimal price increases		
Different measures in place to mitigate disruption		
Business model - content aggregator		
continuously evaluating the competitive market and the technological market		
MC is agile and flexible		
MC is very reactive		
Strategies to mitigate disruption - see previous question		
Research (internal and external)		
Business intelligence		
Non present because company is reactive		
Trends analysis (global, industry, technology and business)		

Consumer trackers		
Informal market sensing		
Reactive as incumbents		
Slow to respond		
Inadequately response		
Responding the best way they can due to the fast pace of change		
Market leader in most instances		
Not agile enough to respond quick		
Reacting optimally		
Although reactive, MC takes it to the next level		
Evolving from reactive to proactive		
MC is responding optimally to disruption		
MC is not complacent		
MC is a multi-layered company (product wise and staff wise)		
Not customer centric enough		
It is hard to change a business and to adapt a business to change (adapting to change)		
Old business model of decoders is still very profitable for MC		
Global changes not always viable to implement in Africa due to slow adaption rates of technology in Africa		
Need to strike a balance between old and new technology		
Africa pay-tv market is not as advance as the western/northern hemisphere		
Reacting to disruption requires careful consideration		
Detection of disruption is not the responsibility of management only		
Everyone should be empowered to detect disruption (spirit of ownership and inclusivity)		
Top executives not on the ground enough to be solely responsible for picking up disruptions		
Top executives not operational enough to detect disruption		
Everyone is responsible for disruption		
Think tank should facilitate awareness of disruption		

Perception that it is top management's responsibility to detect disruption		
Assessing the impact of disruption should be responsibility of General Management (top-mid)		
Management must assess impact of disruption, everyone must detect disruption		
Collaboration		
Strategy formulation inclusivity can facilitate widespread detection of disruption		
Collaboration		
Strategy team at the heart of detecting disruption		
Management does not optimally use operational stuff ability as partners in managing and dealing with disruption		
Not enough realisation of how valuable employees can be in the input into strategy		
Management does not give credit to operational stuff when it comes to the ability to detect disruption earlier than anybody else		
The faced paced environment does not allow management to 'star gaze' enough and to realise a lot of things about the business	**Top management undermine the power of lower level staff in strategy and disruption**	
Employee feedback on strategy is invaluable		
Broadcasting is a complex business		
Management not leveraging on operational stuff optimally	**Management not leveraging on operational stuff optimally**	
Disruption is inevitable for everybody and anybody		
Real time responsiveness as a competitive advantage		
Disruption will affect jobs		
Waves of perpetual disruptions	**Waves of perpetual disruptions**	
Disruption forces management to collaborate across the business		
Familiarity breeds contempt		
Disruption is a threat (to job security and business survival)		
Disruption is an important phenomenon		
Content is king		
Strategy myopia		
Accelerating rate of change in strategy and in business conditions (competition, disruption, etc.)		

Adaptive and agile strategy		
Response insufficient for disruption		
Change in strategy is accelerating		
Strategy formulation is different but strategy implementation is the same		
Strategy inclusivity is improving		
Strategy agility		
Data is driving strategy formulation		
Programme based strategy formulations		
Programme based strategy projects		
Strategy formulation requires collaboration		
Inclusivity may slow decision making and progress		
The pace of strategy formulation has changed		
Project based approach to strategy planning, formulation and implementation		
New skills are required during disruption		
Data driven decision making		
MC remains a monopoly in its own right		
Rate of technological changing impacting industry change		
Competitive advantage growth is pivotal for survival		
Subscribers growth numbers indicate that company is still growing		
Market expansion into other territories for growth opportunities		
It is about owning the customer		
Being reactive limits growth		
Being innovative increases growth		
MC does have a sustainable competitive advantage but it requires work, consumers are fickle		
There is a business case for MC product and offering - consumer have proven this		
MC sustainable competitive advantage is based on first mover advantage (years and years of experience and learning), resources (technical, financial, infrastructure, established customer payment system) leadership,		

MC sustainable competitive advantage is based on untapped market potential that still exists on the African continent		
Local content is also a key factor in contributing to MC's sustainable competitive advantage		
MC sustainable competitive advantage is based on strong product, strong people		
Sustainable competitive advantage requires you to reinvent yourself		
MC competitive advantage is a strong installed base - almost 20 million subscribers		
The power of the digital satellite service of the case company brand is still a competitive advantage - strong brand recognition		
Goodwill of MC name is a competitive advantage		
Not everyone thing that MC competitive advantage is sustainable		
we need to be able to move away from the brand digital satellite service of the case company and create new things that are unadulterated by this 'old brand' that people already have an aversion towards. People literally have digital satellite service of the case company grudgingly		
MC competitive advantage is sustainable for 5-10 years		
Strategy is never perfect, strategy formulation is never perfect and seamless		
Different layers of management perceive things differently - the perceive disruption different, the strategy differently, strategy formulation differently. It depends on exposure		

APPENDIX G

- INTERVIEW RECORDINGS (CD) -

APPENDIX H

- INTERVIEW TRANSCRIPTS (CD) -