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Full Length Research Paper

A longitudinal analysis of the corporate strategic stance and actions employed by South African banks in response to the global economic crisis

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The South African financial sector largely proved resilient to the consequences of the global financial crisis and did not experience the financial upheaval seen in advanced economies. This paper investigated and compared the strategic stance and actions employed by eight South African banks listed on the Johannesburg Securities Exchange in response to the global crisis. The research was conducted through content analysis of the annual reports of these banks for the periods 2006 through 2011. Findings illustrated that, although structural and industry drivers played a key role in ensuring the relatively unscathed survival of SA banks, banks generally had a clear corporate strategic direction that remained relatively stable during the financial crisis. It was found that the industry was balanced in terms of the strategic positioning of banks. Of the eight banks, four were classified as strong niche players that were categorised as "defenders". The big four banks were classified into two groups. ABSA and Nedbank were categorised as "analysers", since they are generally cautious and conservative in their growth and expansion strategies. FirstRand and Standard Bank were classified as prospectors, since they tend to be more open to new opportunities.

Key words: Financial sector, strategic stance, defenders, analysers, prospectors.

INTRODUCTION

The first decade of the millennium has seen a number of events and trends that had a profound influence on companies worldwide. The 9/11 terrorist attacks appear to have fundamentally altered the global security situation (Argenti, 2002; De Goede, 2008; Straetmans et al., 2008), while global climate change is putting increasing pressure on companies to become more environmentally friendly (Arrow, 2007; Stern, 2008; Okereke et al., 2009). Towards the end of the first decade of the new millennium, the global financial crisis led to a global economic downturn that directly affected millions of companies globally (Edey, 2009; Global Economics Crisis Resource Center, 2010).

Considering the effects of these macro drivers of change, the world is a very different place for South African companies to what it was a decade ago (Mason, 2007). During the period preceding the global financial crisis, South Africa benefited enormously from the buoyant economy. However, like all emerging economies, this country did not escape the negative consequences of the financial crisis. Although the banking system was stable and banks were in good shape prior to the crisis, South African banks did feel the effect of the crisis indirectly through higher funding costs and increased loan impairments. In spite of the soundness of the banking system, banks also had to deal with the systemic risks that culminated in the crisis. In retrospect, this was done successfully, given that the local financial sector largely proved resilient to the consequences of the global financial crisis and did not experience the financial upheaval seen in advanced economies.

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Literature dealing with the global financial crisis mostly focuses on the causes of the crisis (Bhattacharya, 2009), the impact and implications of the crisis on different countries and continents (Goldstein and Xie, 2009; Murinde, 2009), financial institutional structures and architecture (Crockett, 2009; Metzger and Taube, 2010; Zhang et al., 2009), the regulatory environment (Bellofiore et al., 2010; Calomiris 2009; Metzger and Taube, 2010; Kamhunga, 2011), lessons learnt from the financial crisis (Demirguc-Kunt et al., 2010; Krueger, 2009), and recommendations for the post-crisis period (Baily and Elliott, 2009; Murinde, 2009). Most of these studies furthermore examined collective reactions by an industry, country or continent. In order to provide insight into and an understanding about the economic sustainability of South African banks, the objective of this paper is to investigate and compare the strategic stance and actions employed by eight South African banks listed on the Johannesburg Securities Exchange (JSE) in response to the global crisis. This paper departs from the aforementioned stream of work to provide an organisational perspective. The study thus aims to provide strategic insight from the perspective of individual organisations, rather than focusing on economic or regulatory impacts and implications.

The paper is organised as follows: literature overview, which is followed by an overview of the objectives and a description of the research methodology; provision of results; discussion of the theoretical and managerial implications of the findings, as well as the limitations of the study; directions for future research.

The impact of the global financial crisis on South African banks

During the 2009 fourth joint European Charter - Organisation for Economic Co-operation and Development (EC-OECE) workshop on business and consumer opinion surveys, Kershoff (2009) reported that, unlike in many other countries, no banking crisis occurred in South Africa. The liquidity requirements of banks did not surge. The interbank market continued to operate normally and, in contrast to other countries, the South African central bank did not have to provide emergency liquidity. The spread between the policy and market interest rate also did not widen in South Africa as in many other countries. Almost two years after Kershoff's assessment the South African Reserve Bank (SARB) infers that, to date, it has not experienced any pressure to alter its monetary operations (SARB, 2011). It did, however, introduce some flexibility in the execution of its inflation targeting mandate. The SARB attributes the resilience of local banks to a mixture of historical, fundamental and circumstantial factors. Although a discussion of the monetary policies falls outside the scope of this review, it is important to note that South African financial Institutions have been subjected to fairly conservative financial regulation and risk management practices within the context of sound macroeconomic policies (SARB, 2011).

The global crisis was transmitted to South Africa through the financial markets, international trade and tightening of bank lending standards. In financial markets, for example, risk aversion soared during the global crisis. This resulted in the reverse of foreign portfolio investments flows to emerging countries and the decline of cross-border lending (Kershoff, 2009). Internationally, banks made strategic decisions to withdraw from specific markets and products. Banks were furthermore required to hold more capital against their risk-weighted assets and, given the capital erosion within banks, this requirement not only constrained their ability to lend out money but also increased the cost of funding. Although the price and maturity of cross-border bank lending was affected, large South African banks were still able to obtain the lending they required. Nevertheless, domestic banks took on less funding due to the decline in their own lending as a result of the economic contraction. South African financial institutions also formed funds to enable them to lend to financial sub-Saharan African transactions (SARB, 2011).

International trade also plunged during the global crisis and exports of South African goods and services fell sharply as a result. South Africa was hit particularly hard with the drop in the international demand for vehicles and non-food commodities (industrial raw materials) because these items dominate the country's exports (Kershoff, 2009). On the positive side, it should be noted that South African banks consciously tightened credit standards before the onset of the financial crisis. Tightening of credit was done in reaction to the new Consumer Credit Act introduced in 2007 and the transition to Basel II accounting standards and capital requirements during 2008. However, banks' lending contracted even more during the crisis period as domestic banks became much more risk-averse and tightened their credit criteria (Kershoff, 2009; SARB, 2011). The cutback in credit provision amplified the decline in house prices, the slowdown in consumer spending and cutback in fixed and inventory investment. These developments, in turn, sped up business closures and retrenchments, which led to a further tightening of credit standards (Kershoff, 2009).

Without sound banking and other financial regulations, the domestic financial markets would have been more severely and directly impacted by the global financial market turmoil (SARB, 2011). In general, authors agree that the South African competitive banking landscape remained strong despite the crisis (IMF, 2010; Metzger and Taube, 2010; Murinde, 2009). Certain financial institutions even took the opportunity to increase their market share (SARB, 2011). Indeed, a joint report issued by the International Monetary Fund (IMF) and World Bank during 2010 praised South Africa's tight banking regulation for shielding the sector from the worst of the financial crisis. This report confirmed that local banks and insurance firms had remained profitable during the crisis, while their capital adequacy rations had remained above the regulatory minimum (IMF, 2010). Insight into the changing strategic priorities and strategic choices of banks before and after the global financial crisis would thus provide valuable direction to banks operating across the globe. In the next area of the literature review, we will consider various strategic management concepts that will be used in the analysis of the strategic stance and actions employed by South African listed banks.

Strategy content

According to De Wit and Meyer (2007:5) strategy content refers to the product of a strategy process. It is concerned with the ‘what’ of strategy: What is, and should be, the strategy for the company and each of its constituent units? Boyne and Walker (2004) conceptualise strategy content as two interlinking levels. First, strategic stance describes the broad approach to improving or maintaining performance, while strategic actions describe the more specific decisions used to implement the stance. While this approach was used specifically to describe strategy content in the public sector (Boyne and Walker, 2004; Andrews et al., 2006), it also provides a useful framework for understanding and defining corporate strategy content.

Strategic stance

The strategy typology of Miles and Snow (Miles et al., 1978) provided the basis for Andrews et al.’s (2006) analysis of strategic stance, and appears to also present a useful initial structure for categorising corporate strategic stance. The typology includes four strategic types (Miles et al., 1978: 550-558), and these are briefly described below in terms of their “entrepreneurial solution”. Table 1 contains a more extensive summary of the strategy typologies:

(a) *Defenders* strive towards strategic stability, and their main strategic aim would be to “seal off” a portion of the market and serve that as efficiently as possible. This could also be described as a niche or focus strategy.
(b) *Prospectors* strive to enact a dynamic environment and accordingly have unique capabilities for finding and exploiting new growth opportunities. They are also described as “innovative”.
(c) *Analysers* strive to minimise risk while still exploiting new growth opportunities. This means that they would focus on a strong core set of products and services, while striving to selectively exploit new opportunities. They will tend to move towards new opportunities only after their feasibility has been proven.
(d) Reactors are constantly reacting to their environment, as they lack a proven set of response mechanisms. They are thus characterised by instability and inconsistency. Reactors can be regarded as a strategy failure, when one of the previous three types is improperly and inconsistently pursued.

Andrews et al. (2006) have established that, in public service organisations, strategic stance could be associated with level of performance, for example prospectors tend to perform better than reactors. Table 1 contains a more extensive summary of the strategy typology, indicating the main characteristics of each strategy type. The *entrepreneurial solution* reflects the organisation’s choice with regard to their product-market domain, while the *engineering solution* is the operationalisation of the entrepreneurial solution that develops and finds technologies to produce and distribute a product/service. When the term “technology” is used in this context, it refers to core business processes and systems. The *administrative solution* is the formulation and implementation of processes that will help the organisation to (a) make its existing operations as efficient as possible, and (b) innovate in order to grow and evolve. Each choice of a stance or type has certain inherent strengths and weaknesses.

Strategic actions

In the context of corporate strategy, strategic actions can be used to describe the specific decisions used to support and operationalise the strategic stance. These decisions can be categorised as follows (Grant, 2010; Johnson et al., 2011; McGee et al., 2005; Louw and Venter, 2010):

(a) To address new markets with the same product (that is, market development)
(b) To address existing markets with new products (that is, product development)
(c) To expand into new markets with new products (that is, diversification)
(d) To move upstream or downstream in the industry value chain (that is, vertical integration)
(e) To refocus on core business (that is, consolidating), for example by unbundling, divesting or cost-cutting
(f) In corporate management, for example to make key changes in staff or structure
(g) To respond directly to macro environmental changes and threats, for example to broaden the ownership base in the interest of broad-based black economic empowerment
(h) In other forms of corporate combinations, for example to build strategic alliances and joint ventures Strategic actions should be consistent with the overall strategic

Table 1. The strategy typology.

Solution/ strategy type	Defender	Prospector	Analyser
Entrepreneurial solution	Seal off a portion of the total market: a) Narrow, stable domain b) Maintain domain aggressively c) Ignore developments outside domain d) Cautious incremental growth e) Focus on core set of products/services	Locate and exploit new product and market opportunities: a) Broad and growing domain b) Wide-ranging environmental scanning c) Create industry changes d) Growth through product and market development e) Growth may occur in spurts	Locate and exploit new product and market opportunities while maintaining a firm base of traditional products and customers: a) Hybrid domain, both stable and changing b) Environmental scanning mostly limited to marketing c) Steady growth through market penetration and market development
Engineering solution	Produce/Distribute products/services as efficiently as possible: a) Cost-efficient technology b) Single core technology c) Tendency towards vertical integration d) Continuous technology improvement in pursuit of efficiency	Avoid long-term commitment to single technological process: a) Flexible, prototypical technologies b) Multiple technologies c) Low degree of mechanisation and routinisation	Aim to be efficient in stable portions of the domain and flexible in others: Dual technological core (part flexible, part stable) a) Large and influential engineering group b) Moderate degree of technical rationality
Administrative solution	Strict control in pursuit of efficiency: a) Strong focus on finance and production b) Meticulous planning before action c) Simple coordinating mechanisms and conflicts resolved through hierarchical channels	Facilitate numerous and diverse operations: a) Strong focus on marketing and R&D b) Large “dominant coalition” may include an inner circle c) Decentralised control d) Complex coordinating mechanisms	Create structure and processes that accommodate both stable and flexible parts of the operation: a) Strong focus on marketing and production b) Loose matrix structure, moderate degree of centralisation c) Complex coordinating mechanisms
Competitive strengths	a) Difficult to dislodge from niche b) Systems promote stability and efficiency	a) Product and market innovation offer insulation against environmental change b) Technology offers the ability to respond rapidly to change c) Systems promote flexibility and effectiveness	Low investment in R&D and focus on imitation rather than innovation is generally a low risk strategy
Competitive weaknesses	a) Major market shifts could threaten existence b) Heavy technological investments may require problems to remain familiar in the foreseeable future c) Not well suited to respond to market opportunities	a) Risk of low profitability and overutilisation of resources b) Multiple technologies may make it difficult to be completely efficient	a) Imbalance between stability and flexibility can cause disequilibrium that is difficult to rectify b) Dual technology can never be fully effective or efficient

Source: Adapted from Miles et al. (1978).

stance of the firm, and will thus also be associated with organisational performance.

The literature review provided an overview of the impact of the global financial crisis on South African banks. A review of key strategic management concepts was also provided in order to identify relevant measures that can be used as a basis for reporting organisational perspectives with regard to strategic stance and action. In the next area, we will review the research methodology used in this study.

RESEARCH METHODOLOGY

The purpose of the research was to identify the changing strategic priorities and strategic choices of banks before and after the global financial crisis by presenting a longitudinal perspective. The paradigm of the work is descriptive and the study was qualitative in nature. The research was conducted through content analysis of the relevant sections (such as the Chairman and Chief Executive Officer [CEO] statements) in the annual reports of the eight South African banks listed on the JSE, for the periods 2006 through 2011. The objectives of the research were to;

(1) Identify the stated strategic stance of South African listed banks before and after the global financial crisis
(2) Analyse the stated key strategic activities undertaken by South African listed banks before and after the global financial crisis

The research methodology assumes that the Chairman and CEO reports present an accurate reflection of the key strategic issues facing banks, and strategic positioning and actions of banks in response to their environment. Although it could be argued that annual reports contain a strong element of impression management, we did not extend the research to include a full review of issues reported in the press and other media, since the focus was on the firm's perspective on their strategic stance and actions.

Population and sample

The sampling was based on the universum of banks listed on the JSE. The eight listed banking groups, namely ABSA, African Bank, Capitec Bank, First National Bank, Investec Bank, Nedbank, Sasfin Bank and Standard Bank, provided an accessible sample for the research. In order to provide a longitudinal analysis of strategic priorities and changes, the study considered the annual reports of all eight banks for the period between 2006 and 2011. It was assumed that the 2006/2007 annual reports would provide an indication of strategic stances and actions prior to the global financial crisis, while the subsequent annual reports would provide a reflection of reactions during and after the global financial crisis.

Data analysis methods

The research was conducted through content analysis of the Chairman and CEO statements in the annual reports. ATLAS.ti content analysis software was used to identify themes relating to strategy context and content. It should be stressed that the content analysis went beyond the mere "trivial" counting of words (Breton, 2009: 187) to the identification of themes and categories using the analysis framework. The strategy typology of Miles and Snow, adapted by Andrews et al. (2006), aided the analysis of strategic stance. Banks were classified as employing a stance of a defender, prospector, analyser or reactor, based on the corporate strategy followed. Business level strategies identified, based on strategic actions, included market and product development, diversification and integration. Given the specific content, the analysis framework was adapted to reflect the reality encountered in the narrative.

Annual reports have been of significant research interest to analyse the strategic content of banks. While the researchers acknowledge that annual reports are important for impression management (Clatworthy and Jones, 2006; Bhana, 2009) and can even be seen as marketing tools (Waller and Lanis, 2009), the mandatory and voluntary disclosures in annual reports are critical elements of the formal communication of an organisation with its shareholders. Annual reports have thus been of significant research interest, ranging from the analysis of presentation elements such as structure, use of graphs and textual characteristics (Beattie et al., 2008; Clatworthy and Jones, 2006) to the analysis of strategies (Morrison and Roth, 1992) and reactions to environmental threats such as the pressure on corporations for environmental responsibility (Jose and Lee, 2007). In the annual report, the Chairman's and CEO's statements are the most salient forms of discretionary disclosure and of great importance to users of annual reports, such as financial analysts. While South African research has suggested that Chairman and CEO statements are of more importance to preparers of statements than to users (Myburgh, 2001), Bhana (2009) more recently argues that accounting narratives such as these statements are increasingly important and are of critical importance to readers and private shareholders, as they often contain useful information about the future of the company. This research thus departs from the perspective that the Chairman's and CEO's statements are the most salient summaries of the *firm's* perspective on key strategic issues and future strategic direction that they want to communicate to their key stakeholders. Not all South African annual reports contained a Chairman and CEO statement, and in these instances the most relevant comparable section in the annual report was analysed. Table 2 contains a summary of the banks, their abbreviation and the data analysed. This confirms that the annual reports for all eight banks for all five years were used, and specific reference to the key sections analysed are included. Where verbatim quotes are used the abbreviation was used in conjunction with the year and page number to indicate the source of the quotation (CAP, 2007:13; Capitec Bank Annual Report, 2007: 13). The next area provides an overview of the findings of the content analysis.

RESEARCH FINDINGS

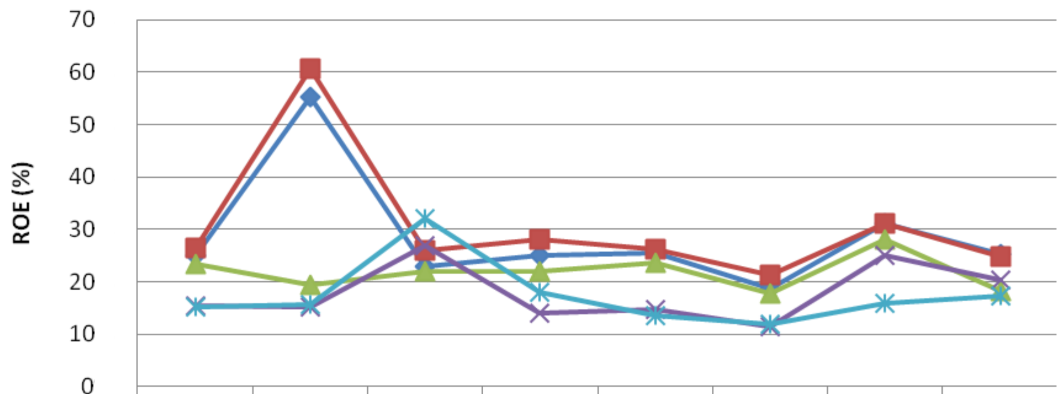
In this area the findings of the content analysis are presented in two subsections. The first section presents the overall effect of the global financial crisis on South African banks and their stated reasons for weathering the storm, while the second section examines the strategic stance and strategic actions of individual South African banks in more detail.

The effect of the global financial crisis on the South African banking industry

When examining the return on shareholders' equity (ROE) of the eight listed South African banks (Figure 1), it would seem that the financial results bear out the

Table 2. Summary of data analysed.

Bank name	Abbreviation	Description	Data analysed
ABSA Group Ltd	ABSA	ABSA is one of the “big four” banks offering a full range of retail and business services, and is majority-owned by Barclays Bank plc (UK) with 55.5% of shares	Annual Reports 2006 through 2011: a) 2006 – Letter from the Chairman and CEO b) 2007, 2008 – Letter from the Chairperson and CEO c) 2009, 2010 – Chairman’s Statement; Group CEO Review
African Bank Investments Ltd	ABIL	ABIL does not have one controlling shareholder. The five largest shareholders are the Government Employees Pension Fund (12%), JP Morgan Asset Management (10%), Investec Asset Management (6.5%, Eyomhlaba Investment Holdings (5%) and the directors (5%). ABIL positions itself as a provider of consumer credit, and with its acquisition of Ellerine holdings and its large portfolio of furniture retail stores, ABIL entrenched itself further in the consumer lending business	Annual Reports 2006 through 2011: a) 2006 – Letter to Stakeholders; Strategic Review b) 2007, 2008 – Strategic Review c) 2009 – Letter to Stakeholders; Strategic Review (in Business Review section) d) 2010 – Letter to Stakeholders; Strategic Review
Capitec Bank Holdings Ltd	CAP	CAP does not have one controlling shareholder, but financial services group PSG is the major shareholder with 34.9% of shares. The Board and senior management of CAP hold 24.08% of shares. Capitec is a relative newcomer to the South African banking scene. It emerged from a micro lending business background, and is known for its innovative management practices	Annual Reports 2006 through 2011: a) 2006, 2007, 2008, 2009 – Letter to Shareholders b) 2010 – Chairman’s Letter
FirstRand Ltd	FIRST	The largest shareholder in FIRST shares is the RMB Group with 30% of shares. RMB is, in turn, owned by Remgro (25%) and its directors and managers (18.4%). FIRST traditionally had an owner-manager culture, with the founders still playing an active role in management and governance	Annual Reports 2006 through 2011: 2006, 2007, 2008, 2009, 2010 – Chairman’s Statement; CEO’s Report
Nedbank Group Ltd	NED	Old Mutual LifeAssurance Co holds a majority of 51% of shares. Nedbank is ostensibly still recovering from some major setbacks (due to ill-considered investment decisions) early in this millennium and the subsequent restructuring and repositioning of the bank	Annual Reports 2006 through 2011: a) 2006 – Review of 2006 b) 2007, 2008, 2009, 2010 – Chairman’s Report, Chief Executive’s Report
Sasfin Holdings Ltd	SAS	Most of the SAS shareholders are non-public shareholders, and 55% is held by directors and associates. SAS has a strong focus on heavily securitised loans to entrepreneurs who might find it difficult to obtain loans elsewhere	Annual Reports 2006 through 2011: 2006, 2007, 2008, 2009, 2010 – Chairman’s Report, Chief Executive Officer’s Report
The Standard Bank of South Africa	STAN	STAN is one of the “big four” commercial banks. 20% of STAN is owned by the Industrial and Commercial Bank of China, and 13% by the Public Investment Corporation. About 48% of STAN shareholders are foreign, perhaps accounting for the recent drive to expand beyond South African borders	Annual Reports 2006 through 2011: a) 2006, 2007, 2008 – Chairman and Chief Executive’s Review b) 2009 – Chairman and Group Chief Executive’s Review c) 2010 – Chief Executive’s Review



	ABSA	ABIL	CAP	FIRST	INV	NED	SAS	STAN
2006	25%	55%	23%	25%	26%	19%	31%	25%
2007	26%	61%	26%	28%	26%	21%	31%	25%
2008	23%	20%	22%	22%	24%	18%	28%	18%
2009	16%	15%	27%	14%	15%	12%	25%	20%
2010	15%	16%	32%	18%	14%	12%	16%	17%

Figure 1. The ROE of South African Banks 2006 to 2011. The ROE of ABIL declined sharply after the acquisition and integration of Ellerines, which has a much lower ROE than ABIL.

observations of analysts that the South African banks weathered the storm remarkably well. While analysts offered their own perspectives on why this was the case, the views of the Chairpersons and CEOs of the banks were also insightful in this regard.

The strong and rigorous regulatory framework enforced by the South African Reserve Bank was often cited as a cornerstone of the relatively stability of the South African banking industry. More than that, it provides a framework for building a sustainable banking business:

Our governance and compliance philosophy recognizes the importance of ensuring continual adherence to legislative, regulatory and supervisory requirements as a critical part of effective risk management, sound enterprise governance and, ultimately, the holistic, integrated sustainability of the organisation. (NED, 2009:189).

The regulatory framework expanded to also incorporate more sophisticated consumer protection and other measures that banks had to comply with, specifically the National Credit Act (NCA). The NCA played a key role in ensuring responsible and sustainable lending practices. It also had the additional benefit of causing borrowers to behave more responsibly:

An added benefit that we have experienced since the introduction of the NCA, has been the increasing number of clients who defaulted a long time ago, approaching the bank to arrange a settlement in order to clear their credit bureau records as further credit has been subsequently denied in the market place. (ABIL, 2009:37).

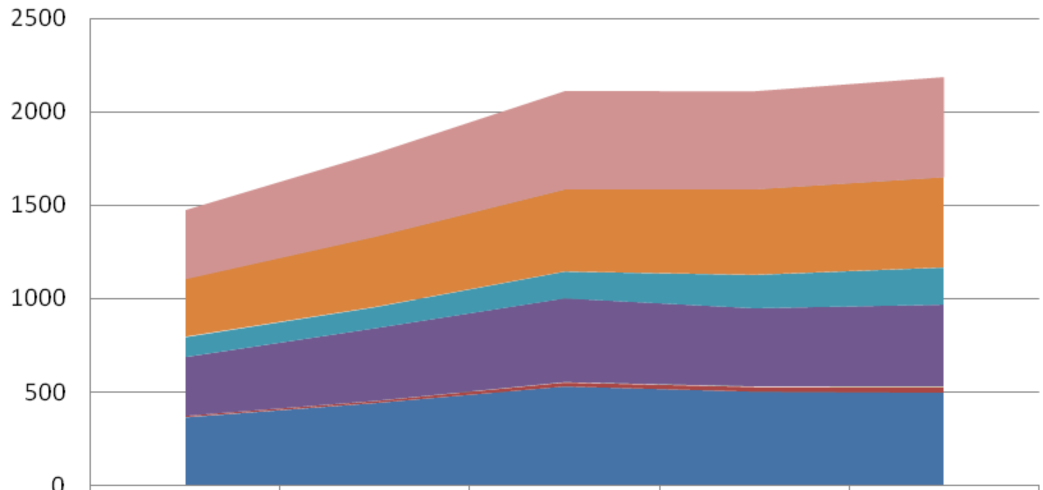
As a consequence of the global financial crisis, and the inevitable increase in impaired loans, most banks were quick to adapt their risk appetite and credit risk management systems (which were relatively sophisticated to begin with) while in some instances still growing the business aggressively, as Figure 2 suggests:

Our loan book has grown 73% in this year, while arrears on the last day of the financial year declined from 10.1% last year to 6.2% this year. From every perspective, this has been a commendable performance. It is the result of tightening our lending criteria more than a year ago and improving our operational efficiency. (CAP, 2010: 12).

The relatively inward focus of South African banks (most have a strong focus on the South African market) and focus on emerging markets stood them in good stead, as it reduced their direct exposure to the subprime crisis in the USA and elsewhere.

Most South African banks are relatively conservative, have sophisticated enterprise risk management systems and processes in place, and actively align with corporate governance and industry governance codes such as the King Code of Corporate Governance and the provisions of the Basel Committee of Banking Supervision. The result is that no South African bank risked everything in the pursuit of short-term results:

Fortunately, Southern African banks showed some restraint and no South African bank ever risked "the



	2006	2007	2008	2009	2010
STAN (Rbn)	370	446	527	526	536
SAS (Rbn)	1.2	1.5	1.9	1.9	2
NED (Rbn)	313	380	442	460	486
INV (Rbn)	106	112	143	178	198
FIRST (Rbn)	313	387	446	416	435
CAP (Rbn)	0.4	0.8	2	2.9	5.2
ABIL (Rbn)	7.7	10.9	20.9	25.2	29.3
ABSA (Rbn)	367	443	532	504	498

Figure 2. Loans and advances of South African Banks 2006 to 2011.

house" as some of the foreign banks did. (FIRST, 2009:11).

This area highlighted the fact that structural and industry drivers played a key role in ensuring the relatively unscathed survival of South African banks, also from the perspective of individual organisations. However, the question remains to what extent the strategic stance and strategic actions chosen by banks facilitated this process, and this is the focus of the next area.

The strategic stance and actions of South African listed banks (2006 to 2011)

In this area, Table 3 presents a summary of the content analysis, followed by a discussion of the strategic groups in the industry. In Table 3, evidence in support of the strategic stance is presented, supported by a "defining quote" and/or key terms that the firm uses to describe the essence of its strategy. The judgement of strategic stance is thus subjective and based on the firm's own description of their strategies and strategic actions. The issues addressed by the data sources used focus mostly on key aspects of the entrepreneurial solution and engineering solution (Table 1). These aspects were used to develop a perspective on the stance of each organisation.

The analysis of the strategic stance shows that South African banks generally had a clear corporate strategic direction that remained relatively stable during the financial crisis. No South African bank needed to jettison its core strategy and, while smaller tactical changes were required (for example, adjusting risk appetite) and slight adjustments of domains occurred (for example, the "big four" banks' ambitions to address the lower income market), the strategic direction remained intact.

The industry also appears to be relatively well balanced in terms of the strategic positioning of South African banks. None of the banks reviewed could be classified as a "reactor". Of the eight listed banks, four are strong niche players (two at the lower end and two at the upper end of the market) that could be categorised as "defenders" in terms of the Miles and Snow typology (Andrews et al., 2006). Of these four firms, three have carved out successful niche businesses (a narrow domain) in market segments that are typically shunned by mainstream banks. They also tend to focus on one core technology or approach to business, and have a strong focus on operations rather than products and

Table 3. The strategic stance and strategic actions of South African banks (2006 to 2011).

Strategic stance	Strategic actions
ABSA: Overall strategic stance can be described as defensive with a cautious approach to new investments growth, which is a typical ANALYSER stance. No significant shift in this stance has occurred between 2006 and 2011.	
As one of the “big four” banks, ABSA is firmly positioned as a full service banking group. Strategic stance is described in the following terms: a) Market leader in retail banking: defending and entrenching this position is key b) Focus on diversification of income base to non-retail income sources (bancassurance, wealth management, corporate banking, accelerating commercial business, building a leading investment bank) c) Strong focus on Africa with SA as a base Defining quote: *Last year I* [CEO Maria Ramos] *set out our One Absa strategy. This is significantly changing the way we do business and collaborate internally. It aims to achieve sustainable growth in targeted markets, standardise and streamline the Group, create a customer- and people-centred organisation, optimise our balance sheet and strengthen our risk management* (ABSA, 2010:46)	a) Market development (for example, developing products and services to address the entry level segment of 5 million South Africans) b) Product development (for example, development of bancassurance and wealth management products) c) Forward integration: moving upstream to provide risk management services (bancassurance) d) Consolidating: “One Absa” strategy emphasises the need for collaboration, integration and creation of efficiencies in the group, focus on strong balance sheet and risk management (quality over quantity), focus on customer service delivery (“doing the basics right”) e) Strategic alliances: strong drive to leverage the Barclays Bank (UK) relationship (for example, adopting the Barclays forex trading platform)
ABIL: Overall strategic stance can be described as a strong niche in a narrow segment of the market, which is a typical DEFENDER stance. No significant shift in this stance has occurred between 2006 and 2011.	
Through its operating subsidiary African Bank is servicing the growing middle income market with unsecured credit: a) Limited product range b) Narrow focus (low to middle market) c) Differentiation based on pricing, service and distribution d) Expanded into retail furniture market, but focus on financing operations Defining quote: *At the time that the group was created, the majority of South Africa’s population did not have access to housing, electricity and quality education, or the means to acquire these important building blocks to a better quality of life. One of the solutions, in our view, was to provide people with access to unsecured credit*. (ABIL, 2010:22) Described as *affordable*, *responsible,* and *convenient* (fast, easy, accessible)	a) Organic growth through growing the distribution network of branches and ATMs, product sales and customer base b) Market development: developing collection methods for the unbanked population (non-payslip, unbanked credit market) c) Product development: new credit card (limited product range remains key) d) Consolidating: dropping prices, adjusting risk appetite downwards, risk segmentation (for example, longer-term loans at lower rates for less risky customers), use scale of Ellerines to drive costs down (ambitions to be “lowest cost producer”) e) Acquired furniture retailer Ellerines with a view to gaining control of its large debtor book
CAPITEC: Their overall strategic stance can be described as a strong niche in a narrow segment of the market that is a typical DEFENDER stance. While indications have been that Capitec are moving into higher income segments, it is still with the same stance and basic technology. Accordingly no significant shift in this stance has occurred between 2006 and 2011	
As the “new kid on the block”, Capitec is serving a narrow segment of the market with low cost, affordable, convenient, paperless and accessible basic banking services: (a) Objective is to hold a strong position in an underrated market	a) Organic growth through growing and upgrading the distribution

Table 3. Contd

b) Focus is on basic banking services c) Narrow focus (low to middle market) = good service (no business customers, no treasury) d) Located near target market (taxi ranks, train stations) e) Uses technology innovatively to reduce back office operations, offer paperless trading, offer simplicity and speed up customer processes f) Only recently started advertising for the first time Defining quotes: *Although we use plenty of sophisticated technology, the Capitec Bank model is a very old-fashioned one. We borrow long and lend short. We avoid complex products. We have plenty of capital. We manage arrears zealously. These are the main reasons for our stability in turbulent times. (CAP, 2010:10)* *At Capitec Bank, nobody flies business class. (CAP, 2010:12)*	network of branches and ATMs b) Limited product development (eg Internet banking) c) Consolidating: low cost producer through use of technology and innovative pricing, “extremely cost conscious”
FIRSTRAND: Overall strategic stance can be described as innovative and dynamic, constantly searching for new opportunities to grow the business or expand. This is characteristic of a typical PROSPECTOR stance. No significant shift in this stance has occurred between 2006 and 2011.	
As one of the “big four” banks, FirstRand describe their business model as a federal model of managing a diverse portfolio of businesses through the life cycle. Their strategic stance is described as follows: a) Owner-manager culture (although this is slowly being usurped by a “professional manager” culture) b) Entrepreneurship and innovation is emphasised c) Maximising franchise value is the goal d) Unbundling and restructuring of successful businesses such as Momentum and Discovery are part of the life cycle e) Strong focus on Africa with an active interest in selected emerging markets in Africa, Brazil, India and China f) Strong preference for greenfield or accelerated greenfield operations (“grow new age businesses from scratch”) rather than acquisitions of mature businesses Defining quote: *FirstRand’s growth philosophy has its roots in our entrepreneurial culture. The Group believes that every expansion initiative it pursues must make business sense. A FirstRand business will only enter a new market if we believe its core competencies, that have proved successful in South Africa, can provide a sustainable competitive advantage in the new market and that they suit the structure and economics of the new market.* (FIRST, 2008:12)	a) Aggressive organic growth of existing businesses (for example, First National Bank) b) Market development: focus on the empowerment financing market c) Product development: new businesses to establish as greenfield operations (for example, Outsurance) d) Consolidating: focus on increasing efficiencies through collaboration, shared group structure e) Unbundling of mature and successful businesses such as Discovery Health and Momentum f) Replication of core competencies in selected markets g) Alliances with “Best of Breed” partners
INVESTEC: Overall strategic stance can be described as innovative and dynamic, but the group is focused on a narrow segment of the market that it is protecting and growing. This is characteristic of a typical DEFENDER stance. No significant shift in this stance has occurred between 2006 and 2011.	
Investec is a specialist banking and asset management group, focusing on a selected private and	

Table 3. Contd

business client base. Strategic stance is described in the following terms: a) Offers a broad range of services to a narrow base of clients (depth rather than breadth) b) Strongly positioned in SA and UK c) Single, diversified business, balanced portfolio d) Meritocracy, employee ownership e) Niched and focused f) Growth strategy: organic growth with bolt-on acquisitions, "growing the franchise" Defining quote: *Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses. Key to this strategy is our ability to grow our revenue drivers by generating high quality income through diversified revenue streams. We will also continue to focus on growing funds under management, increasing loan growth and transactional activity, and growing customer deposits.* (INV, 2010:19)	a) Organic growth by growing its core SA and UK operations, building recurring income, managed loan growth, increasing non-lending revenue and increasing brand recognition b) Product development: development of global wealth management unit c) Consolidating: focus on building a strong balance sheet and attaining cost efficiencies d) Corporate combinations: acquiring Rensburg Sheppards, N.M. Rothschild (Austria) and HSBC's private client business in SA
NEDBANK: Overall strategic stance can be described as relatively conservative, with controlled exploitation of growth opportunities. This is characteristic of a typical ANALYSER stance. No significant shift in this stance has occurred between 2006 and 2011.	
As one of the "big four" banks, Nedbank is a full service bank offering "quality transactional banking". Nedbank is still catching up with its big four counterparts after a relatively disastrous financial period in 2002 and 2003. Strategic stance is described in the following terms: a) "Vision-led, values driven" (strong focus on "culture as a competitive advantage") b) Ambition to be "Africa's most admired bank" c) Benchmarking with market leaders d) Strong brand focus f) Analytical – benchmarking, scenario planning and market segmentation drive strategic decisions g) Transformation as a differentiator h) Conservative stance – "long-term view" is key Defining quote: *Over the past four years we have focused on training and developing our people and building an organisation that is vision-led and values-driven. We are committed to using corporate culture as a competitive advantage.* (NED, 2007:35)	a) Organic growth of existing businesses through controlled volume growth, brand focus, attracting new clients and providing innovative new products b) Product development: growing non-interest revenues through, for example, wealth management c) Consolidating: focus on increasing group synergies, customer service, turning around the retail banking business, achieving synergies with Old Mutual (corporate owner) d) Unbundling of Business Banking as a standalone business e) Alliance with Ecobank, allowing seamless banking in 33 African countries
SASFIN: The group is focused on a narrow segment of the market (entrepreneurs) that it is protecting and growing. This is characteristic of a typical DEFENDER stance. No significant shift in this stance has occurred between 2006 and 2011.	
Sasfin is a specialist banking group, focusing on entrepreneurial private, commercial and corporate clients. Strategic stance is described in the following terms: a) Offer a broad range of services to a narrow base of entrepreneurial clients – private	a) Product development: development of property financing business, equipment

Table 3. Contd

equity, wealth management, structured financing, securitisation, property financing, short-term insurance b) Entrepreneurial culture c) The key opportunity is serving the entrepreneurial markets that mainstream banks are shying away from Defining quote: *For South Africa to succeed as a winning nation, it must foster the development of entrepreneurial businesses. This has become a neglected market segment particularly following the liquidity squeeze which has affected the entire sector. Sasfin is one of the few South African banks geared to providing the personalized service that this market needs and in so doing, plays a meaningful role in the development of the South African economy and the broadening of opportunities for new business people, many of whom were previously marginalised from the mainstream economy.* (SAS, 2009:38)	rental b) Consolidating by being more conservative in lending activities, pricing appropriately for risk (high risk = high price), turning around corporate financing and financial planning businesses c) Corporate combinations: acquiring SBM, PIB d) Strategic alliances: IFC (part of World Bank) injected capital e) International expansion with the opening of a trade finance office in Hong Kong, establishing Sascred in Jersey
STANDARD: Overall strategic stance can be described as dynamic, actively searching for new opportunities to grow the business or expand. This is characteristic of a typical ANALYSER stance. No significant shift in this stance has occurred between 2006 and 2011.	
As one of the "big four" banks, Standard Bank is a full service bank. Their strategic stance is described in the following terms: a) Full value chain focus b) Replicating capabilities in emerging markets c) Strong focus on Africa (SA as a "mainstay") while exploiting opportunities especially in the BRIC countries and the rest of Africa d) Sees the 20% shareholding by ICBC China as an opportunity to expand internationally (over 30% of assets now outside SA and growing) Defining quote: *The group has been strongly positioned in recent years to take up the opportunities of a growing and transforming South African marketplace. Our strategy is to serve the full spectrum of South African customers, offering products and services from the most basic to the most sophisticated financial services – and to maintain high standards of customer service and cost-effective delivery channels.* (STAN, 2010:7)	a) Organic growth of business volumes b) Market development: business banking focus on government and agriculture, new offerings for low and middle class segments, innovative products for the previously unbanked c) Product development: new businesses to establish as greenfield operations d) Consolidating: retrenchments, restructuring, maintaining and defending position in corporate and investment banking, proactive and vigorous risk management e) Alliance with ICBC China f) International expansion by acquiring a brokerage house in Turkey, establishing a representative office in Angola, merger with ITBC Chartered in Nigeria, acquiring CFC Bank in Kenya and BankBoston Argentina, establishing Standard Bank Argentina and establishing relationships with Troika Dialog in Russia. Several of these investments were reversed after 2009.

marketing. However, as their results have shown, being a defender does not mean being less successful than other competitors. It could be argued that these niche players survived the crisis as well as if not better than their larger counterparts, counter to the suggestion by Miles et al. (1978) that these types of competitors would be more vulnerable to big market shifts.

1) African Bank established a successful business in providing unsecured loans to the growing middle market, and is expanding its business model to the lower income groups (for example, the non-payslip market). Before the Ellerines acquisition, African Bank had the highest ROE of

listed SA banks (55% in 2006 and 61% in 2007).
2) Capitec Bank use technology to provide basic banking services cost-efficiently, affordably and conveniently. They aim for a strong position in an underrated market, and their focus has paid off - in 2010. Capitec had the highest ROE of any listed SA bank (32%), almost double that of the next best performer (FirstRand with 18%).
3) Sasfin Bank focuses on the entrepreneurial market that is generally avoided by the mainstream banks. In this niche, it offers relatively higher prices (for taking on higher risk). While this business is inherently risky, Sasfin has maintained relatively high levels of ROE throughout the five years under review.
4) Investec focus on high net worth individuals and businesses which are less price sensitive and more focused on service quality, even at a premium. They tend to focus on growing organically by expanding the product range to their existing customers.

The big four banks have been classified into two groups. First, the “analysers” (ABSA, Nedbank and Standard Bank) are generally focused on their existing market domain (South Africa, retail banking), and are cautious and conservative in their growth and expansion outside of this domain. They will tend to only expand if the feasibility of such an expansion has been proven and risks are known, and favour market development as a growth strategy.

Only FirstRand were classified as a prospector, as they tend to be more open to a wider range of new opportunities. This is reflected in FirstRand’s investments in successful greenfield operations such as Outsurance (short-term insurance), Discovery (healthcare insurance) and Momentum (long-term insurance) which they then grew organically to success. FirstRand has also not hesitated to unbundle mature businesses such as Discovery and Momentum where it seemed beneficial to the business to do so, suggesting that they are not overly protective of their existing operations.

All the banks share their South African and emerging market focus (albeit for different reasons). The big four banks are also increasingly diversifying into non-lending revenue sources. These characteristics reduced their direct exposure to the subprime crisis and limited their exposure to credit risk. Some generic reactions to the crisis were reflected in the annual reports of all the banks analysed:

1) Transformation and Black Economic Empowerment have been on the corporate agenda since the democratisation of South Africa, and this has not changed. All banks are committed to the transformation process, and Nedbank has even stated that it sees its transformation beyond FSC targets as a strategic differentiator.
2) In light of criticism against bankers’ pay schemes after the crisis several annual reports addressed the issue of remuneration as a separate heading. Some banks also announced their intentions to restructure remuneration to be more sustainable:

This is the way we intend to go forward: with a substantial salary, reflecting the importance of the challenge and the size of the achievements, but no, or a modest, short-term bonus. The same approach is followed with the management team. (CAP, 2009: 13).

3) All of the banks experienced increased credit impairment after the crisis, and all banks reviewed their credit policies and credit risk management strategies. While some of the larger banks (for example, ABSA) reduced their loans and advances, smaller niche players such as Capitec and African Bank grew their loans and advances aggressively (perhaps as a result of the larger banks shrinking their loans and advances) with no significant increases in impairments, suggesting that these banks had learnt the hard lessons from the crisis:

We set stricter selection criteria for borrowers who needed a loan, and put emphasis on the quality of the employer of a prospective borrower. The results have been impressive and our bad debt ratio ... decreased from 14.5 to 9.8%. (CAP, 2010:10).

However, these aforementioned issues also highlight the impression management (Bhana, 2009) aspects of the annual report. While several reports mentioned participation and cooperation in the investigations into high South African banking charges, nothing materially has been done to reduce these costs and banking charges were still on the government agenda in 2011 (Ndzamela, 2011). Similarly, executive pay in general and the remuneration of bankers in particular were still a matter for public debate in 2011 (Derby and Anderson, 2011), despite assertions by banks that their policies in this regard were being scrutinised.

Overall the analysis showed that South African banks have been operating in a stable industry environment with a sophisticated and stable regulatory framework, and this stability has enabled banks to enact long-term and stable corporate and business strategies. In the next section we conclude the paper.

Conclusion

The research set out to understand how South African banks reacted to the global financial crisis by way of their strategic stance and strategic actions. To do this the Chairman’s and CEO’s reports in the annual reports of eight banks for 2006 though 2011 were analysed (40 reports in total).

In the first instance, it was clear that the regulatory environment was stable and sophisticated, and strategies for implementing key regulations (such as Basel II earlier and the National Credit Act) to protect banks and consumers were in place before the crisis. Therefore, the regulatory authorities did not have to react, for example by injecting liquidity into markets. Despite some criticism from banks on specific aspects of legislation or regulation, they were generally in agreement with the need for legislation and spent a lot of time and effort on aligning themselves with the spirit and the letter of the laws and regulations. The high levels of compliance and the proactive introduction of regulations and laws were of immense benefit to the South African banking industry. Other structural and industry drivers also played a key role in ensuring the relatively unscathed survival of South African banks. These drivers include the relatively conservative and inward focus of South African banks, reducing their direct exposure to the subprime crisis in the USA and elsewhere.

On the other hand, the analysis showed a large measure of strategic sophistication and stability among South African banks. No bank changed their core strategy as a result of the financial crisis, although some tactical changes were obviously required. The results also suggested that the South African industry is well balanced, with no single dominant player, and that South African banks are generally conservative in their growth strategies. There are three key findings from this analysis. First, it is encouraging that, despite theoretical indications to the contrary, defenders were able to survive the market shift in good shape, even those dealing with the lower end of the market. Second, it is apparent that the three analyser types (ABSA, Nedbank and Standard Bank) follow very similar strategies, and the lack of clear strategic differences in domain and technology is somewhat disappointing. Third, it is perhaps of some concern that only one prospector emerged from the analysis and that more banks are not willing to expand their domains more innovatively.

With regard to directions for future research, repeating similar research in other geographical contexts and industries may assist in developing more generalizable results about the role of strategic stance and industry structure in surviving economic and other crises. Research on the perceptions of potential investors and other key stakeholders of the role and perceived content of Chairman and CEO reports may shed some light on the extent to which these documents lower the signal-to-noise ratio. In an era where annual reports and reporting practices has become so much more than just a set of financial results, the broadening of reporting scope to include, for example, risk management practices, annual reports have become potentially rich sources of qualitative information on management practices. The value and potential of annual reports is another possible area for future research.

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