Identifying corporate political activity as part of integrated enterprise strategy in selected South African agri-businesses

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ABSTRACT

TITLE: Identifying corporate political activity as part of integrated enterprise strategy in selected South African agri-businesses.

KEYWORDS: Agri-business, integrated enterprise strategy, corporate political activity.

Corporate political activity (CPA) is the phenomenon in which firms employ corporate attempts to influence public policy in pursuit of the sweet spot found between what the Government wants and what the firm wants. CPA is the activities and tactics of a corporate political strategy (CPS), which forms part of the overall non-market strategy.

An effective integrated enterprise strategy should encompass both a market strategy, addressing the market environment (internally), as well as a non-market strategy addressing the non-market environment (externally). The PESTEL framework identifies the political environment in which a firm operates as one of the components of the non-market environment and it follows that the Government of the country would be an important stakeholder in terms of business relationships.

The South African agricultural landscape is experiencing increasing levels of uncertainty created and/or facilitated by the Government. During 2016, the sector experienced the worst reported drought in a century with lacking support from Government in terms of drought relief. Furthermore, the uncertainty in terms of public policy on pressing matters concerning vital resources, such as land, is encouraging disinvestment in a sector which, taking into account the whole value chain, contributes 12% of the country’s GDP and provides over eight million jobs.

The aim of this empirical descriptive study was to identify the CPA that selected South African agri-businesses employ. Six agri-businesses were selected using purposive sampling and data was collected from them by means of semi-structured interviews. The interviews were based on a questionnaire, adapted from a similar South African study that is grounded in the literature of CPA.

Conceptual qualitative content analysis was used to interpret the data, and the results showed that the selected agri-businesses experience significant regulatory uncertainty regarding the general direction and implementation of future agricultural regulation/legislation and employ a variety of CPS to differing extents.

It is recommended that agri-businesses continue to engage in CPA as a strategic priority, paying attention to their relationship with their representative bodies through clear and open communication and effective involvement. Furthermore, the Government should seek policy consistency and improved access for individual agri-businesses.

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CHAPTER 1

1 INTRODUCTION

1.1 BACKGROUND TO THE RESEARCH AREA

The background to the research area will:

- address how corporate political activity (CPA) fits into integrated enterprise strategy;
- describe the current circumstances in the South African agricultural sector that require such CPA; and
- define the term agri-business.

1.1.1 Integrated enterprise strategy and CPA

Crilly (2013:1443) argued that the manner in which firms reconcile competing objectives and pressures from various stakeholders with different interests should inform managerial decisions that would impact stakeholders. He derived this from the fact that a firm's engagement with its stakeholders ultimately impacts business sustainability (Crilly, 2013:1428).

Johnson, Whittington, Scholes, Angwin and Regnèr (2014:3) followed that an organisation is involved in complex internal and external relationships because of many internal and external stakeholders. External considerations are critical to strategic activities and strategic management (Dess, Lumpkin, Eisner, McNamara & Kim, 2012:79; Lynch, 2000:8). The analysis of these external considerations emphasises an important element to strategic management, i.e. the non-market environment (Baron, 1995:47; Johnson *et al.*, 2014:37).

Baron (1995:48) noted more than twenty years ago that effective business strategy must integrate both the market and the non-market environment (Baron, 1995:48). Nowadays an inextricable link between non-market strategies and traditional strategies is still being considered as imperative (Doh, Lawton & Rajwani, 2012:23). Non-market strategy is a pre-arranged and intentional action plan taken in the non-market environment to increase overall organisational performance (Baron, 1995:47).

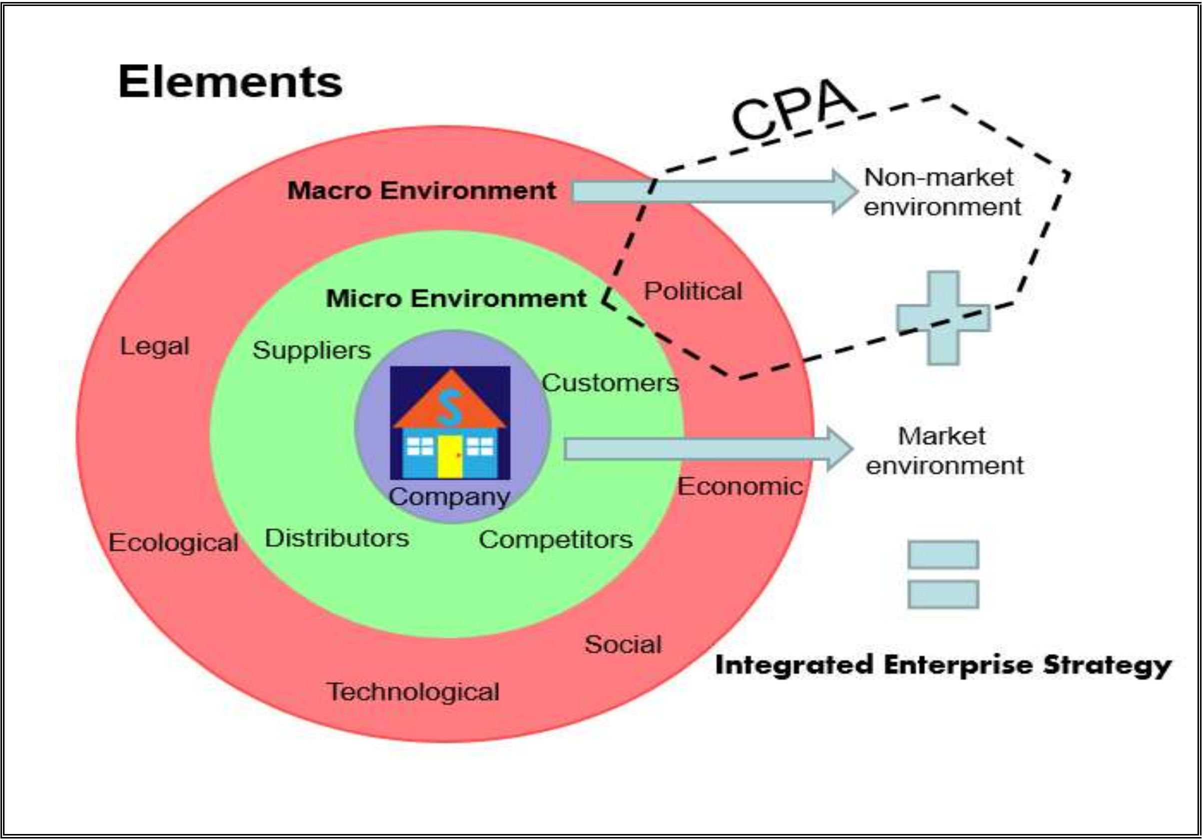
The general external or non-market environment is considered to include broad environmental factors that impact most organisations to a certain extent and can also be referred to as the macro-environment (Johnson *et al.*, 2014:33; Dess *et al.*, 2012:87).

The PESTEL framework is a tool utilised to analyse the macro-environment and which classifies external factors into six key areas: i) political; ii) economic; iii) social; iv) technological; v) ecological, and vi) legal. This study will focus on the *political factors* in the non-market environment.

Political factors refer to the external role of the state and other regulating forces (Johnson *et al.*, 2014:34). Political factors form an integral part of corporate non-market strategies (Mathur & Singh, 2011:253). The possibility of corporate influence on the public policy process was first explored during the early 1960s (Keim, 1981:42). Organisational involvement, to the extent that it aims to influence political factors affecting the organisation, forms part of environmental strategic management and is defined as corporate political strategy (CPS) (Baysinger, 1984:248; Keim, 1981:48).

While CPS is a component of overall non-market strategy, CPA refers to specific actions and tactics taken by firms in pursuit of CPS (Wöcke & Moodley, 2015:701). CPA is defined as corporate attempts to influence government policy in the interest of the firm (Baysinger, 1984:249; Hillman, Keim & Schuler, 2004:838; Tian & Deng, 2007:341) and is one of the key elements of non-market strategy (Liedong, Ghobadian, Rajwani & O'Regan, 2015:406). Refer to figure 1.1 for a diagrammatic illustration of CPA's place in integrated enterprise strategy.

Figure 1.1: CPA's place in integrated enterprise strategy



Source: Author

1.1.2 Current circumstances in the South African agricultural sector

The agricultural sector in South Africa is considered by the South African Government as one of the most employment-intensive sectors of the economy (South African Government, 2016). The primary agricultural sector is responsible for about 3% of the country's gross domestic product (GDP) and it represents about 7% of formal employment. If the entire value chain of agriculture is taken into account, its contribution to GDP reaches about 12% (South African Government, 2016).

The SAinfo Reporter estimates that 8.5 million people are directly or indirectly dependent on agriculture for their employment and income (Anon, 2012). In spite of the significant role that the agricultural sector plays in the South African economy, uncertainty in terms of control of and opportunity in the sector appears to increase. The apparent increase in uncertainty has culminated in various recent reports in the media.

Mbatha and Vollgraaff reported that, in 2016, South Africa was faced with the worst drought in a decade (Bloomberg, 2016). Eight of the nine provinces in South Africa were declared states of disaster during the past 18 months, yet the funds allocated to drought relief for the 2016/17 year decreased by more than half of what was allocated for this in the 2015/16 year (Falanga, 2016). The budget speech of 2016 vaguely stated that funds for drought relief would be made available as needed at a later stage. Additional funds for drought relief are contingent on a series of significant cuts in government spending (Gordhan, 2016:21).

In addition to the apparent lack of government support mentioned above, the current circumstances around public policy are discouraging investment in the sector. Uncertainty around a multifold of policies, amongst others land policy, development finance policy and water policy, is causing an unlikeliness to attract capital to the sector (Vorster, De Villiers, Purchase, Mcbain & Nchocho, 2016). According to Prof. Johan Willemse, an agricultural economist at the University of the Free State, there has lately been an increase in farms that are for sale, and the average age of farmers is increasing, because the next generation is not willing to farm due to policy uncertainty and statements made by the government (cited by Booysen, 2016).

1.1.3 Defining agri-business

Edwards and Shultz (2005:58) argued that, although agri-business definitions were initially focused on the farm or production unit itself, these traditional definitions have evolved to a place where agri-businesses are no longer “farm centric”. Agri-businesses are businesses involved in the management of multiple value chains that deliver goods and services by sustainably co-ordinating food, fibre and renewable resources to serve national and international consumers (Edward & Shultz, 2005:66). Middelberg (2011:5) included businesses that provide finance and other market advisory services to primary producers in the agri-business definition.

For the purposes of this study agricultural companies - co-operatives and representative bodies - will be referred to as agri-businesses.

1.2 NON-MARKET STRATEGY AS PART OF INTEGRATED ENTERPRISE STRATEGY

Non-market strategy is a well-established field of research and Doh *et al*. (2012:22) suggested that the integration of institutional and strategic perspectives should guide the path for the development of non-market strategy research. CPA is an integral part of non-market strategy (Liedong *et al.*, 2015:405). Empirical studies exploring the relationship between CPA and integrated enterprise strategy do not form a sophisticated and developed research area yet (Mellahi, Frynas, Sun & Siegel, 2016:157).

In a review of non-market strategy research done by Mellahi *et al.* (2016:163), a majority of the studies reported a positive relationship between non-market strategy and organisational performance, but the empirical evidence of a direct link remains inconclusive. In another fairly recent systematic review of CPA and firm performance, Liedong (2013:63) found that CPA has a largely positive effect on firm performance, primarily through social capital, although a few studies did report negative results. CPA has a "darker side" culminating from the perception that corporate attempts to influence public policy is self-serving and ego-centric. This particularly applies to emerging markets where high levels of corruption in business-government relations are being perceived (Doh *et al.*, 2012:23; Liedong *et al.*, 2015:410).

South Africa was included in BRICS (Brazil, Russia, India, China and South Africa) in 2010 to represent the emerging economies of the world (Anon, 2013) and the country has not escaped the perils of corruption. The corruption perception index scores countries in terms of perceived corruption, where a score of 100 represents a clean country and a score of 0 represents a highly corrupt country. In 2016, South Africa obtained a score of 45 and barely made it to the top half of the ranked countries, by claiming spot number 64 of a total of 176 countries surveyed (Transparency International, 2017).

The inconclusive nature of the influence of CPA on firm performance seems justified by the findings of Puck, Rogers and Mohr (2013:1030) as well as by that of Weymouth (2012:22). Weymouth (2012:22) argued that political activities and the effectiveness thereof are explained by firm diversity, and also by the fact that the context of regular and political environments shape policymakers' incentive to respond to business interests in emerging markets. The findings of Puck *et al.* (2013:1030) that previous literature on CPS does not apply to different and changing institutional environments to the same extent, collaborate with Weymouth's (2012) findings.

Liedong (2013:63) stated accordingly that institutional contexts have an impact on CPS. He found that relational strategies are popular in countries evidenced by weak institutional environments, economic transition and privatisation. On the other hand, developed countries favoured financial and informational strategies to influence policy.

Studies on CPA and its outcomes are hardly studied in developing countries (Liedong, 2013:59). A possible reason for this could be the fact that there is no requirement to report political contributions and other CPA in most developing countries (Weymouth, 2012). Liedong (2013:59) described Africa as a "virgin region" with regard to CPA research.

One recent South African study compared CPA of local and foreign firms in the South African health sector and found that local and foreign firms were experiencing equal levels of regulatory uncertainty. Local companies were, however, found to engage more easily in withdrawal and stabilisation activities, and the majority of companies were of the opinion that their actions had little to no impact on policy (Moodley, 2014:76-77).

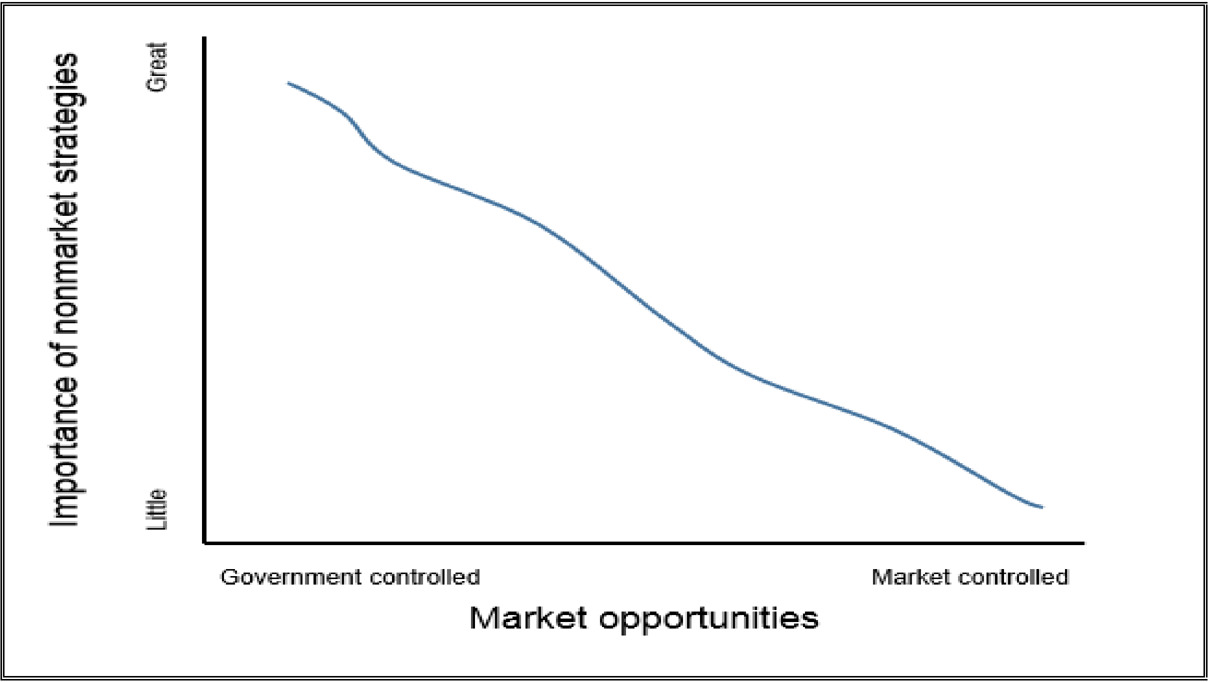
Moodley (2014:80) suggested CPA research in other sectors, and Liedong (2013:60) stated that empirical studies on CPA hardly call on surveys, while surveys could be used to obtain unpublished data.

This study intends to start CPA research in the South African agricultural sector by first identifying in which, if any, corporate political activities the sector engages.

1.3 MOTIVATION OF ACTUALITY OF TOPIC

According to Baron (1995:48), control of opportunities is one of the most important factors influencing non-market issues. He depicted control as a continuum where opportunities are controlled by government at the one end and by markets at the other end. Non-market strategies are more important where opportunities are controlled by government (Baron, 1995:49). See Figure 1.2 below for a graphical presentation.

Figure 1.2 Non-market strategy and market control



Source: (Baron, 1995:50)

With increased political influence on firms, the ability of such firms to influence government policy forms part of integrated enterprise strategy (Kingsley, Van den Bergh & Bonardi *et al.*, 2012:53; Liedong *et al.*, 2015:408). Failure to align non-market strategies to regulatory uncertainty will have a negative impact on the commercial success of the firm (Kingsley *et al.*, 2012:53).

Given the significant role of the agricultural sector in the South African economy and the increasing influence of government on the sector, a study on the strategic management of the sector, with specific reference to CPA as part of non-market strategy, warrants consideration.

1.4 PROBLEM STATEMENT

The apparent lack of government support and the uncertainty surrounding public policy affecting the agricultural sector is a political risk that threatens not only investment and growth in the sector, but also economic growth for the country as a whole. Intelligent strategic management in terms of an integrated strategy that includes CPA as a key component of non-market strategy is of essence.

This essentially poses the question: To what extent does corporate political activity form part of integrated enterprise strategy in the agricultural sector in South Africa?

1.5 OBJECTIVES

1.5.1 Main Objective

The main objective of this study is to identify and describe the corporate political activities adopted by selected South African agri-business in terms of integrated enterprise strategy, especially during times of uncertainty.

1.5.2 Secondary Objectives

From the main objective mentioned above, the following secondary objectives can be derived:

- SO_1: Identifying and presenting the chosen research methodology to be followed in order to address the set research objectives (chapter 2);
- SO_2: Conducting a literature review on CPA and its relevance to South African agri-businesses (chapter 3);
- SO_3: Identifying the corporate political activities applied by selected South African agri-businesses by means of an empirical study (chapter 4); and
- $SO_{4:}$ Summarising the study and making the relevant recommendations (chapter 5).

1.6 RESEARCH DESIGN/METHOD

1.6.1 Paradigmatic assumptions and perspectives

Ontology is concerned with the fundamental nature of reality and has two basic positions: realist and nominalist. These two positions are at opposite ends of a continuum. Realists assume that the reality exists independently of humans and their interpretations of it, while nominalists assume that reality cannot be experienced without inner subjectivity (Neuman, 2014:94). This study was conducted on the nominalist ontological assumptions that CPA exists, but the need and extent of it is influenced by inner subjectivity.

Epistemology focuses on the creation of knowledge (Neuman, 2014:95). The observations made by this study will not lead to knowledge about general reality, as it will only apply to agri-businesses and because interpretations and subjectivity will greatly influence all observations. The study is therefore based on nominalist epistemological assumptions (Neuman, 2014:95).

Neuman (2014:96) defined a scientific paradigm generally as a "whole system of thinking". This study aims to understand CPA as part of integrated enterprise strategy through mental processes of interpretation which are influenced by social contexts and interactions with such contexts. Therefore, the above ontological and epistemological assumptions fit into an interpretivist paradigm (Henning *et al.*, 2005:20).

1.6.2 Research Design

The problem statement of this study identifies a problem in the real life and is therefore an empirical question (Babbie, Mouton, Vorster & Boshoff, 2016:75-76). The main objective of the study is to enquire about the existence, size and form of corporate political activity as part of strategic management of selected South African agri-businesses. This is the simplest form of a descriptive study (Babbie *et al.*, 2016:80; Cooper & Schindler, 2003:161). The research design of this study is therefore an empirical, descriptive study.

1.6.3 Research method

The characteristics and properties of corporate political activity are to be examined for a better understanding and explanation of strategic management. This type of research is referred to as qualitative research (Henning, Van Rensburg & Smit, 2005:5). The research method therefore followed a qualitative approach.

1.6.4 Literature review

According to Mouton (2001:86), there are two ways of considering a literature review: either as a study on its own, or as the first phase of an empirical study. This study treated the literature review as the first phase of an empirical study.

The main purpose of a literature review is to provide context to the study (Henning *et al*., 2005:27). The literature review therefore provides context to the phenomenon of CPA as part of strategic management, with the objective to determine if and how CPA forms part of integrated enterprise strategy, to define CPA and CPS and to determine if there is a need for CPA in South African agri-businesses.

The literature review drew on scholarship from published and accredited journal articles as main source, as well as on relevant topical text books and related media content.

1.6.5 Empirical research

The target population of this study is South African agri-businesses or agricultural co-operatives that are exposed to political uncertainty.

The participants are all operating in the agricultural sector and were selected based on the various services delivered to their customers - which include primary producers - and based on the participants' location.

Qualitative data collection techniques were followed by conducting face-to-face semi-structured interviews with the participants. This is the most common method to collect survey data in South Africa (Babbie *et al*., 2016:249).

1.7 TERMS OF REFERENCE

For the purposes of this study, the following serves as terms of reference:

Agri-business: Businesses involved in multiple value chains that deliver goods and services (including finance and market related advisory services) through sustainable co-ordination of food, fibre and renewable resources (Edwards & Shultz, 2005:66; Middelberg, 2011:5). For the purposes of this study an agri-business represents either an agricultural business, an agricultural representative body, or both.

Corporate political activity: Corporate attempts to influence government policy to fit business interests (Hansen & Mitchell, 2000; Hillman *et al.*, 2004; Hillman & Hitt, 1999; Tian & Deng, 2007).

Integrated enterprise strategy: The role of a company in its broader social, legal and political environments in so far as it is concerned with its relationship with the various stakeholders in such environments, in pursuit of business sustainability (Crilly, 2013:1428; Schendel & Hofer, 1979:12).

1.8 OVERVIEW

This study is divided into five chapters:

Chapter 1: Introduction

The first chapter provided high level background to CPA as part of integrated enterprise strategy and the actuality of it for South African agri-businesses. It presented the research objectives and problem statement. The broad research design was discussed and finally an overview of the study was provided.

Chapter 2: Research Methodology

Chapter two will discuss the research design, data collection methods and research sample employed to address the set research objectives.

Chapter 3: The theoretical constructs of corporate political activity

In chapter three a literature review on CPA will be conducted. The chapter will firstly consider the definition of CPA, after which the types of CPA will be explored. In an attempt to determine why firms engage in CPA, the competitive advantage as well as the darker side of CPA will be discussed. The chapter will lastly include an overview of the South African agricultural environment and a justification for the study.

Chapter 4: Empirical research findings

This chapter will contain the findings of the empirical study which was conducted by means of semi-structured face-to-face interviews with six participants.

Chapter 5: Conclusions and recommendations

This chapter will conclude the study with a summary of the key research results, conclusions, and recommendations based on the research objectives set in the first chapter.

CHAPTER 2

2 RESEARCH METHODOLOGY

2.1 INTRODUCTION

The purpose of this chapter is to identify and present the research methodology chosen to address the set research objectives as detailed in section 1.5.2 of chapter 1 (page 8). To fulfil this purpose, this chapter will address the first secondary objective of the concept of research design and methodology, after which it will provide insight into the selected design and motivation for the selection.

In addressing the concept of research design and methodology, the research paradigm and approach will be explored, definitions of research design and research methodology will be discussed, and the type of data analysis will be considered. Lastly, methodological rigour and ethics will be discussed.

Research expands knowledge in a particular field of study by means of scientific methods (Welman & Kruger, 2002:19) and is conducted with a threefold purpose: to describe how things are, to explain why things are the way they are, and to predict phenomena (Welman & Kruger, 2000:19). Bryman and Bell (2015:5) referred to business research as academic research that answers questions that are relevant to business and management. At its core, business research is conducted when it is believed that there is an aspect of business and/or management that is inadequately understood (Bryman & Bell, 2015:5).

This study aimed at expanding knowledge in the field of integrated enterprise strategy by describing the extent to which selected South African agri-businesses adopt CPA with scientific methods. It sought to find a better understanding of CPA as part of integrated enterprise strategy for agri-businesses in South Africa.

2.2 RESEARCH PARADIGM

A scientific research paradigm refers to a basic orientation to theory and research. It can be defined as a whole system of thinking and includes basic assumptions and research techniques (Neuman, 2014:96). All scientific research rests on assumptions and principles of two areas of philosophy, namely ontology and epistemology (Neuman, 2014:93).

As highlighted in chapter 1 (refer to section 1.6.1, page 8), ontology is concerned with the fundamental nature of reality. This study was conducted on nominalist ontological assumptions. Epistemology, on the other hand, looks at how we are to produce knowledge and what scientific knowledge looks like once it has been produced (Neuman, 2014:95). As in the case of ontological assumptions, this study was conducted on nominalist epistemological assumptions.

When considering the research paradigm a study will be conducted in, there are three possible options, namely i) positivist social science; ii) interpretive social science, and iii) critical social science (Neuman, 2014:96). Positive social science aims at discovering casual laws, careful empirical observations, and value-free research (Neuman, 2014:97). Interpretative social science has meaningful social action, socially constructed meaning and relativism at its core (Neuman, 2014:103), while critical social science attempts to combat surface-level distortion, multiple levels of reality and value-based activism for human empowerment (Neuman, 2014:110).

The research of this study is nested in interpretivism. Instead of uncovering an absolute truth regarding the CPA of selected South African agri-businesses, this study acknowledges that an observed reality is fallible and is committed to the goal of getting the multiple realities of CPA as part of integrated enterprise strategy right, through interpretation and the application of inner subjectivity to the empirical results (Henning *et al.*, 2005:19). The author believes that the employment of CPA is very sensitive to the context in which it is applied and considers the frame that shapes the meaning imperative in producing knowledge (Henning *et al*., 2005:20).

2.3 RESEARCH APPROACH

When considering which research approach to take there are three options, namely a quantitative approach, a qualitative approach and a combination of the two - known as a mixed methods approach (Neuman, 2014:165).

Interpretive research tends to be more qualitative (Neuman, 2014:167). The primary goal of qualitative research is in-depth ("thick") descriptions and understanding of actions and events. It aims to understand social action in terms of its specific context, rather than to attempt to generalise it to some theoretical population (Babbie *et al.*, 2016:270).

The main research objective of this study was to identify and describe the CPA adopted by selected South African agri-businesses and it therefore strongly fitted the qualitative approach. In applying a qualitative approach, the qualities, characteristics and/or properties of CPA were examined for a better understanding and explanation (Henning *et al.*, 2005:5).

2.4 RESEARCH DESIGN

The research design serves as the blueprint or plan for the fulfilling of the research objectives, and for the answering of the research questions (Cooper & Schindler, 2003:81). Essentially, the research design should encompass an activity- and time-based plan, based on the research question. This plan should guide the selection, sources and types of information, serve as a framework for specifying the relationship of the variables contained in the study, and outline procedures for each of the research activities (Cooper & Schindler, 2003:146).

The degree to which the research question has been crystallised, determines whether the study is exploratory or formal. Exploratory studies usually develop questions for further research, while formal studies begin with a question and involve specific procedures. This study is a formal study as it begins where exploratory studies would theoretically end (Cooper & Schindler, 2003:146). The phenomena of CPA have been explored in extant literature, hence this study has begun with the research question: to what extent does CPA form part of integrated enterprise strategy for South African agri-businesses?

Formal studies have a variety of objectives, one being to describe phenomena or characteristics associated with a subject. A study in pursuit of such an objective is referred to as a descriptive study (Cooper & Schindler, 2003:161). As this study has sought to identify and describe CPA as part of integrated enterprise strategy in selected South African agri-businesses, it serves as a formal, descriptive study.

In describing the phenomena of CPA in selected South African agri-businesses, interviews were held with six agri-businesses in order to obtain detailed and varied responses in the form of qualitative data.

The selection of sources and types of information can be categorised into two processes, namely i) monitoring and ii) interrogation/communication. When using monitoring data collection methods, the researcher inspects activities and/or subjects without attempting to get responses from them. Due to the fact that information for this study was collected through questioning of participants and collecting their responses by personal means, the method of data collection in this study has been interrogation/communication (Cooper & Schindler, 2003:147).

Qualitative research does not seek to control the variables contained in the study (Henning *et al.*, 2005:3). It follows then that the relationship of the variables contained in the study is consistent with an *ex post facto* design, as the author had no control over the variables and could in no way manipulate them (Cooper & Schindler, 2003:149).

2.5 RESEARCH METHODOLOGY

Just as the research design flows from the research question, the research methodology flows from the research design (Babbie *et al.*, 2016:75). Research methodology describes the kind of tools and procedures to be used in the research process and focuses on the individual steps and the most objective procedures to be followed (Babbie *et al.*, 2016:75). The research methodology adopted in this study will be addressed under two separate headings, namely i) sampling and site selection, and ii) data collection.

2.5.1 Sampling and site selection

A population is the total collection of elements that one wants to research and interpret (Cooper & Schindler, 2003:179). The target population for this study is South African agri-businesses.

For large populations, factors such as cost, results accuracy, speed of data collection and availability of population elements render sample testing more feasible than census testing (Cooper & Schindler, 2003:179). Most empirical studies use sampling, although the method of sampling depends on the type of study. In accordance with the overall approach of qualitative research, qualitative sampling seeks to deepen the understanding of a larger process (Babbie *et al.*, 2016:270; Neuman, 2014:247).

Therefore, in contrast to probability sampling in quantitative studies, qualitative sampling does not aim to select a sample that is a mathematically accurate representation of the entire population. Qualitative studies mostly apply non-probability sampling and non-representative sampling strategies (Neuman, 2014:248). This qualitative study was no exception to the rule and applied non-probability sampling accordingly. In non-probability sampling, the researcher does not know the probability of any member of the population being selected (Tharenou, Donohau & Cooper, 2007:55).

Non-probability sampling consists of two techniques: convenience sampling and purposive sampling. Convenience sampling is used when participants are selected based on ease of access. Purposive sampling is used to select participants based on something that the researcher specifically has in mind (Etikan, Musa & Alkassim, 2016:1). Six participants were selected, using non-probability purposive sampling. Participants were deliberately selected based on their specific qualities and characteristics (Etikan *et al*., 2016:2)

All of the participants represented middle management or above: two chief executive officers, one group managing director, one group director: business strategy, one group company secretary and one legal and policy advisor. The combined turnover of the for-profit participants of this study amounts to R24.6 billion for the 2016 financial year. In order to protect the identity of the participants, and thereby maintaining agreed upon confidentiality, no further details in respect of the participants can be provided.

2.5.2 Data collection methods

In qualitative research, data is mainly collected through observation, document studies and interviewing (Henning *et al.*, 2005:5). Accordingly, this study consists of a literature review and a qualitative empirical study with data collected through semi-structured interviews.

The questionnaire used in this study was developed by Moodley (2014) in his study on CPA of local and foreign firms in the health sector. The questionnaire was completed by the author during the interviews. The interview process will be discussed in depth below.

The interview process

The research interview differs from the casual everyday conversation in the sense that power is not distributed evenly between the researcher (interviewer) and the participant (interviewee). The interviewer is in charge of questioning (Qu & Dumay, 2011:239).

Semi-structured interviews are scheduled in advance and have an overall topic, targeted issues and specific questions. These types of interviews are not as rigid as structured interviews, but have more focus than an unstructured interview (DiCicco-Bloom & Crabtree, 2006:315; Tharenou *et al.*, 2007:104). It is generally conducted once and can take between 30 minutes and several hours. Semi-structured in-depth interviews are the most popular interviewing method for qualitative research (DiCicco-Bloom & Crabtree, 2006:315).

Qu and Dumay (2011:239) reasoned that there is no one right way of conducting an interview in terms of format and wording of questions. The setting of the interview, the perspectives of the interviewee and the personal style of the interviewer all contribute to a unique interview environment. The six interviews conducted in this study were arranged well in advance. Five interviews took place at the premises of the participants on a face-to-face basis, and one interview was done telephonically. The average length of an interview was 34 minutes. All the interviews were conducted within a time span of one month. The majority of the interview questions included responses based on a Lickert scale. The questions did not all use the same range within the Lickert scale.

Please refer to table 2.1 below that sets out the different scales used for the different questions.

Table 2.1: Lickert scale ranges used

Question number	Content	Scale				
		-2	-1	0	1	2
9	Regulatory uncertainty	Strongly disagree	Disagree	Unsure	Agree	Strongly agree
11	Responses to regulatory uncertainty	The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
12	Strategy types	Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
13	Strategy types	Highly reactive	Reactive	Unsure	Proactive	Highly proactive
14	Strategy approach	Strongly disagree	Disagree	Ambivalent	Agree	Strongly agree
16	Strategy types	Strongly disagree	Disagree	Unsure	Agree	Strongly agree
17	Impact on regulation	None	Little	Moderate	Significant	Complete

Source: Author

The purpose of the Lickert scale was merely to facilitate comparison between the participants' answers. In accordance with the *ex post facto* data collection design, mentioned in section 2.4 above, the participants were not limited to the boundaries of the questionnaire. They were allowed to add commentary where they felt the need for it - in pursuit of a better understanding of CPA within the specific context in which it occurs (Babbie *et al.*, 2016:272; Henning *et al.*, 2005:3). Participants were allowed to qualify their response to the Lickert scale in every instance.

2.6 DATA ANALYSIS

Collected data alone is not sufficient in answering the research question, it must also be analysed (Neuman, 2014:477). Henning *et al*. (2002:103) argued that data analysis is the "heartbeat" of research.

Data analysis refers to the systematic inspection and organising of data in search of patterns and relationships from the specific details, with the aim of connecting it to concepts and of identifying broader themes. In analysing data, understanding of such concepts and themes is improved and knowledge is advanced (Neuman, 2014:477). The goal of qualitative data analysis is to form new concepts or to refine concepts that are grounded in the data (Neuman, 2014:480).

This study makes use of qualitative content analysis. Content analysis is a popular quantitative data analysis tool, but can also prove to be useful in certain qualitative contexts (Babbie *et al.*, 2016:491). Content analysis is generally described as any technique used for interpretation by objectively and systematically determining the specific characteristics of the data (Babbie *et al.*, 2016:492).

Two types of content analysis exist, namely conceptual analysis and relational analysis (Babbie *et al.*, 2016:492). Conceptual analysis focuses on the elements of the data that form broader themes or concepts, while relational analysis is more concerned with the relationship between the elements (Babbie *et al.*, 2016:493). The qualitative content analysis of this study is a conceptual one.

The analysis of this study's roots lies in the transcribed interviews. Open coding was used to construct codes as the data was processed and transcribed by the author. These codes were then revisited and grouped into categories that eventually culminated into the themes presented in chapter 4.

2.7 METHODOLOGICAL RIGOUR

The main scientific characteristics of a good measurement tool are validity and reliability (Cooper & Schindler, 2003:231). Although perfect validity and reliability is not possible, it is something to strive for as it connects measures to constructs (Neuman, 2014:212).

Validity refers to truthfulness and ensures that the study measures what it actually intended to measure (Cooper & Schindler, 2003:231; Neuman, 2014:212). Reliability suggests consistency in as far as the same results were to be derived if the same test is repeated under similar circumstances (Neuman, 2014:212). Both qualitative and quantitative researchers agree on validity and reliability of measurement on a general level, but the way in which they see validity and reliability differs (Neuman, 2014:212).

In qualitative studies, authenticity is more important than a single version of truth in terms of validity. Authenticity implies a fair account of the participants' viewpoints. The emphasis of validity lies in providing an inside view and detailed account of how the participants perceive the subject matter (Neuman, 2014:218). In pursuit of validity, the interviewees were allowed to openly add commentary to any and/or all questions. These interviews were recorded and transcribed to ensure that every detail of the data is captured. In terms of reliability, a standard questionnaire was used in all six semi-structured interviews.

2.8 ETHICS

There is a strong association between ethics and morality, as both are concerned with what is right and what is wrong. Researchers have ethical obligations to their participants, colleagues and society at large (Babbie *et al.*, 2016:526).

In striving for objectivity and integrity, this study was conducted confidentially and adhered to the highest possible technical standards. Furthermore, the limitations of this study are clearly expressed in the conclusion of this study (refer to section 5.6 of chapter 5, page 75).

2.9 SUMMARY

The purpose of this chapter was to identify and present the research methodology chosen to address the set research objectives, as detailed in the first secondary objective set in section 1.5.2 of chapter 1, page 8.

This study was conducted in the interpretive social sciences paradigm that rested on nominalist ontological and epistemological assumptions, and a qualitative approach was followed. It is a formal descriptive study with an *ex post facto* design, as it has not sought to control all the variables at hand.

The research methodology that flowed from the research design encompassed sampling and data collection methods. Non-probability purposive sampling was used to select six agri-business participants. Data was collected through semi-structured interviews by means of a standard questionnaire. Qualitative conceptual content analysis was employed in analysing the data.

The entire research process was conducted with methodological rigour, ensuring validity, reliability and the highest possible ethical standards.

The next chapter will conduct a literature review on CPA and its relevance to South African agriculture.

CHAPTER 3

3 THE THEORETICAL CONSTRUCTS OF CORPORATE POLITICAL ACTIVITY

3.1 INTRODUCTION

The aim of this chapter is to conduct a literature review on CPA and its relevance to South African agri-businesses in pursuit of the second secondary objective (SO_2) set out in paragraph 1.5.2 of chapter 1 (refer to page 8).

Shareholder value has lost its appeal as management's sole concern in recent years, mainly because of the insight that collaboration with a broad range of stakeholders in the economic, social and political arenas are influencing corporate value creation. It is therefore critical to understand how different kinds of stakeholders, such as society and government, impact the firm (Crilly, 2013:1428).

Enterprise strategy is concerned with this relationship between the firm and society and how to engage with stakeholders to ensure business sustainability (Crilly, 2013:1428). Schendel and Hofer (1979:12) described enterprise strategy as the role of the firm in its broader social, legal and political environment. This broader environment is also classified as the non-market environment (Baron, 1995:48; Doh *et al.*, 2012:23).

The field of strategic management encompasses both an inwards-view of its distinctive competencies, as well as an outwards-view of its environment which comprises both market and non-market components. Any approach to strategy formulation should include both of these components (Baron, 1995:47).

The PESTEL framework recognises the government, amongst other role players in the political environment such as interest groups, non-government firms and the public, as a key stakeholder in the non-market environment (BPP Learning Media, 2015:65; Johnson *et al.*, 2014:34). Governments can pose as a threat or as a potential resource to an entity, by influencing the institutional environment through the degree of power they have in a country (BPP Learning Media, 2015:64).

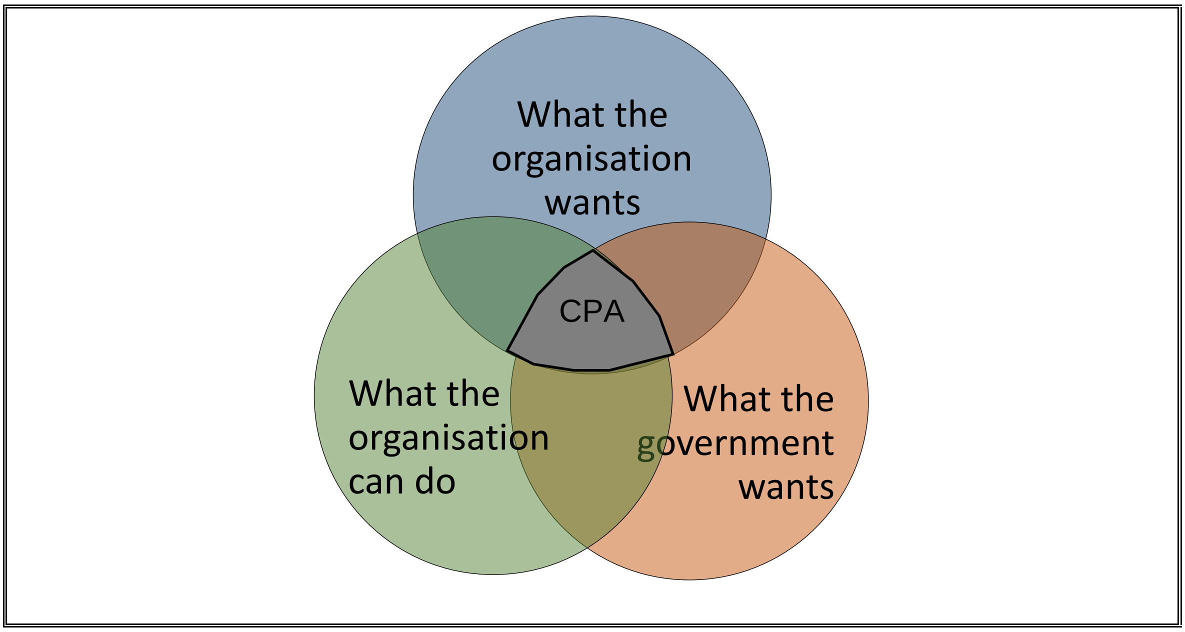
Regulatory uncertainty is defined as the “inability to predict the future state of the regulatory environment” (Hoffmann, Trautmann & Schneider, 2008:714). Where political markets are ideologically motivated and competition between policy suppliers is low, regulatory uncertainty is higher (Kingsley *et al.*, 2012:64). A proper integrated strategy hinges on a thorough analysis of a firm’s exposure to regulatory uncertainty (Kingsley *et al.*, 2012:63).

This chapter reviews the definition of corporate political activity (CPA). It also explores the antecedents to CPA and the types of CPA identified in extant literature. It then briefly considers CPA in terms of competitive advantage, and finds that there is a darker side to CPA as well. In conclusion, the chapter reviews the current climate in which South African agri-businesses operate and lastly justifies the need for integrated enterprise strategy.

3.2 CORPORATE POLITICAL ACTIVITY DEFINED

It appears as if corporate political activity (CPA) manifests in the overlap between what the government wants, what the firm wants, and what the firm can do to achieve it (Caspari & Caspari, 2016:58). This is depicted in Figure 3.1 below.

Figure 3.1: Corporate political activity



Source: (Caspari & Caspari, 2016:58), adapted

CPA's presence in the strategic management area is less than a century old. Early scholarly writing on political science and business dates back to 1959 (Healy, 2014:2). In 1981, Gerald Keim (Keim, 1981:44) recognised that political considerations must form part of long-range corporate planning. The concept of CPA was then defined by Baysinger (1984:249) as corporate engagement in external political activity in an attempt to shape policy in ways favourable to the firm.

Subsequent definitions of CPA are ample, but the just of it is founded on Baysinger's (1984:249) version and culminates in corporate attempts to influence government policy to fit business interests (Hansen & Mitchell, 2000:899; Hillman *et al.*, 2004:838 Hillman & Hitt, 1999:826; Tian & Deng, 2007:341). Healy (2014:1) summarised CPA as behaviour that results from an interplay of drivers and enablers within the market and non-market environment, conditioning the strive of firms for maximum political positioning oriented towards accomplishing commercial objectives.

Taking into account the definition of CPA and the concern of business-stakeholder relationship at the core of enterprise strategy, CPA seems to portray itself as a primary vehicle to achieve firm objectives (Lawton, McGuire & Rajwani, 2013:88).

With specific firm interests as driver, CPA is determined by four categories of antecedents: firm-level; industry-level; issue-level and institutional level (Hillman *et al.*, 2004:838; Tian & Deng, 2007:342), and can be classified according to a specific typology (Hillman *et al.*, 2004:838). Each one of these antecedents will now be discussed.

3.2.1 Antecedents of CPA

Firm level

Factors that play a significant role in the firm-level category of CPA are: i) firm size; ii) dependency on government; iii) firm slack; iv) diversification levels; v) foreign ownership; vi) firm age; vii) formalised firm structures, and viii) managerial influence (Hillman *et al.*, 2004; Tian & Deng, 2007; Weymouth, 2012).

More recently, Mathur and Singh (2011:255-257) classified financial and governance factors that play a role in CPA on firm-level as i) firm size; ii) risk; iii) leverage; iv) firm performance, and v) growth opportunities. Below, the antecedents will be discussed in order of importance as ranked by literature.

- *Firm size*: In their seminal work, Hillman *et al*. (2004:839) referred to firm size as the most prominent of firm-level antecedents in recent work. Regardless of the measure used to determine firm size, it is suggested that larger firms are more politically active (Hillman *et al.*, 2004:839). This could be because larger firms have more capacity and incentive to do so (Mathur & Singh, 2011:255). It has also been justified by the conclusion that the size of the firm increases the likelihood of public attention, mobilisation and policy activity (Hansen & Mitchell, 2000:889). In their study of the determinants of corporate political strategy in Chinese transition, Tian and Deng (2007:348) found that their hypotheses, namely that the larger the assets per capital, the greater the likelihood to engage in political strategy, was significantly supported.

- *Risk*: Mathur and Singh (2011:256) expressed the opinion that risk is the second most reliable indicator of political activity, where lower risk levels (measured by means of share price volatility) predict more political activity.

- *Firm slack*: Firm slack is defined as "the excess capacity maintained by a firm" (Näslund, 1964:26). As stated by Hillman *et al*. (2004:840), slack can be operationalised in several ways and so it appears that the antecedents of leverage, firm performance and growth opportunities identified by Mathur and Singh (2011:256-257) are encompassed by Hillman *et al*.'s (2004:840) antecedent category of "firm slack".

  Hillman *et al*. (2004:840) found two opposite arguments in terms of firm slack: on the one hand, it is argued that firms with high levels of slack can better afford to engage in CPA while, on the other hand, it is argued that firms with very low levels of slack are motivated by desperation to rectify their circumstances by means of CPA. Mathur and Singh's (2011:256) findings concurred with that of Hillman *et al*. (2004:840) in this regard, as they too recognised the two contradicting possibilities. Mathur and Singh (2011:256), however, conducted an empirical study that suggested that political engaged firms have higher leverage. Growth opportunities serve as a proxy for potential to grow, but also refer to the uncertainty that is associated with growth. In both cases, firms with more growth opportunities are more likely to engage in CPA (Mathur & Singh, 2011:257).

- *Dependency on government:* In relation to dependency on government, firms that receive large portions of their revenue from government, and/or face stringent levels of regulatory uncertainty, are more motivated to manage their dependency by means of CPA (Hillman *et al.*, 2004:840).

- *Diversification levels*: High firm diversification levels lead to a higher likeliness to adopt on-going relational approaches to CPA.

- *Foreign ownership:* Foreign firms are less likely to participate in CPA than their local counterparts (Hansen & Mitchell, 2001:16).

- *Firm age*: Firm age, serving as a proxy for several constructs such as experience and credibility, have been linked to the success and choice of CPA.

- *Formalised firm structures*: Formalised structures such as government/public affairs units facilitate CPA participation and mediate the effect of some of the previously mentioned antecedents on the exercise of CPA (Hillman *et al.*, 2004:841).

- *Managerial influence*: According to Hillman *et al*. (2004:841), the last firm-level antecedent, managerial influence, has a behavioural influence. The political orientation of top managers is said to influence CPA. It is very important to recognise the role of agency theory when the effect of managerial factors in relation to non-market strategy is considered in terms of firm performance (Mellahi *et al.*, 2016:160).

Industry level

Industry variables in terms of industry regulation, relative market share, co-operation levels and industry's firm quantities are linked to CPA on industry-level (Mathur & Singh, 2011:257; Tian & Deng, 2007:353).

Issue level

At this level, CPA is motivated by specific issues. Hillman and Hitt (1999:899) asserted that the degree to which a firm is affected by government policy influences the firm's approach to CPA as part of CPS. Hillman *et al*. (2004:842) reported that a number of scholars concurred that the importance of a specific issue to a firm, based on its characteristics, is a key antecedent of CPA.

Hillman *et al*. (2004:842) further determined issue competition as another factor preceding CPA on the Issue-level.

Institutional level

Institutional level antecedents influence CPA in terms of institutional differences (Doh *et al.*, 2012:22; Hillman *et al.*, 2004:843) and class unit theory (Hillman *et al.*, 2004:842). Weymouth (2012:2) argued that the institutional environment incentivises policy makers to respond to business interests. Lawton *et al*. (2013:91) expressed the opinion that the institutional approach to CPA demonstrates the extent to which firms' political activities emerge from local cultures, laws and history. Non-market strategy matches the institutional situation with a set of possible non-market actions, such as coalition building, lobbying, campaign contributions, etc. (Doh *et al.*, 2012:23).

In respect of class unit theory, it is found that firms with larger networks with government are more likely to partake in CPA (Hillman *et al.*, 2004:844). Where weak institutional environments exist, informal networks and other forms of relationships form CPA (Lawton *et al.*, 2013:92).

3.3 TYPES OF CPA

Different types of CPA are also discernible. Types of CPA are classified as either pro-active or re-active. Within this classification, three dimensions exist: approach, participation level and strategy types (Hillman *et al.*, 2004:838; Hillman & Hitt, 1999:828).

Pro-active CPA implies policy shaping by means of pro-active behaviour to achieve specific political objectives (Hillman & Hitt, 1999:828), also known as “buffering” (Hillman *et al.*, 2004:844). Buffering involves trying to shield internal operations from the environment, whilst trying to influence the environment (Mellahi *et al.*, 2016:150; Hillman & Hitt, 1999:823). Buffering activities include lobbying and campaign contributions (Hillman *et al.*, 2004:844), and more recently formal and informal networks, including board memberships by politicians and executives joining politics (Mathur & Singh, 2011:260). CPA is often pursued from a buffering point of view (Mellahi *et al.*, 2016:155).

Re-active CPA, on the other hand, implies no direct participation in the public policy process (Hillman & Hitt, 1999:827). This is also termed as “bridging activities” (Hillman *et al.*, 2004:844). Bridging activities change internal operations to adapt to changing external circumstances (Meznar & Nigh, 1995:976). Bridging is based on the assumption that adaptation will lead to legitimisation and ultimately increased firm performance (Mellahi *et al*., 2016:153).

3.3.1 Approach to CPA

The approach to CPA is either transactional or relational. Relational approaches focus on long-term relationship building with the aim of future policy influence by means of such relationships, as and when the need arises. Transactional approaches build strategy on an ad hoc basis after the development of a public policy (Hillman & Hitt, 1999:828).

3.3.2 Participation level

Deciding whether to act alone or collectively in pursuit of policy process influence, is a decision to be made in terms of the participation level of CPA (Hillman & Hitt, 1999:830).

A competitor in the market environment can prove to be an ally in the non-market environment, based on shared industry-wide issues; hence such firms would form ad hoc coalitions or join the same representative associations. This increases their voice and reduces the costs (Baron, 1995:61).

In deciding which participation level is most desirable, consideration should be given to occurrence of “free riding”. “Free riding” occurs when small politically inactive firms align with bigger politically active firms that support their policy preferences. By doing so, they are able to take advantage of the benefits of CPA conducted by the larger firms without incurring any costs (Brown & De Leon, 2015:1).

3.3.3 Strategy Types

Hillman and Hitt’s (1999:834) original classification referred to i) information strategy; ii) financial incentive strategy, and iii) constituency building strategy. The *information* strategy is aimed at the specific political decision-maker and provides him with information in respect of the firm’s policy preferences (Hillman & Hitt, 1999:834). The *financial incentive* strategy also aims directly at the political decision-maker by aligning the incentives of the decision-maker to the preferences of the firm through financial inducements (Hillman & Hitt, 1999:834). In contrast to the first two strategy types, the *constituency building* strategy has an indirect aim - gaining the support of the voters - who in turn influence the decision-maker with their preferences (Hillman & Hitt, 1999:834). This taxonomy of political strategies is presented in the table below:

Table 3.1: Taxonomy of Political Strategies

Strategy	Tactics	Characteristics
Information Strategy	Lobbying	Targets political decision-makers by providing information
	Commissioning research projects and reporting research results	
	Testifying as expert witness	
	Supplying position papers or technical reports	
Financial Incentive Strategy	Contributions to politicians or party.	Targets political decision-makers by providing financial incentives
	Honoraria for speaking	
	Paid travel etc.	
	Personal service (hiring people with political experience or having a firm member run for office)	
Constituency building strategy	Grassroots mobilisation of employees, suppliers, customers etc.	Targets political decision-makers indirectly through constituent support
	Advocacy advertising	
	Public relations	
	Press conferences	
	Political education programs	

Source: (Hillman & Hitt, 1999:835)

The above taxonomy of strategy types are challenged by, amongst others, Schuler, Rehbein and Cramer (2002:668), who were of the opinion that information and financial incentive strategies are regularly combined and should therefore form part of an overall “access” strategy. Hillman *et al*. (2004:845) concluded that their typology of strategy types might be insufficient.

Engau and Hoffman (2011a:42) identified two main factors that warrant specific consideration in deciding on a strategy: i) the perceived level of regulatory uncertainty, and ii) the firm’s exposure to future regulation. They found that higher levels of uncertainty lead to a broader range of strategies and the greater a firm's exposure to regulatory uncertainty, the higher the participation levels (Engau & Hoffmann, 2011a:42). They identified thirteen responses to regulatory uncertainty from extant literature, namely i) investigation; ii) influencing; iii) flexibility; iv) co-operation; v) substitution; vi) stabilizing; vii) imitation; viii) simplification; ix) internal design; x) withdrawal; xi) integration; xii) postponement, and xiii) no-regret moves (Engau & Hoffmann, 2011a:45).

In Engau and Hoffman's (2011b:55-56) subsequent work, four possible strategies were identified in responding to regulatory uncertainty: avoidance strategy; reduction strategy; adaptation strategy, or disregard strategy. *Avoidance* strategy attempts to create a situation where exposure to regulatory uncertainty is prevented entirely. A *reduction* strategy directly targets the regulatory uncertainty and seeks to decrease it. An *adaptation* strategy follows a more indirect approach as it prefers to change the firm's internal structures to better cope with regulatory uncertainty. Another option is to ignore regulatory uncertainty exposure when decisions are made, culminating into the *disregard* strategy.

The combination of the responses identified initially, with the strategy types identified subsequently, is depicted in table 3.2 below.

Table 3.2: Strategies to cope with uncertainty

Strategy	Activity	Description
Avoid	Postponement	Defer decisions and wait for more certainty
	Stabilisation	Increase predictability through implementation of standard procedures or establishment of long-term contracts
	Withdrawal	Exit business in uncertain markets and focus on predictable environments
Reduce	Investigation	Collect additional information; draw on professional expertise to be applied in decision-making process
	Simplification	Reduce number of uncertain factors considered in decision-making process
	Influencing	Manipulate determining circumstances or actors that constitute uncertainty
Adapt	Internal design	Change firm design by establishing modular structures, low degree of formalisation, or decentralisation
	Integration	Restructure business portfolio through mergers and acquisitions
	Co-operation	Collaborate with suppliers, customers, or competitors in research or production; engage in trade associations
	Flexibility	Enlarge range of strategic options, e.g. through diversification
	Imitation	Examine and copy strategy of successful competitors
Disregard	Substitution	Replace uncertain decision criteria with assumptions derived from comprehensive consideration or detailed analysis
	No-regret moves	Execute activities associated with uncertainty that are advantageous regardless of how uncertainty resolves
	Business as usual*	Pretend that uncertainty does not affect decisions

* Not included in their empirical analysis

Source: (Engau & Hoffmann, 2011a & b; Moodley, 2013:31)

It was found that firms generally pursue a combination of all four strategies, but to differing extents (Engau & Hoffmann, 2011b:70).

3.4 CPA IN PURSUIT OF COMPETITIVE ADVANTAGE

In considering why firms engage in CPA, the antecedents - mentioned earlier in this chapter (refer to section 3.2.1, page 255) - describe the pre-existing conditions for CPA, but elude a specific answer as to why CPA is pursued. A possible answer lies in the recognition of the need for an exchange of sorts. Firms believe that they have to provide something of value in order to receive something of value (in this case, favourable policy outcomes) (Getz, 2002:318).

The three strategy types mentioned above (refer to table 3.1, page 31), i.e. information strategy, financial incentive strategy and constituency building strategy, are based on the exchange of the fundamental resources in the CPA landscape, namely information, financial incentives and votes (Hillman & Hitt, 1999:833).

Information is considered a critical resource for political decision-makers, as it could prove challenging for such decision-makers to know the preferences of their principals in various issues (Hillman & Hitt, 1999:833). Direct incentives, distinguished as either direct personal incentives such as constituent support, or financial inducements such as campaign financing, are listed as the other primary incentive that will cause policy decision-makers to supply the desired policies (Hillman & Hitt, 1999:833).

These exchangeable goods (information, financial inducements and votes) appear to correlate with the characteristics of non-market resources as mentioned by Nicolas Dahan (2005:14). Dahan (2005:14) characterised non-market resources as having:

- firm attributes, for example a permanent regulatory person (correlating with information);
- public image qualities, described as the perception of stakeholders (correlating with voters);
- reputation resources in terms of individual and firm responsibility (also correlating with voters); and
- financial commitment, whether direct or indirect (correlating with financial incentives).

Resources are the assets of a firm, while competencies are the manner in which such assets are being applied effectively. Resources and competencies are the components of strategic capability and contribute to competitive advantage (Johnson *et al.*, 2014:70). Doh *et al.* (2012:30-31) argued that non-market strategy can be viewed from the perspective of capabilities literature, and that differing non-market capabilities can contribute to the success or failure of non-market strategy in a manner similar to that of market strategy. This resource- and capabilities-view strengthens the understanding of the mix of non-market resources needed to create political advantage in terms of non-market strategy (Doh *et al.*, 2012:30-31).

Another view with regard to acquiring or retaining competitive advantage, also mentioned by Doh *et al.* (2012:31), is the network perspective. Doh *et al.* (2012:31) defined non-market capital as the ability of firms to influence political landscapes by means of reputation, relationships, expertise and finance, and confidently exerting that non-market capital enables greater effectiveness in the political process - which may ultimately lead to improved financial performance (Doh *et al.*, 2012:32). Sun, Mellahi and Wright (2012:71) concurred that corporate political ties generate substantial strategic value for firms.

In China, private firms with politically connected managers performed better than their counterparts and were able to obtain tax benefits for their firms (Wu, Wu, Zhou & Wu, 2012:298). Additionally, political connectedness has a positive effect on the degree of trade expansion in China (Lu, 2011:248). Boubakri, Cosset and Saffar (2012:420) found that politically connected firms in 23 different countries showed an increase in firm performance, financial leverage and the use of long-term debt and liquidity ratio's after establishment of the connection.

3.4.1 The darker side of CPA

According to Liedong (2013:63), political activism seems to have specific value. Yet, evidence to the contrary can also be found. In the USA it was found that an increase in corporate contributions resulted in a decrease in returns (Aggarwal, Meschke & Wang, 2012:36) and had a negative impact on market value (Hadani & Schuler, 2013:176). In Malaysia, politically connected firms are perceived by lenders as more risky and are therefore charged higher interest rates (Bliss & Gul, 2012:1527).

According to more recent literature, evidence of a negative correlation between CPA and firm performance seems to increase. In a systematic review of CPA and firm performance, Liedong's (2013:86-123) review of 56 studies - conducted between 1988 and 2013 - found that 12.5% of these studies provided evidence of a negative relationship between CPA and firm performance. Seventy percent of these studies were done between 2011 and 2013. Accordingly, in a similar project undertaken by Mellahi *et al*. (2016:147), more than half of the empirical papers (10 out of 18) reviewed between 2010 and 2014 did not find a positive relationship between CPA and performance (Mellahi *et al.*, 2016:147).

Society might perceive CPA to be negative in the instances where business-government relations are believed to be unethical (Liedong *et al.*, 2015:421). This particularly applies to emerging markets where high levels of corruption in business-government relations are perceived (Doh *et al.*, 2012:23).

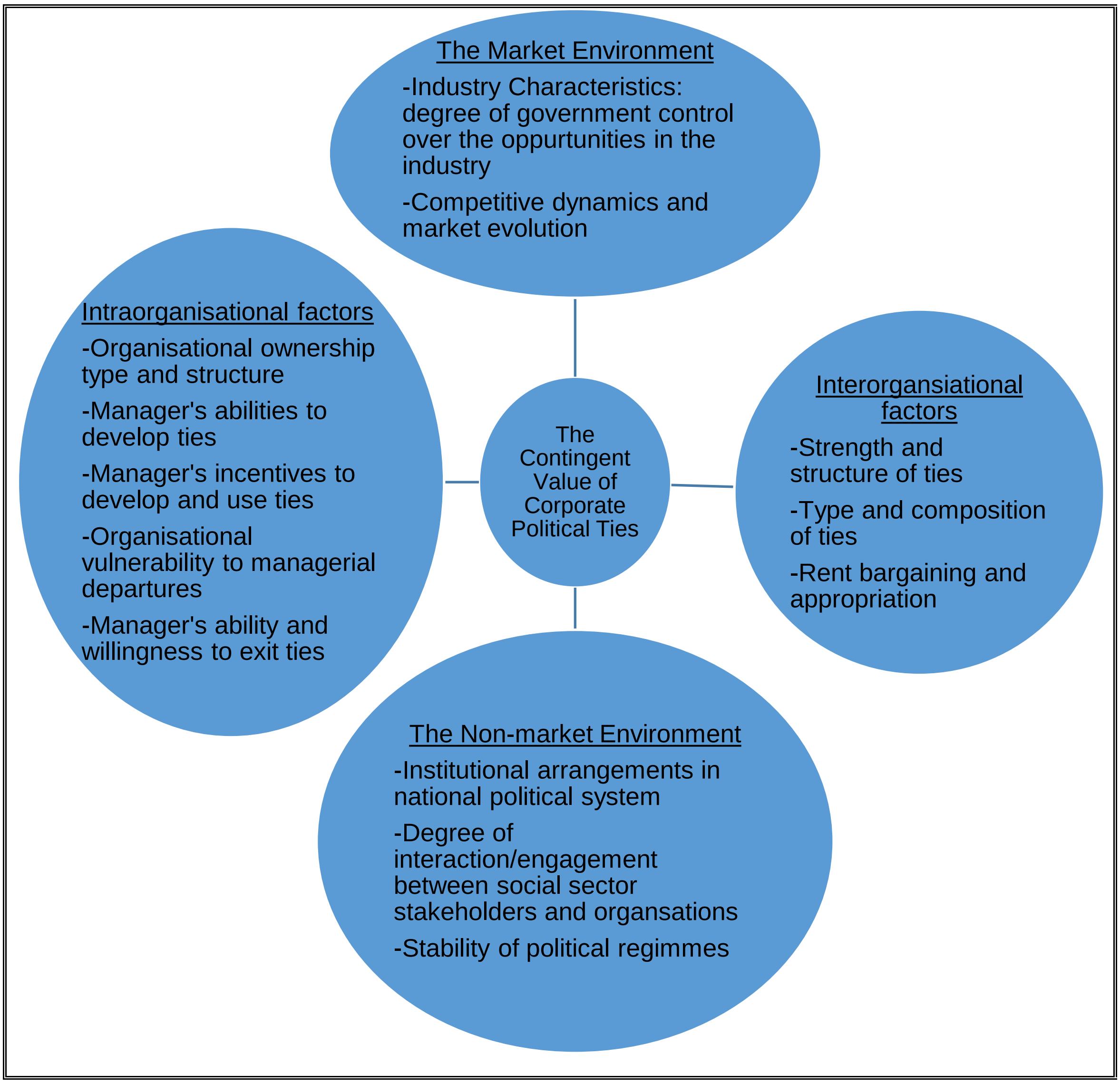
The difference between legitimate participation in democratic decision-making and opportunistic pursuit of self-interest has become confusing in recent years. This strongly suggests that unethical CPA could tarnish the reputation of a firm (Den Hond, Rehbein, De Bakker & Kooijmans-van Lankveld, 2014:796).

Liedong *et al*. (2015:420) argued that CPA alone does create access to policy decision-makers, but only insignificant influence on the actual decisions made. Liedong *et al*. (2015:420), however, highlighted the complementarity of CPA and corporate social responsibility in influencing important policies, as this combination creates trust.

From the above proof found in the extant literature, it follows that evidence of the relationship between CPA and firm performance is mixed (Liedong, 2013:1; Mellahi *et al.*, 2016:163; Sun *et al.*, 2012:68). Sun *et al*. (2012:71) argued that the very same political ties, that had once proved to be of value, could suddenly turn into significant liabilities.

The choice and effectiveness of CPA can be explained by firm-level diversity and the institutional environment in which an entity operates (Weymouth, 2012:2). The contingent value of political ties is influenced by the market environment, the non-market environment, inter-organisational factors, as well as intra-organisational factors (Sun *et al.*, 2012:72). Sun *et al*. (2012:72) compiled an integrative framework (see figure 3.2 below) to analyse the value of political ties.

Figure 3.2: An integrative framework analysing the contingent value of corporate political ties



Source: (Sun *et al.*, 2012:72)

Different mediators influence the relationship between non-market strategy and firm performance. The manner in which firms go about in terms of institutional contradictions and non-market stakeholder heterogeneity, remains a mystery with very little empirical evidence to arrive at a single conclusion (Mellahi *et al.*, 2016:163). The South African institutional environment is no exception to the rule in terms of its heterogeneity. Section 3.5 will explore the characteristics that are unique to the South African environment.

3.5 THE SOUTH AFRICAN ENVIRONMENT

The South African agricultural landscape is unique in the sense that it is faced not only with the challenge of globalisation of the trading environment, but also with a very dynamic political environment (Ortmann, 2005:287). Government exerts influence over the sector in terms of Agri-BEE issues, restrictive labour policies and minimum wages and land redistribution (Ortmann, 2005:310).

Improvement to this situation seems absent. Though the sector faced the worst drought in two decades, Biyase and Speckman (2016) reported doubtful relief/assistance provided by the government to commercial farmers. Commercial farmers are still under pressure because of land restitution related issues, safety and security issues, increasing input costs and general uncertainty in terms of government policy (Biyase & Speckman, 2016). While farmers are currently still investing in their operations, uncertainty over land reform policy is discouraging (Mokhena & Van Vuuren, 2016).

Dr John Purchase, Chief Executive Officer (CEO) of the Agricultural Business Chamber (Agbiz), added that the bleak social and political environment in which agri-businesses find themselves, is worsened by the severe countrywide drought experienced in 2016 (cited by Biyase & Speckman, 2016). The Western Cape is experiencing its worst drought since 1904 (Dentlinger, 2017). Although the larger part of South Africa has been declared disaster area, following the severe droughts of 2015/16, the funds allocated to drought relief have decreased from 2015 to 2016 (Falanga, 2016).

The current South African political arena is dominated by the African National Congress (ANC), whose ideal in terms of land is that “it shall be shared amongst those who work it” (African National Congress, 2016). The dominating presence of the ANC has been evidenced by the most recent national election results of 2014. The ANC won that election with a resounding 62% (Electoral Commission, 2016). Although the subsequent local elections held in 2016 indicated a shift in political power, the ANC remained the clear majority party, earning 53.9% of the votes nationally with only two opposition parties: the Democratic Alliance (DA) that earned 26.9% of the votes in 2016 and the Economic Freedom Fighters (EFF) that accumulated 8.2% of the votes on national level in the same year (Electoral Commission, 2016).

There is no legislation governing private donations to political parties in South Africa (February, 2017). February (2017) argued that this creates ample opportunity to buy influence and to engage in corruption, begging the question: can we be certain that policy decisions are made in the best interest of the country, rather than in the narrow interests of the ruling party and in the absence of regulation of private political donations?

Further influencing the stance of the institutional environment is the moderate to high perceived level of corruption in South Africa. South Africa obtained a bleak corruption perception ranking of number 64 out of 176 countries in 2016 (Transparency International, 2017).

3.6 JUSTIFICATION OF THE STUDY

Scholars and management stand to benefit from strategy research that attempts to explain why firms behave like they do in relation to their stakeholders (Crilly, 2013:1443). Established knowledge exists for business and corporate strategy, but enterprise strategy does not share in it (Crilly, 2013:1428). Empirical studies in terms of CPA research is lacking (Mellahi *et al.*, 2016:157) and Africa is specifically referred to as a "virgin region" in terms of CPA research (Liedong, 2013:57).

The circumstances of agri-businesses in the current political environment warrant the government as a key stakeholder and strengthens the value that could be added by CPA research in terms of integrated enterprise strategy research.

The purpose of this study is to take the first step in this widely undiscovered area by identifying the CPA conducted by selected South African agri-businesses at the moment.

3.7 SUMMARY

The aim of this chapter was to address the second secondary objective of conducting a literature review on CPA and its relevance to South African agriculture.

The literature review defined CPA as corporate attempts to influence government policy to fit business interests, and provided various antecedents to CPA on firm-, industry-, issue- and institutional level.

It was derived from the literature review that a combination of CPA strategy types can be applied: pro-actively or re-actively, either alone or collectively. The literature attempts to explain the reason for participating in CPA at the back of the pursuit to competitive advantage, yet conclusive evidence in this regard remains lacking. This can be ascribed to the very present darker side to CPA.

Finally, a brief review of the agricultural climate in South Africa presented evidence of significant political influence on the sector, amidst strong regulatory uncertainty, which justifies the potential value of this study.

Chapter 4 will address the third secondary objective by identifying the corporate political activities and/or strategies applied by Selected South African agri-businesses by means of an empirical study.

CHAPTER 4

4 EMPIRICAL RESEARCH FINDINGS

4.1 INTRODUCTION

As set out in chapter 1, the main research objective of this study is to identify and describe the corporate political activities adopted by selected South African agri-businesses in terms of integrated enterprise strategy, especially during times of uncertainty. The purpose of this chapter is to pursue the third secondary objective as set out in section 1.5.2 of chapter 1 (refer to page 8), identifying the corporate political activities applied by selected South African agri-businesses by means of an empirical study, in support of the main objective of the study.

In order to address the main and secondary objectives, a standard questionnaire was discussed with six participants during face-to-face, semi-structured interviews. The questionnaire consisted of four sections, namely i) general information; ii) regulatory uncertainty; iii) responses to regulatory uncertainty, and iv) strategy. The first general information section required information in terms of the interviewee's position in the company as well as the firm size, which would enhance the interviewer's perceived context of operations of the participants. The section on regulatory uncertainty aimed at identifying the level of the participants' uncertainty in terms of the regulatory environment, while the next section on the responses to regulatory uncertainty served to identify the activities and response strategies - as identified in Engau and Hoffmann's work (2011:57) - that the participants engage in to answer regulatory uncertainty. The last section on strategy had the purpose of identifying the types of CPA, as identified by Hillman *et al*. (2004:838) that the participants engage in. Refer to Appendix 1 (page 84) for the full questionnaire.

The questionnaire was compiled from and supported by the literature review. The overall findings of this study were compiled by referring to the transcriptions of the recorded scheduled interviews, which were in turn supported by the literature review as per chapter 3. The findings of the study will be discussed in accordance with the findings of each section of the questionnaire.

4.2 GENERAL INFORMATION

This section covers the findings of section 1 of the questionnaire, focusing primarily on general information of the participants. Four of the six participants are agri-businesses, while the remaining two are non-profit agricultural associations that represent a variety of agricultural sector participants and who, amongst other things, strive to ensure the sustainability of the agricultural sector. Therefore, when referring to “participants” in this study, both the agri-businesses and the associations are included. Otherwise, specific reference will be made to either the agri-business (as agri-businesses participants), or the associations (as representative participants), that took part in the study.

4.3 REGULATORY UNCERTAINTY

Section 2 of the questionnaire was aimed at determining the level of the participant’s uncertainty in terms of the regulatory environment. Regulatory uncertainty was broken down into four aspects, namely i) the general direction of agricultural regulation/legislation; ii) the operationalisation (rules, designs and measures) of further agricultural regulation/legislation; iii) the implementation process of further agricultural regulation/legislation, and iv) the interaction of new and existing regulation/legislation. The degree of certainty was expressed through a Lickert scale. The participants were also afforded the opportunity to openly comment on regulatory uncertainty. Refer to table 4.1 below for an extract of the questionnaire (refer to appendix 1, page 84) with the questions contained in this section.

Table 4.1: Extract 1 from questionnaire

What is the level of certainty in your company about current and possible future legislation of the agricultural sector and the impact it will have on your business?					
Please rate the following statements about agricultural regulation/legislation in South Africa:					
	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
I am certain about the general direction of agricultural regulation/legislation					
I am clear about the operationalisation (rules, designs and measures) of further agricultural regulation/legislation					
I am sure about the implementation process of further agricultural regulation/legislation					
I am clear about how new and existing regulations/legislation will interact with each other					
Are there any other comments you wish to make regarding regulatory uncertainty?					

Source: (Moodley, 2014:93)

It appears as though the participants are more uncertain about the general direction and implementation processes of agricultural legislation/regulation than about the operationalisation of and interaction between new and existing agricultural legislation. One of the participants said:

> *"I am a 100% up to speed with what policies are currently in the pipeline. What I am not sure about, is what direction Government will be taking, because it's a constantly changing environment."*

The majority of the participants (four out of the six) took the same stance, indicating that they are not certain about the general direction and implementation processes of agricultural legislation/regulation, while half of the participants agreed that they are clear on the operationalisation of and interaction between new and existing agricultural legislation/regulation.

All of the participants noted at least a fair amount of regulatory uncertainty in terms of agricultural legislation/regulation and five of the six participants specifically mentioned the uncertainty in terms of land reform and property rights. Two participants described the level of uncertainty as "*quite a lot*" and "*a great deal of uncertainty*".

A distinction between the responses of the representative participants on the one hand and the other participants on the other hand was noticeable. The representative participants, although agreeing to the level of uncertainty for their members, were more confident in terms of their awareness of the regulatory landscape and developments therein, as explained by one of the representative participants:

> *"…as representatives of our members, we are in a good space. Government creates consultation. The members in their operations are in a different space."*

Three participants attributed part of the regulatory uncertainty to policy complexity. Each of them noted a different driver of such policy complexity, namely i) the lack of a coherent agricultural policy, enforced by the variety of role players impacting the agricultural sector and perceived factionalism in government; ii) a constantly changing policy environment, and iii) the inability to align commercial farming interests with political ideals.

All of the participants voiced concern about the impact that the regulatory uncertainty could have on the economy of the sector. Half of the participants eluded to decreased investment and even disinvestment of the sector because of the level of regulatory uncertainty. One of the agri-business participants clarified:

> *"So the question really is, how will this regulatory environment change, given the political prospects and also given the economic uncertainty behind it? Because, eventually what we will see is disinvestment in terms of our commercial farmers…and with whom are you going to replace them? And that's going to make a big business like this totally inefficient. So we don't know where we're heading, but it's scary."*

Notwithstanding, two participants mentioned that Government does create consultation opportunities for new legislation/regulation. One participant was fairly confident that the South African constitution presents fair protection in terms of the rule of law and governs the way in which the legislative process should take place. The thorough legislative process that needs to be followed prevents sudden and drastic unforeseen changes in the regulatory environment.

4.4 RESPONSES TO REGULATORY UNCERTAINTY

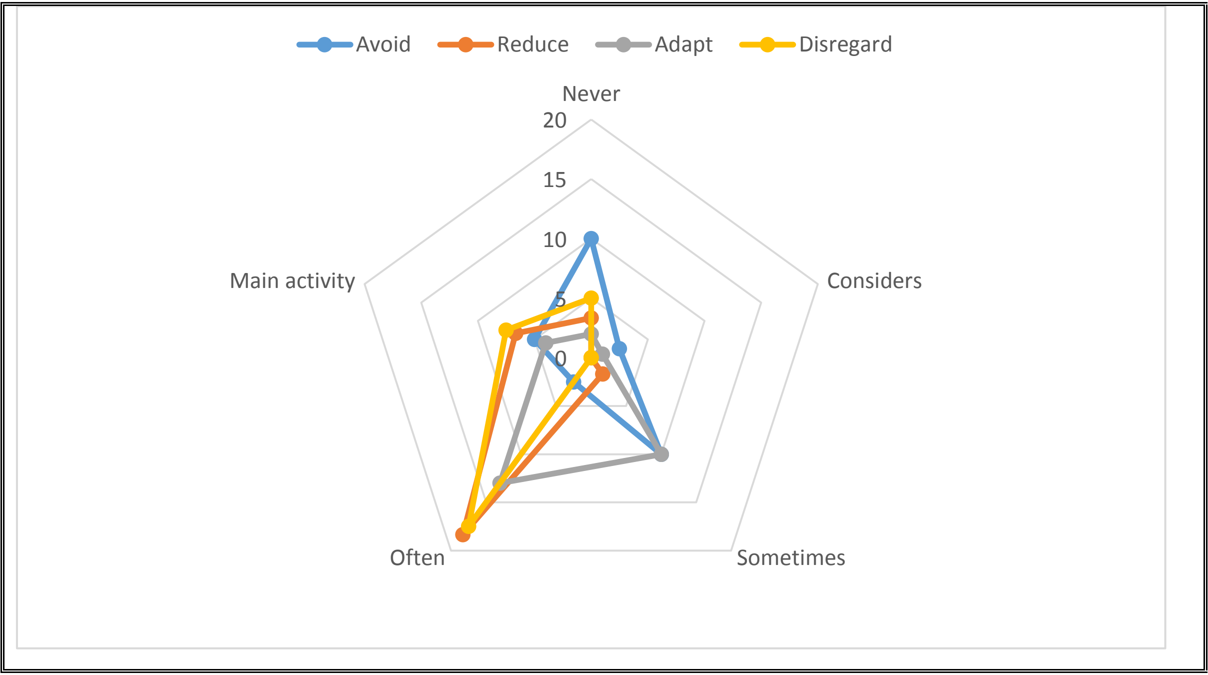
The purpose of this part of the questionnaire was to identify the participants' responses to regulatory uncertainty in terms of the four possible strategies identified by Engau and Hoffmann (2011:55-56): avoidance strategy; reduction strategy; adaptation strategy; or disregard strategy (refer to table 3.2 on page 33 of chapter 3).

To determine the participants' pursued strategies mentioned above, participants were requested to indicate the extent to which they participate in the activities identified by Engau and Hoffman (2011:45), namely: i) investigation; ii) influencing; iii) flexibility; iv) co-operation; v) substitution; vi) stabilizing; vii) imitation; viii) simplification; ix) internal design; x) withdrawal; xi) integration; xii) postponement, and xiii) no-regret - by means of a Lickert scale (refer to table 3.2 on page 33 of Chapter 3). The mapping of the questions to the identified activities is available in appendix 2 (refer to page 91). An extract of the questions contained in the questionnaire will be provided under the discussion of each type of strategy below.

As noted in chapter 3 (page 33), Engau and Hoffman (2011:70) found that firms pursue a combination of strategies in response to regulatory uncertainty, but to differing extents. It appears as though the participants that took part in this study follow suit. All of the participants followed a combination of response strategies, but - in accordance with Engau and Hoffman's (2011:70) finding - to differing extents.

Due to the fact that the thirteen activities identified by Engau and Hoffman (2011:45, 55-56) are not equally paired with the four response strategies identified by the same authors, the number of questions in respect of each strategy differs. To prevent this from inappropriately influencing the results, the answers were weighed to ensure a comparable graphical representation. See figure 4.1 below for these findings.

Figure 4.1 Response to regulatory uncertainty strategies



Source: Author

From the above graph it is evident that reduction and disregard strategies are employed to a greater extent than adaption strategies. Avoidance strategies are the least employed by the participants. The results in terms of each of these strategies will be elaborated on below.

4.4.1 Avoidance strategies

Refer to table 4.2 below for an extract of the questionnaire with the questions relating to the activities employed in an avoidance strategy.

Table 4.2: Extract 2 from questionnaire

In dealing with uncertainty related to regulation of the agricultural sector, please rate the extent to which your company currently pursues the following activities:

	The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
We postpone our strategic decisions until we have more certainty					
We create predictability e.g. by negotiating contracts or long-term rules with other companies or the government					

Source: (Moodley, 2014:93)

The avoidance strategy (refer to chapter 3, page 32) is the least employed strategy of the four strategies. It is supported by activities of postponement, stabilisation and withdrawal. Withdrawal implies exiting business in uncertain environments and focusing on more predictable environments (Moodley, 2013:31). As this study focuses on the agricultural environment holistically, the question relating to withdrawal was omitted from the questionnaire. Withdrawal does not seem feasible for the agri-businesses that took part in the study as it would imply abandonment of operations.
The only participant that indicated that postponement was one of their main activities was a representative participant. Two of the remaining participants would sometimes postpone strategic decision until they have more certainty. One participant would consider postponement, and the last two participants indicated that they do not engage in postponement activities. One of the participants remarked that postponement would, in most cases, lead to missed business opportunities.

In terms of creating predictability as part of stabilisation, two participants do not engage in such activities, two participants sometimes engage in such activities and one participant often engages in such activities and considers it one of their main activities.

> *"Unpredictability is probably the biggest enemy of business…because business can make plans when they know what the environment is, but when you have surprise changes that is probably the most negative impact you can have on business."*

One of the participants noted that it is "*impossible*" to create predictability. Two other participants shared this view, bringing the total to three - which constitutes half of the participants.

The biggest variation between responses from the participants was regarding the extent to which the participants engage in the different activities of this strategy type. Based on the above findings, it appears as though an avoidance strategy might not be conducive to an optimal business environment. This is supported by the fact that risk is an unavoidable part of business and can, by implication, only be avoided if operations are abandoned (Kaplan Publishing, 2014:537).

4.4.2 Reduction strategies

Refer to table 4.3 below for an extract of the questionnaire with the questions relating to the activities employed in a reduction strategy:

Table 4.3: Extract 3 from questionnaire

In dealing with uncertainty related to regulation of the agricultural sector, please rate the extent to which your company currently pursues the following activities:

	The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
We systematically search for additional information					
We engage in the policy making process to contribute to the decision-making					
We select specific issues in our business environment to focus on in order to simplify decision making					

Source: (Moodley, 2014:93)

The reduction strategy (refer to chapter 3, page 32) is one of the strategies that are employed by the participants to the greatest extent. This strategy is supported by investigation, influencing and simplification.

With the exception of one participant who sometimes chooses to influence the regulatory environment by means of engagement in the policy-making process, all of the other participants either employ a reduction strategy by means of often investigating and influencing policy and policy decision-makers (four participants in terms of investigation and three participants in terms of influencing), or regard it as their main activity (two participants in terms of investigation and influencing).

It is interesting to note that the participant who indicated that they only sometimes engage in the policy-making process, specifically made note of their affiliation with representative bodies who engage on their behalf. This perceived dependence on representative bodies seems to be appropriate, as both the representative participants regard investigation and influencing as one of their main activities.

The majority of the participants (four) also indicated that, in order to simplify decision-making, they select specific issues in their business environment to focus on. The remaining two participants do not engage in simplification in terms of the reduction strategy.

It can therefore be concluded that investigation and influencing are the main activities that facilitate the reduction strategy, yet simplification is also conducted by the majority of participants.

4.4.3 Adaptation strategies

Refer to table 4.4 below for an extract of the questionnaire with the questions relating to the activities employed in an adaptation strategy.

Table 4.4: Extract 4 from questionnaire

In dealing with uncertainty related to regulation of the agricultural sector, please rate the extent to which your company currently pursues the following activities					
	The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
We re-arrange our operations to be less exposed to regulatory uncertainty					
We change our organisational structure to better deal with the uncertainty (e.g. by increasing decentralisation or lowering the degree of formalisation)					
We prepare for more than one potential outcome of the policy-making process					
We join forces with others (e.g. suppliers, customers or competitors)					
We observe the activities of other companies and follow them if appropriate					

Source: (Moodley, 2014:93)

The adaptation strategy (refer to chapter 3, page 32) is supported by internal design, integration, flexibility, co-operation and imitation activities. Only one participant does not engage in re-arranging the company's operations to be less exposed to regulatory uncertainty. This is a representative participant who stated that, in spite of the fact that his organisation does not engage in this activity, its members consider this as a big issue. Of the remaining participants, two sometimes engage in this activity and three often engage in this activity. Therefore, half of the participants often re-arrange their operations to be less exposed to regulatory uncertainty. This refers to the internal design activity.

Half of the participants sometimes engage in changing their organisational structure to better deal with regulatory uncertainty in terms of integration. One participant often engages in this activity, one participant considers it one of their main activities and one participant does not engage in changing the company's organisational structure to better deal with regulatory uncertainty at all. This is not the same participant that does not engage in the internal design activity mentioned above. The participant that does not engage in the integration activity is from the largest participating company in terms of firm size, and consideration should thus be given to the fact that complexity - in terms of restructuring - probably increases as firm size increases.

The majority of the participants (five) are flexible in that they prepare for more than one outcome, although to differing extents. Two participants sometimes prepare for more than one outcome, two participants often prepare for more than one outcome, and one participant regards it as one of their main activities. The remaining participant still considers preparing for more than one potential outcome of the policy-making process.

Co-operation is the uncontested most popular activity in terms of the adaptation strategy. Five participants often join forces with others. The remaining participant considers it one of their main activities.

Imitation is the second most popular activity, as all of the participants engage in this activity to some extent. Half of the participants sometimes observe the activities of other companies and follow them, if appropriate. Two participants often engage in this activity, and one participant considers it as one of their main activities. It is interesting to note that the participant that considers it as one of their main activities, is from the smallest of the participating companies in terms of firm size.

4.4.4 Disregard strategies

Refer to table 4.5 below for an extract of the questionnaire with the questions relating to the activities employed in a disregard strategy.

Table 4.5: Extract 5 from questionnaire

In dealing with uncertainty related to regulation of the agricultural sector, please rate the extent to which your company currently pursues the following activities					
	The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
We agree on the regulation scenario we consider most likely and focus on preparing for this scenario					
We only make investments which have a guaranteed positive return regardless of the outcome of possible future regulation					

Source: (Moodley, 2014:93)

This response strategy (refer to chapter 3, page 32) is also one of the most employed strategies in terms of regulatory uncertainty. It consists of no-regret moves and substitution.

In terms of no regret moves, two participants often engage in this activity and two participants regard it as one of their main activities. The two participants that do not engage in this activity are the representative participants who do not operate with a profit motive. It is clear that all of the participants only make investments which have a guaranteed positive return, regardless of the outcome of possible future regulation.

The disregard strategy is also driven hard by substitution, as five of the six participants often agree on the most likely regulation scenario and then focus on preparing accordingly. The other participant considers it as one of their main activities.

Apart from the fact that the disregard strategy is one of the most employed strategies, it is also the strategy with the biggest alignment in terms of the extent to which the participants engage in the different activities.

4.5 STRATEGY

The purpose of this section of the questionnaire was to identify the types of CPA that the participants engage in. The questions were aimed at distinguishing reactive CPA from proactive CPA and explored the different dimensions of these types of CPA in terms of approach to CPA, participation level, and strategy types. It also explored the extent to which participants believe their CPA to impact the regulatory environment and concludes with affording the participants the opportunity to provide additional general commentary to the topic of CPA as part of integrated enterprise strategy.

4.5.1 Proactive vs. Reactive CPA

Refer to table 4.6 below for an extract of the questionnaire with the questions relating to proactive and reactive CPA.

Table 4.6: Extract 6 from questionnaire

Please rate the following statements using the scale provided

	Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
My company adapts systems and processes to ensure compliance only once legislative changes are finalised					
My company attempts to share information with policy decision-makers before legislation is drafted					

Please complete the following statement using the scale provided

	Highly reactive	Reactive	Unsure	Proactive	Highly proactive
Our interactions with Government on matters relating to legislation and regulations are…					

Source: (Moodley, 2014:93)

The majority of the participants (four) found it difficult to discern a single type of CPA. One participant noted:

> *"It's difficult to generalise, because sometimes it is reactive and other times we do try to be proactive."*

They reasoned that generalisation of a single type of CPA across their entire operations is not possible, as the type of CPA that is applied, depends on the legislation under consideration - as explained by one participant:

> *"The answer lies in the dynamic nature of interaction with Government, depending on the legislation."*

The results of the scaled questions show that five of the six participants had contradicting answers, for the questions aimed at determining whether they apply proactive or reactive CPA.

Five of the six participants indicated that they do adapt systems and processes to ensure compliance, but only after legislative changes have been finalised, hinting towards reactive CPA.

> *"There are so many changes that take place that it would be absolutely silly to adapt any strategy before you know exactly what the legislation is going to say".*

Notwithstanding, four of the five participants that only adapts systems and processes after legislative changes have been finalised, indicated that they attempt to share information to policy decision-makers before legislation is drafted. This hints towards proactive CPA. When asked to bluntly describe their CPA as either proactive or reactive, the results were equally tied between reactive and proactive (three participants each).

This can be understood at the back of an explanation provided by one of the representative participants, who distinguished between trade and transformative legislation:

> *"Trade, we are very proactive and that's a big part of our business, because we want to create more opportunities for trade, but on the transformation side, we are more reactive. It depends on the nature of the legislation."*

In terms of trade legislation, pro-active CPA is employed in pursuit of competitive advantage in the market environment. In terms of transformative legislation, proactive CPA is not possible, due to the uncertainty surrounding the legislation and the length and complexity of the legislation process; hence, reactive CPA is applied in such cases.

Another possible explanation can be that their ideal CPS resides with proactive CPA, proven by the strong agreement with providing policy-makers with information before legislation is drafted, yet the reality and practical implications of the legislative process enforces reactive CPA, as evidenced by the strong indication that adaptation of processes and systems are only applied after legislation has been finalised.

4.5.2 Approach to CPA

Refer to table 4.7 below for an extract of the questionnaire with the questions relating to approach to CPA.

Table 4.7: Extract 7 from questionnaire

Please rate the following statements using the scale provided					
	Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
My company waits for issues to arise before influencing policy makers					
My company deals with legislative issues on an ad hoc basis					
Please rate the following statement using the scale provided					
	Strongly Agree	Agree	Ambivalent	Disagree	Strongly Disagree
My company has a good professional relationship with decision-makers					
My company is easily able to discuss relevant issues with decision-makers					
My company prefers dealing with decision-makers only when the need arises rather than building on-going relationships					

Source: (Moodley, 2014:93)

In terms of the participants' approach to CPA, there is a very clear preference for a relational approach. A participant reiterated:

> *"Our whole thing is strong relationships."*

All of the participants (six) indicated that they prefer building on-going relationships with policy decision-makers, as opposed to only dealing with such decision-makers when the need arises.

However, all four of the agri-business participants follow a transactional approach in as far as they wait for issues to arise before engaging and influencing policy decision-makers, and they deal with legislative issues on an ad hoc basis. This appears to be the result of the perceived characteristics of the regulatory- and legislative environment.

One of the barriers to an ongoing relationship with policy decision-makers is a lack of trust:

> *"The challenge in that (regulatory) environment remains that element of trust, because, what is your agenda? What is my agenda?"*

It is also argued that a lack of proper access hampers an on-going relationship, as indicated by two respective participants:

> *"Sometimes it's quite difficult to get hold of these people (policy decision-makers)"*

and

> *"The moment you have a relation fixed, somebody new is in office again."*

It can be clearly derived from the results that there is an apparent disconnect between the preference and ability of the agri-businesses in terms of their approach to CPA.

In contrast to the above, both of the representative participants had a complete alignment to a relational approach for all questions under this section, and the apparent disconnect between preference and ability is not experienced by the representative participants. It is clear that they do not experience the same challenges in terms of access to policy decision-makers as the agri-business participants. One of the representative participants emphasised that they heavily rely on relationships of trusts to influence the regulatory process:

> *"You can only really influence if you have relationships of trust."*

A possible explanation for the different experiences of the representative participants on the one hand, and the agri-business participants on the other hand, could lie within the distinction between the local and national regulatory context, as touched on by one of the agri-business participants. This distinction, however, falls outside the scope of this study.

4.5.3 Participation level in CPA

Participants were asked to indicate to what extent they collectively participate in CPA percentage-wise. Refer to table 4.8 below for an extract of the questionnaire with the questions relating to CPA participation level.

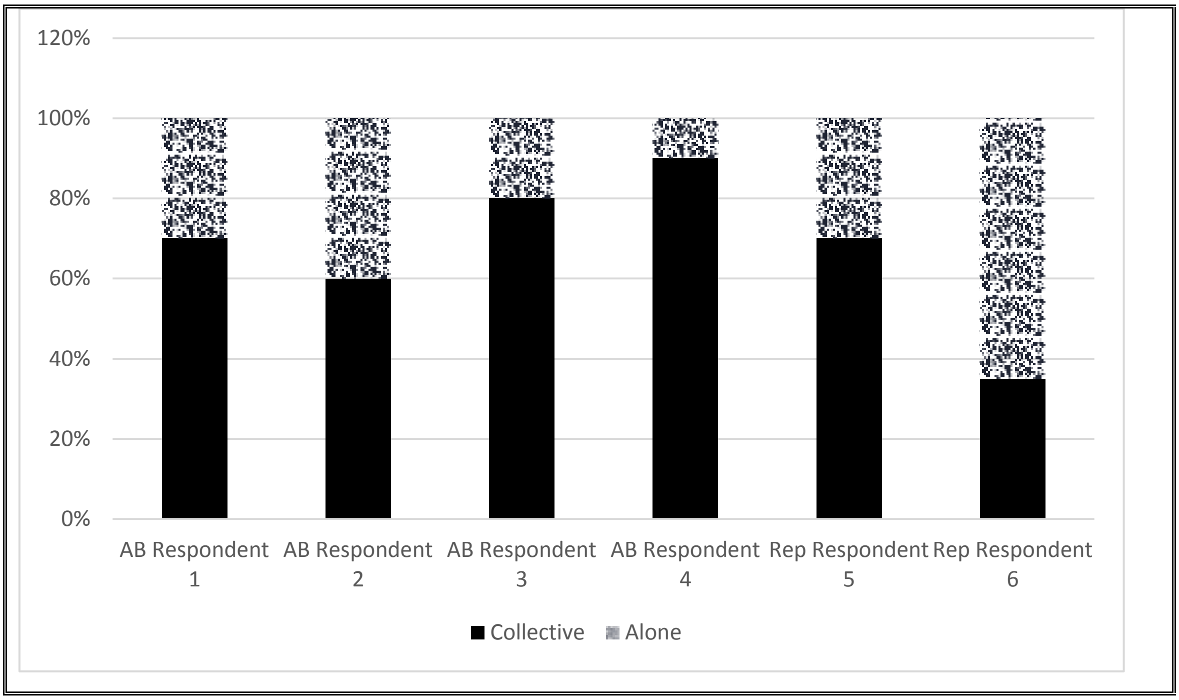
Table 4.8: Extract 8 from questionnaire

What percentage of your activities in dealing with regulations and legislative uncertainty is done collectively (i.e. together with other stakeholders or via industry associations, as compared to activities your company undertake alone?)

Source: (Moodley, 2014:93)

Five participants indicated that more than 60% of the CPA they participate in is done collectively. One participant indicated participating collectively to the extent of 90%. This correlates with results across the study, as all of the agri-business participants indicated their dependence on representative bodies when it comes to either influencing the legislative process and/or building strong relationships with policy decision-makers. The remaining participant indicated that 65% of their CPA participation is done by themselves (alone). Refer to figure 4.2 for a graphical representation of the participants' participation level in CPA.

Figure 4.2 Participation level in CPA



Source: Author

4.5.4 Strategy types

In this part of the questionnaire it was required from the participants to indicate to what extent they engage in the three strategy types, i.e. i) information sharing; ii) financial incentivisation, and iii) constituent building strategy (as identified by Hillman *et al*., 2004:838), as well as the reason for their choice of strategy types. The extent to which they engage in each strategy was determined by means of questions with the following scales: i) strongly agree; ii) agree; iii) unsure; iv) disagree, and v) strongly disagree. The motivation behind the participants' strategic choices was informed by an open-ended question. Refer to table 4.9 below for an extract of the questionnaire with the questions relating to CPS types.

Table 4.9: Extract 9 from questionnaire

Please rate the following statements according to the scale provided					
	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
In order to influence the regulatory processes we share relevant information with the decision-maker directly					
In order to influence the regulatory processes we provide direct financial incentives e.g. campaign contributions					
In order to influence the regulatory processes we try to create lobby and support coalitions for the cause					
Why does your company pursue the specific strategy/strategies indicated above?					

Source: (Moodley, 2014:93)

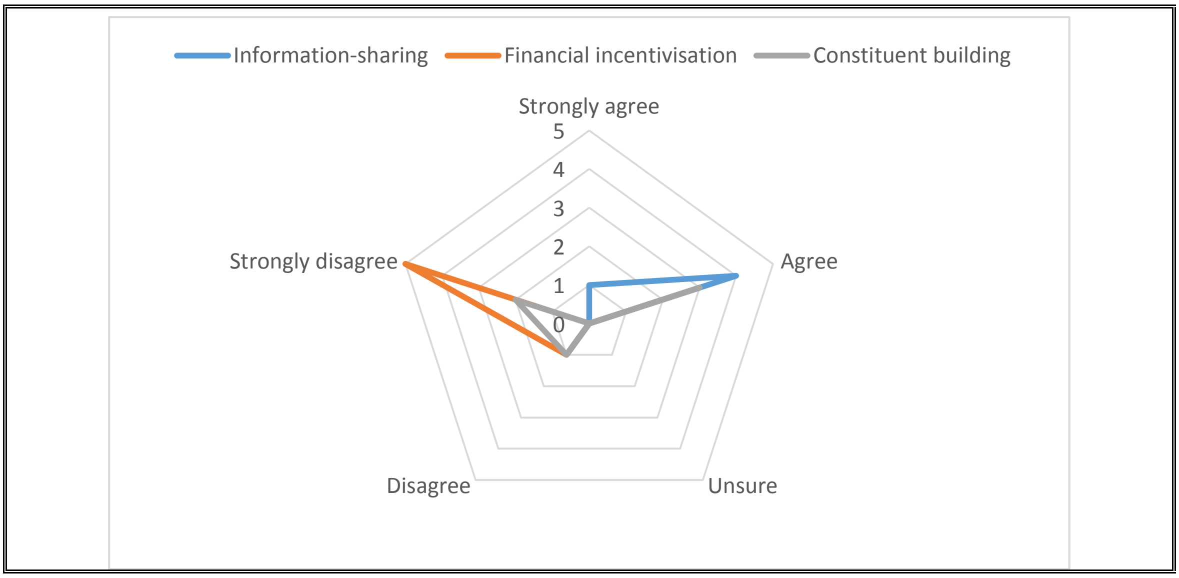
All but one participant indicated that they engage in information-sharing strategies. The participant that does not engage in the information-sharing strategy represented the smallest participating company in terms of firm size, and they do not engage in any other type of strategy either. Participants indicated that they provide information to policy decision-makers directly, because:

> *"to influence policy you need reliable information and we do need to share that timeously"*, and *"for better decision-making"*.

In terms of constituent building strategy, both the representative participants agreed to this strategy. One agri-businesses participant also agreed to the strategy, which implies that half of the participants engage in such strategy. The agri-businesses that do not engage in the constituent building strategy indicated that they rely more on collective constituent building, done by representative bodies with which they are affiliated.

The financial incentivisation strategy was rejected by all the participants in no uncertain terms. From the results, it is clear that this strategy is perceived as unethical. Half (three) of the participants used the word "*bribery*" and comments included: "*we're not morally keen to that* (make contributions)", "*we're not unethical*" and "*I disqualify that (financial incentive) strategy fully*". This eludes to the darker side of CPA that the literature refers to (refer to paragraph 3.4.1 in chapter 3, page 35). Figure 4.3 illustrates the engagement of the participants in the different strategy types.

Figure 4.3 Strategy types



Source: Author

More than one participant referred to the current political environment and barriers to access to policy decision-makers as the reasons for their chosen strategies. One agri-business participant is of the opinion that they need to stay a-political, due to the sensitive nature of their customer profile. Another stated that there might be a decline in regulators' understanding of the sector. The representative participants maintained that influence is dependent on integrity and maintaining a high moral ground:

> *"It's about integrity to influence".*

4.5.5 Perceived impact of CPA

Participants were requested to scale the perceived impact of their CPA as either none, little, moderate, significant or complete, and to indicate the reason for their specific response. Refer to table 4.10 below for an extract of the questionnaire with the questions relating to participants' perceived impact.

Table 4.10: Extract 10 from questionnaire

What impact do you believe your company's efforts to influence regulation will have? None Little Moderate Significant Complete
Why?

Source: (Moodley, 2014:93)

The results produced a fairly equal spread, with two participants each perceiving their impact on the regulation to be little, moderate and significant respectively. No participants believe to have 'none' or 'complete' impact.

One of the representative participants explained as follows:

> *"It's not an exact answer. You cannot generalise, you must bring it in relation to who Government is,"*

and then elaborated:

> *"it (government) is massively divided at the moment and we see that in departments".*

In spite of this, both of the representative participants believed their firms to have significant impact. Two of the agri-business participants concurred that representative bodies have more impact collectively.

The representative participants ascribed their success to excellent relationships with, and access to, policy decision-makers.

> *"We have huge impact on a lot of legislation. Sometimes we disagree strongly with the ministers and I can tell you now, that we have not gone to the constitutional court on one piece of legislation that we've disagreed with, because we haven't found it necessary, because we found each other in the process."*

Both the representative participants did, however, refer to future impact being more challenging:

> *"…the pressure is always there and it seems that the pressure is actually building, particularly in terms of access to resources, to water, to land, the compensation issue around the land…so there's a lot of political pressure…and it's quite a difficult climate to lobby in…It's hard to judge by your past performances whether you will be successful in the future."*

The two larger agri-business participants, in terms of firm size based on turnover, believed to have only moderate impact, due to differing reasons: one being a lack of direct access to policy decision-makers, which is mitigated by them through affiliation to representative bodies who have better access.

Another reason presented was the fact that the participant's board does not represent the South African demography sufficiently:

> *"To influence on a national scale, a broader scale, will need a different structure in our company…every time I rock up with representatives, it's a pretty white crowd."*

One of the representative participants believe their CPS to be successful, since they have been transformed to such an extent that they are now better representing the South African demography. This supports the latter argument of demographic representation from the other side of the coin.

Interestingly, the two agri-business participants who believe they have little impact, are the participants from the two smaller companies - in terms of firm size based on turnover. One of the two reasoned that they have a more collective strategy and because of this they have little impact on their own. The other participant argued that the majority of the current governing party's voting constituency lies outside the farming community, and as a result there is a disconnection between political ideals one the one hand and a stable agricultural production environment on the other hand:

> *"It's simple…only if you can show and motivate that the policies that are implemented will have a bad or negative influence on the ANC's voters, will they really listen…they are more interested in things like redistribution of wealth, equality, addressing the legacy of the past and so forth than being interested in a stable agricultural environment."*

4.5.6 Additional general commentary on the topic of CPA

The last question presented the participants with an opportunity to provide any additional commentary on the topic. No guidelines were provided. This was to identify any other insights not covered by the specific questions. These insights are detailed below. Where more than one participant eluded to the same insight, it is stated as such. Otherwise, different insights were shared by different participants. Refer to table 4.11 below for an extract of the questionnaire with the questions relating to additional open commentary.

Table 4.11: Extract 11 from questionnaire

Do you have any general comments to make on this topic?

Source: (Moodley, 2014:93)

One of the representative participants indicated the experience that the agri-businesses affiliated with them have different positions and strategies in response to the regulatory environment. This is supported by the different answers and commentary contained in the results of this study.

Some participants provided more positive responses than others. The positive comments included:

> *"We've got an excellent constitution and our legislative process is a good one. That helps a lot in our country in terms of certainty."*

And

> *"We strongly believe that by far, the majority of the people in South Africa are reasonable people and we must work with reasonable people."*

A desire for co-operation and prosperity for all surfaced in three of the interviews:

> *"I think there needs to be closer co-operation with Government in terms of proposed legislation and strategy in agriculture."*

And:

> *"The desire would be to be able to create, for its customers and shareholders, a more calm environment for them to prosper in."*

And:

> "*The way to prosperity, and that means inclusive growth for everybody, so that encompasses the transformation imperative, is what we're working towards."*

Two participants explicitly stated that they are not against land reform, but that the manner in which ownership of land is transformed is of crucial importance. The integrity of the land market needs to be preserved and maintained. Tainting of property rights could lead to the collapse of collateral for significant amounts of finance, which would have a devastating ripple effect on the economy as a whole. Furthermore, transformed land needs to stay in production. Unproductive land leads to loss in economies of scale for agri-businesses.

Less positive comments, like the following one, were also made:

> *"We're sitting with an agricultural sector which is really paralysed by the climate situation over the last few years. Then the political situation is adding to that in terms of many things."*

The fact that South Africa presents a difficult climate and a period of uncertainty for business in general, was mentioned twice. In addition, the opinion was expressed that volatile exchange rates, the doubtful economic status of the country and declining investor confidence are all caused by the negative political environment around South Africa and ultimately impact agri-businesses negatively. Two participants noted the negative effect that political statements, which have not been thought through, have had on investor confidence.

Lacking support from Government was mentioned by two participants: one in terms of drought relief and the other in terms of support for global expansion. The desire to expand into international markets was also mentioned by two participants, though they indicated different motives.

One motive mentioned was in pursuit of competitive advantage, which is where support is called for:

> *"We don't see the same level of government influence that so many of our competitor countries would have to help us accelerate and succeed."*

The other motive indicated was to reduce the risk presented by the current uncertain regulatory environment. This market expansion might eventually even lead to complete disinvestment in South Africa, as explained by one of the participants:

> *"If things don't change, we have a choice. We either stay here and grow negatively or we pursue a strong internationalisation agenda."*

Another insight was the need for better access to policy decision-makers for lower level business and individual agri-businesses, not only in terms of new legislation, but also in terms of the impact of current legislation:

> *"Government should maybe consult a bit more or they should be more open to interact with business on a lower level."*

This was communicated by both the smallest and largest participant in terms of firm size based on turnover.

4.6 SUMMARY

The purpose of this chapter was to pursue the third secondary objective as set out in section 1.5.2 of chapter 1 (page 8), namely: identifying corporate political activities applied by selected South African agri-businesses by means of an empirical study. A questionnaire was completed by the author while the questions were discussed with six participants during semi-structured face-to-face interviews.

The six participants consisted of four agri-business participants and two representative participants. The results showed a definite distinction between the two types of participants in terms of the perceived level of uncertainty, access to policy decision-makers, approach to CPA and impact on the regulatory environment.

All participants acknowledged a fair amount of regulatory uncertainty, especially around the general direction and implementation processes of agricultural legislation/regulation. The agri-business participants experience more uncertainty than the representative participants. This uncertainty is seen as a cause for disinvestment in the sector and will ultimately have a negative impact on the economy.

In terms of responses to regulatory uncertainty, the results of the study support the literature (Engau & Hoffman, 2011:70) in as far as the participants apply a combination of response strategies, though to differing extents. Reduction and disregard strategies are employed to the greatest extent. In terms of reduction strategies, investigation and influence activities are mostly employed. The results show the biggest alignment amongst the participants in terms of the activities, no regret moves and substitution under the disregard strategy. The avoidance strategy is applied to the least extent and illustrates the biggest variation amongst participants in terms of the activities employed in support of the response strategy. Co-operation and imitation are the most popular activities employed in pursuit of the adaptation strategy, which correlates greatly with a strong tendency towards collective participation.

Accordingly, participants employ a combination of strategy types identified by Hillman *et al*. (2004:838). All but one participant indicated a strong preference towards the information-sharing strategy and half of the participants also answered in favour of the constituent building strategy. However, all participants are strongly opposed to the financial incentive strategy, as it is perceived to be unethical.

The definite rejection of the financial incentive strategy contributes to an overall strong flavour of morality in the participants' CPS. Other contributors are the strong inclination towards a relational approach with policy decision-makers and a clear preference to a collective approach to CPA, both of which are summarised further below.

There appears to be a disconnection between the participants' preference and ability in terms of the type of CPA they apply, as well as their approach to CPA. Contradicting answers across all participants indicate that there is a definite desire to engage in pro-active CPA, yet - depending on the type of legislation - the realities of the legislative process and regulatory environment sometimes push participants towards reactive CPA.

Likewise, all of the participants communicated a clear preference towards a relational approach to CPA, but as a result of the perceived characteristics of the process, the agri-business participants sometimes engage in a transactional approach. Half of the agri-business participants ascribe this to a lack of direct access to policy decision-makers. The representative participants' results are completely aligned to a relational approach.

The results on the participants' perceived impact on the legislative process are spread evenly. No participants believe they have 'none' or 'complete' impact. The six participants' results show an even spread between little, moderate and significant impact. The two participants that believe they have significant impact are the representative participants.

Although the questionnaire did not address the antecedents of CPA, a correlation with the literature in terms of firm size is evident. The two smallest agri-business participants that took part in the study believe to have little impact on the legislative process. Furthermore, the smallest agri-business participant indicated that they do not employ any of the strategy types identified by Hillman *et al*. (2004:838), which supports the finding of the same author that larger firms are politically more active (Hillman *et al*., 2004:839). The smallest participant also indicated that imitation is one of their main activities in terms of their response to regulatory uncertainty, which might be an indication of free riding (Brown & De Leon, 2015:1).

From the general commentary, it is clear that the participants have a core desire for a stable and sustainable production environment and calls for better access to policy decision-makers at a lower level of business, and more support from Government at a difficult time for business generally. They acknowledge a strong constitution and a desire for ultimate co-operation amongst the majority of South Africans.

Chapter 5 will address the fourth secondary objective by summarising the study and making relevant recommendations.

CHAPTER 5

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This last chapter will summarise this study by drawing conclusions and making recommendations based on the research objectives as stated in the first chapter (refer to paragraph 1.5, page 8). The main objective of this study was to identify and describe the corporate political activities adopted by selected South African agri-businesses in terms of integrated enterprise strategy, especially during times of uncertainty. In order to achieve the main objective, it was supported by the following secondary objectives:

- To identify and present the chosen research methodology to follow in order to address the set research objectives (refer to chapter 2, page 13);
- To conduct a literature review on CPA and its relevance to South African agri-businesses (refer to chapter 3, page 23);
- To identify the corporate political activities applied by South African agri-businesses (refer to chapter 4, page 41); and
- To summarise the study and make the relevant recommendations (refer to chapter 5, page 71).

The study was performed by conducting both a literature review and an empirical study. A summary of each will be provided below.

5.2 LITERATURE REVIEW SUMMARY

The background to the research area, provided in chapter 1 of this study (refer to page 1), set the scene for the research question (refer to chapter 1, page 7) to emerge: to what extent does corporate political activity form part of integrated enterprise strategy in the agricultural sector in South Africa?

The literature review attempted to conceptualise CPA as part of integrated enterprise strategy by defining the phenomena and considering the antecedents that give rise to it. CPA can generally be defined as corporate attempts to influence government policy in accordance with business interests and is preceded by antecedents on firm-, industry-, issue- and institutional level.

It further identified the type of CPA to be either proactive or reactive. The approach to CPA, being either relational or transactional, and the participation level in CPA, being either alone or collective, was also discussed.

Two taxonomy of strategy types were presented. The one by Hillman and Hitt (1999) presented three strategy types, namely information sharing, financial incentive and constituent building strategies. The other one, by Engau and Hoffman (2011), described four possible strategies in response to regulatory uncertainty: avoidance, adaptation, reduction or disregard strategies.

The reason why firms engage in CPA was explored from various literature sources. It was found that, although some firms generally employ CPA in pursuit of competitive advantage, CPA can also be perceived as being unethical and that it could have a negative impact on firm performance. Empirical evidence regarding the relationship between CPA and firm performance is inconclusive. A variety of inter- and intra-organisational firm diversity factors in the market and non-market environment were presented as explanation for the apparent contingent value of CPA by Sun *et al.* (2012).

The South African agricultural and institutional environment was also reviewed, and it was found that Government exerts influence on the agricultural environment in terms of Agri-BEE, labour and land issues. The current social and political environment is less than promising and a decrease in government support in terms of issues such as drought relief are widely reported on in the media. The institutional environment is dominated by one political party with little competition and the perceived corruption index of South Africa is fairly high.

5.3 EMPIRICAL STUDY SUMMARY

An empirical study was conducted through semi-structured face-to-face interviews with six agri-business participants. A questionnaire developed by Moodley (2013) and adapted by the researcher was completed during the interviews. Four of the participants were from agri-businesses operating with a profit motive and the remaining two participants were representative participants representing a vast variety of agri-businesses and are not operating with a profit motive.

A clear distinction between the agri-business and representative participants' answers were evident in terms of their perceived level of regulatory uncertainty, approach to CPA and their perceived impact on the regulatory process.

From the results it is clear that the participants experience a great deal of regulatory uncertainty, especially in terms of the general direction and implementation of future agricultural regulation/legislation. The majority (five) of the participants made specific mention of land reform and property rights.

It was found that the selected South African agri-businesses adopt, to differing extents, different combinations of CPA as part of integrated enterprise strategy. In response to regulatory uncertainty, the participants employ disregard and reduction strategies to the greatest extent and the avoidance strategy to the least extent. The disregard strategy is employed with the greatest alignment amongst participants, and the avoidance strategy showed the least alignment amongst the participants.

Contradictory responses in terms of the type of CPA, being proactive or reactive, have emerged. There is a strong preference for proactive CPA, yet the results are tied between the two types of CPA (three participants each).

A strong morality element can be traced across the results in terms of approach, participation level and strategy types. All of the participants communicated a clear preference for a relational approach to CPA. However, there seems to be a disconnect in terms of preference and ability when it comes to the approach to CPA. Participants also prefer to participate in CPA collectively, rather than alone. The information-sharing strategy was found to be the most popular and both the representative participants also employ a constituent-building strategy. The financial incentive strategy was, however, rejected by all the participants in no uncertain terms - due to the unethical perception surrounding such strategy. Participants strongly perceive the provision of monetary incentive to influence policy decision-makers as bribery.

A crucial finding is that there exists a desire for greater cooperation and shared prosperity, as well as a call for better access for businesses to policy decision-makers. This was reiterated through the open commentary allowed at the end of the interviews.

5.4 RECOMMENDATIONS

This study confirms that agri-businesses do engage in corporate political activity as part of integrated enterprise strategy, and they do so in pursuit of business sustainability. The author recommends, in the first instance, that agri-businesses should continue this engagement in CPA and foster it as a strategic priority going forward.

The commercial need to continue with value-creation is recognised and acknowledged. Yet, of the two response strategies most widely employed by the participants - being disregard and reduction strategies - it is recommended that a reduction strategy be regarded as more prudent, since it might be more conducive towards long-term sustainability and prosperity than a disregard response.

From the finding that representative participants clearly have experiences different to those of the agri-business participants in terms of the perceived level of uncertainty, the approach to CPA and the perceived impact on policy decision-makers, it is recommended that engagement between representative bodies and their members should be strengthened through improved communication on topic-specific matters.

In light of the collective approach followed by most agri-business participants, they should ensure that they are sufficiently involved in the endeavours of their representative bodies and that their views and desires are aligned with that of their representatives.

It is further recommended that the government pursue policy clarity and consistency as a matter of significant importance. Clarity on policy direction and implementation and consistency of such implementation will reduce sector uncertainty, which is currently posing a substantial threat to future investment in a sector that significantly influences the country’s entire economy.

Policy decision-makers should heed to the call of better access for individual agri-businesses. Improved access will improve mutual understanding and will also contribute towards better co-operation.

5.5 CONCLUDING REMARKS

As government's influence and control of opportunities for South African agri-businesses increases and the regulatory environment becomes more unpredictable, an intentional CPS with focused CPA deserves more emphasis.

This study has identified that selected South African agri-businesses do apply different CPA to differing extents. The research objectives have therefore been achieved.

5.6 LIMITATIONS OF THE STUDY

The results of this study are limited by the fact that the sample did not scientifically represent the whole population and can therefore not be generalised across all participants in the South African agricultural sector.

Another limitation of this study is that the study focused only on agri-businesses, and the results can therefore not be made applicable to other industries in South Africa.

This study also set out to identify if and to what extent South African agri-businesses adopt CPA. It did not attempt to determine the effectiveness of such adopted CPA or the relationship between applied CPA and firm performance.

5.7 AREAS FOR FUTURE RESEARCH

The limitations listed above provide a guideline for areas for future research. This study could be expanded to include other agri-businesses. It provides the opportunity to determine the effectiveness of applied CPA, and to do research on the relationship between CPA and firm performance of South African agri-businesses.

This study could also be done for firms operating under similar regulatory uncertain conditions in other industries in South Africa.

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APPENDIX 1: QUESTIONNAIRE

General Data

1. What is your job title?
2. At what level is your current position in your organisation?
3. What is your company's annual turnover?
4. What is your company's staff complement?
5. What is the size of your client base?
6. Are you able to quantify your percentage market share?
7. How long has your organisation been operational in South Africa?

Regulatory Uncertainty

8. What is the level of certainty in your company about current and possible future legislation of the agricultural sector and the impact it will have on your business?

9. Please rate the following statements about agricultural regulation/legislation in South Africa:

		Strongly Agree	**Agree**	**Unsure**	**Disagree**	**Strongly Disagree**
a.	I am certain about the general direction of agricultural regulation/legislation					
b.	I am clear about the operationalisation (rules, designs and measures) of further agricultural regulation/legislation					
c.	I am sure about the implementation process of further agricultural regulation/legislation					
d.	I am clear about how new and existing regulations/legislation will interact with each other					

10. Are there any other comments you wish to make regarding regulatory uncertainty?

Responses to regulatory uncertainty

11. In dealing with uncertainty related to regulation of the agricultural sector, please rate the extent to which your company currently pursue the following activities

		The company does not engage in this activity	**The company considers engaging in this activity**	**The company sometimes engages in this activity**	**The company often engages in this activity**	**This is the main/key activity of the company**
a.	We systematically search for additional information					
b.	We engage in the policy making process to contribute to the decision-making					
c.	We postpone our strategic decisions until we have more certainty					
d.	We re-arrange our operations to be less exposed to regulatory uncertainty					
e.	We select specific issues in our business environment to focus on in order to simplify decision making					

		The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
f.	We change our organisational structure to better deal with the uncertainty (e.g. by increasing decentralisation or lowering the degree of formalisation)					
g.	We prepare for more than one potential outcome of the policy-making process					
h.	We join forces with others (e.g. suppliers, customers or competitors)					
i.	We observe the activities of other companies and follow them if appropriate					
j.	We create predictability e.g. by negotiating contracts or long-term rules with other companies or the government					
k.	We agree on the regulation scenario we consider most likely and focus on preparing for this scenario					

		The company does not engage in this activity	The company considers engaging in this activity	The company sometimes engages in this activity	The company often engages in this activity	This is the main/key activity of the company
	We only make investments which have a guaranteed positive return regardless of the outcome of possible future regulation					

Strategy

12. Please rate the following statements using the scale provided

		Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
a.	Our company adapts systems and processes to ensure compliance only once legislative changes are finalised					
b.	Our company attempts to share information with policy decision-makers before legislation is drafted					
c.	Our company waits for issues to arise before influencing policy makers					
d.	Our company deals with legislative issues on an ad-hoc basis					

13. Please complete the following statement using the scale provided

	Highly reactive	**Reactive**	**Unsure**	**Proactive**	**Highly proactive**
Our interactions with government on matters relating to legislation and regulations are…					

14. Please rate the following statement using the scale provided

		Strongly Agree	**Agree**	**Ambivalent**	**Disagree**	**Strongly Disagree**
a.	Our company has a good professional relationship with policy decision-makers					
b.	Our company is easily able to discuss relevant issues with policy decision-makers					
c.	Our company prefers dealing with policy decision-makers only when the need arises rather than building on-going relationships					

15. What percentage of your activities in dealing with regulations and legislative uncertainty is done collectively (i.e. together with other stakeholders or via industry associations, compared to activities your company undertake alone?)

16. Please rate the following statements according to the scale provided

		Strongly Agree	**Agree**	**Unsure**	**Disagree**	**Strongly Disagree**
a.	In order to influence the regulatory processes we share relevant information with the policy decision-maker directly					
b.	In order to influence the regulatory processes we provide direct financial incentives e.g. campaign contributions					
c.	In order to influence the regulatory processes we try to create lobby and support coalitions for the cause					

17. Why does your company pursue the specific strategy/strategies indicated above?
18. What impact do you believe your company's efforts to influence regulation will have?
    a. None
    b. Little
    c. Moderate
    d. Significant
    e. Complete
19. Please motivate.
20. Do you have any general comments to add on this topic?

Source: (Moodley, 2014), adapted.

APPENDIX 2: QUESTIONNAIRE MAPPING

Question #	Statement	Reference	Activity	Strategy	Comment
8	What is the level of certainty in your company about current and possible future legislation of the agricultural sector and the impact it will have on your business?	Hoffmann *et al*. (2008)	Uncertainty		
9a	I am certain about the general direction of agricultural regulation/legislation	Hoffmann *et al*. (2008)	Uncertainty		
9b	I am clear about the operationalisation (rules, designs and measures) of further agricultural regulation/legislation	Hoffmann *et al*. (2008)	Uncertainty		
9c	I am sure about the implementation process of further agricultural regulation/legislation	Hoffmann *et al*. (2008)	Uncertainty		
9d	I am clear about how new and existing regulations/legislation will interact with each other	Hoffmann *et al*. (2008)	Uncertainty		
11-16 (excl.15)	Sum of scores for each of these questions		Level of activity		
11a	We systematically search for additional information	Engau & Hoffmann (2011)	Investigation	Reduce	
11b	We engage in the policy making process to contribute to the decision-making	Engau & Hoffmann (2011)	Influencing	Reduce	
11c	We postpone our strategic decisions until we have more certainty	Engau & Hoffmann (2011)	Postponement	Avoid	

11d	We re-arrange our operations to be less exposed to regulatory uncertainty	Engau & Hoffmann (2011)	Integration	Adapt	
11e	We select specific issues in our business environment to focus on in order to simplify decision making	Engau & Hoffmann (2011)	Simplification	Reduce	
11f	We change our organisational structure to better deal with the uncertainty (e.g. by increasing decentralisation or lowering the degree of formalisation)	Engau & Hoffmann (2011)	Internal design	Adapt	
11g	We prepare for more than one potential outcome of the policy-making process	Engau & Hoffmann (2011)	Flexibility	Adapt	
11h	We join forces with others (e.g. suppliers, customers or competitors)	Engau & Hoffmann (2011)	Cooperation	Adapt	
11i	We observe the activities of other companies and follow them if appropriate	Engau & Hoffmann (2011)	Imitation	Adapt	
11j	We create predictability e.g. by negotiating contracts or long-term rules with other companies or the government	Engau & Hoffmann (2011)	Stabilization	Avoid	
11k	We agree on the regulation scenario we consider most likely and focus on preparing for this scenario	Engau & Hoffmann (2011)	Substitution	Disregard	
11l	We only make investments which have a guaranteed positive return regardless of the outcome of possible future regulation	Engau & Hoffmann (2011)	No-regret moves	Disregard	

12a	Our company adapts systems and processes to ensure compliance only once legislative changes are finalised	Hillman & Hitt (1999)		Reactive vs. Proactive	Disagree = proactive (reverse coding)
12b	Our company attempts to share information with policy decision-makers before legislation is drafted	Hillman & Hitt (1999)		Reactive vs. Proactive	Agree = proactive
12c	Our company waits for issues to arise before influencing policy makers	Hillman & Hitt (1999)		Relational vs. Transactional	Disagree = relational
12d	Our company deals with legislative issues on an ad-hoc basis	Hillman & Hitt (1999)		Relational vs. Transactional	Disagree = relational (reverse coding)
13	Our interactions with government on matters relating to legislation and regulations are…	Hillman & Hitt (1999)		Reactive vs. Proactive	Proactive = proactive
14a	Our company has a good professional relationship with policy decision-makers	Hillman & Hitt (1999)		Relational vs. Transactional	Agree = relational
14b	Our company is easily able to discuss relevant issues with policy decision-makers	Hillman & Hitt (1999)		Relational vs. Transactional	Agree = relational
14c	Our company prefers dealing with policy decision-makers only when the need arises rather than building on-going relationships	Hillman & Hitt (1999)		Relational vs. Transactional	Disagree = relational (reverse coding)
15	What percentage of your activities in dealing with regulations and legislative uncertainty is done collectively (i.e. together with other stakeholders or via industry associations, compared to activities your company undertake alone?)	Hillman & Hitt (1999)		Alone vs. Collective	

16a	In order to influence the regulatory processes we share relevant information with the policy decision-maker directly	Hillman & Hitt (1999)		Information-sharing	
16b	In order to influence the regulatory processes we provide direct financial incentives e.g. campaign contributions	Hillman & Hitt (1999)		Financial incentivisation	
16c	In order to influence the regulatory processes we try to create lobby and support coalitions for the cause	Hillman & Hitt (1999)		Constituent building	

Source: (Moodley,2014), adapted.