

STRATEGIC SOLUTIONS FOR ARCELORMITTAL: ANALYZING AND ADDRESSING CURRENT PROBLEMS IN SOUTH AFRICA

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Theses guidelines

Introduction

Define the objectives of the thesis and the methods used.

I. Theoretical part

- Conduct literature review focusing on strategic analysis, decision-making, and crisis management.

II. Practical part

- Describe ArcelorMittal and the current problems in Ghana.
- Analyze ArcelorMittal using methods of strategic analysis amidst the current situation.
- Propose recommendations for ArcelorMittal in order to address the current situation.
- Subject the proposed recommendations to cost, time, and risk analysis.

Conclusion

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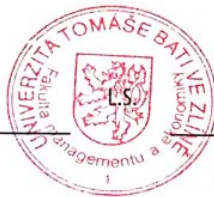
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ABSTRAKT

Koncept strategického řízení se stal klíčovou součástí podnikových strategií pro řízení zdrojů a efektivní zlepšování výkonnosti. Vliv strategického řízení na výkonnost podniků v období inflace a energetické krize je předmětem značného zájmu akademických výzkumníků a odborníků z praxe. Tato studie si klade za cíl empiricky prozkoumat vztah mezi strategickým řízením, inflací a výkonností podniku v kontextu společnosti ArcelorMittal South Africa.

Studie využívá smíšený přístup a čerpá z kvantitativních i kvalitativních dat ze vzorku jihoafrického podniku ArcelorMittal. Kvantitativní analýza zkoumá finanční výkonnost podniku měřenou metrikami, jako jsou výnosy, ziskovost a návratnost aktiv, a rozsah, v jakém postupy strategického řízení a makroekonomické faktory, jako je inflace a přerušování dodávek energie, ovlivnily výkonnost. Za tímto účelem byl 103 manažerů společnosti ArcelorMittal South Africa vybrán vhodný vzorek a k analýze shromážděných dat bylo použito modelování strukturálních rovnic v přístupu PLS.

Zjištění z analýzy finančních ukazatelů společnosti ArcelorMittal prokázala jak vzestup, tak pokles výkonnosti společnosti. Tři analýzy vysvětlily, že firma byla v roce 2022 produktivnější ve srovnání s lety 2019, 2021 a 2023. Výsledky PLS-SEM ukázaly, že energetické krize a míra inflace mají pozitivní a podstatný pozitivní dopad na strategické řízení. A co je nejdůležitější, strategické řízení se ukázalo jako klíčový prediktor výkonnosti podniku. Závěry této studie poskytují cenný vhled do role strategického řízení při zmírňování negativních dopadů inflace a energetických krizí na výkonnost podniků. Jsou diskutovány implikace studie pro teorii i praxi a jsou identifikovány budoucí směry výzkumu.

Klíčová slova: Strategické řízení, výkonnost podniku, inflace, energetické krize, ArcelorMittal Jihoafrická republika.

ABSTRACT

The concept of strategic solutions has become a crucial component of enterprise strategies to manage resources and effectively improve performance. The impact of strategic solutions on enterprise performance during periods of inflation and energy crises has been a topic of significant interest among academic researchers and industry practitioners. This study aims to empirically investigate the relationship between strategic solutions, inflation, and enterprise performance in the context of ArcelorMittal South Africa.

The study utilizes a mixed-methods approach, drawing on both quantitative and qualitative data from a sample of ArcelorMittal South African enterprise. The quantitative analysis examines the financial performance of the enterprise, as measured by metrics such as revenue, profitability, and return on assets, and the extent to which strategic management practices and macroeconomic factors, such as inflation and energy supply disruptions, have influenced performance. To achieve this, 103 managers of ArcelorMittal South Africa were conveniently sampled and the structural equation modelling in the PLS approach was utilized to analyse the data collected.

The findings from the financial ratio analysis of ArcelorMittal demonstrated both an upsurge and down surge in the performance of the company. The three-analysis explained that the firm was more productive in 2022 compared to 2019, 2021, and 2023. The results from the PLS-SEM showed that energy crises and inflation rates have a positive substantial impact on strategic management. Most significantly, strategic solutions emerged as key predictors of enterprise performance. The findings of this study provide valuable insights into the role of strategic solutions in mitigating the negative impacts of inflation and energy crises on enterprise performance. The study's implications for both theory and practice are discussed, and future research directions are identified.

Keywords: Strategic solutions, ArcelorMittal, current problems, South Africa.

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INTRODUCTION

1.1 Background of the study

In today's dynamic global economy, enterprises face numerous challenges that can significantly influence their performance. Two particularly critical challenges are periods of inflation and energy crises, which can have profound implications for strategic solutions and organizational outcomes (Zhabin, 2023; Edwards, 2021). Strategic management, defined as the formulation and implementation of strategies to achieve organizational goals, plays a pivotal role in navigating these turbulent economic conditions. One key aspect of strategic solutions that has been explored in the South African context is the use of strategic planning techniques by small, medium, and micro-scale enterprises (Rambaruth et al., 2022). Strategic planning is a critical component of an organization's ability to adapt to changing market conditions and achieve its objectives. The South African economy has faced significant challenges in recent years, including periods of high inflation and energy crises (Meyer, 2018). These macroeconomic factors have had a substantial impact on the performance of enterprises in the country. During periods of inflation, enterprises encounter increased costs of goods and services, reduced purchasing power of consumers, and heightened uncertainty in financial markets (Oliveira et al., 2023). According to Wu & Liu, (2022) effective strategic management becomes crucial as firms must adapt their pricing strategies, manage costs, and explore alternative supply chains to maintain competitiveness and profitability. Moreover, the energy crises, characterized by fluctuations in energy prices and supply disruptions, pose additional challenges for enterprises reliant on energy-intensive processes such as manufacturing and transportation (World Energy Outlook 2023, 2023).

The current issues of high inflation and energy importation has become a critical concern for steel manufacturing firms in South Africa. According to the report of the

International Institute for Sustainable Development 2024, South Africa's fuel subsidy has reached a record high of 7.5 billion dollars. Inflation is the rate at which the general level of prices for goods and services rises, causing a decrease in the purchasing power of money. It is typically expressed as an annual percentage rate (Frisch, 1984). Commonly measured by indices such as the Consumer Price Index (CPI) and the Producer Price Index (PPI), inflation reflects the cost of living and the cost of doing business. Figure 1 displays the inflation rate movement within South Africa and how it has impacted steel manufacturing enterprises. While energy crises refer to significant disruptions in the supply or availability of energy resources, such as oil, natural gas, or electricity. These crises can be caused by a variety of factors, including geopolitical conflicts, supply chain disruptions, natural disasters, or underinvestment in energy infrastructure. The combination of high inflation and energy crises can have a significant impact on the performance of enterprises, particularly in emerging economies like South Africa. The literature suggests that strategic management practices can play a critical role in helping enterprises navigate these macroeconomic challenges and maintain their competitiveness and profitability. (Jacobs and Maritz, 2020; Mkhonza and Sifolo, 2022). Strategic solutions has recently become the initiative through which an organization's top management based on consideration of resources and an assessment of the internal and external environments. Which is the organization's formulation and implementation of major goals during periods of inflation and energy crises.

Empirical studies suggest that strategic solutions practices significantly influence enterprise performance amidst economic volatility. According to Porter's seminal work on competitive strategy, firms that effectively differentiate their products or achieve cost leadership are better positioned to withstand economic shocks (Porter, 1997). This strategic resilience is further underscored by Mintzberg's concept of emergent strategies, which emphasizes the adaptive nature of strategic solutions in response to environmental changes

(Mintzberg et al., 1976). This is particularly concerning given the challenges posed by the 2020 global economic downturn, which had a significant impact on entrepreneurs and enterprises in South Africa (Alagoz & Alghawi, 2023). In the context of Jordan, Batayneh et al., (2021) inspected the financial sector and how inflation influences their operations. The findings from data curation between 1993-2018 indicate that inflation had a material impact on these firms. Pamivitset and Suttipun (2024) investigated Thailand's manufacturing on 187 enterprises. By employing the questionnaire survey approach, the outcome from the research established that strategic management accounting had a favorable effect on both economic and environmental performance. Within the OPEC communities, Yu et al., (2024) explored how inflation affects their policy formulations. The econometric method of FMOLS and DOLS was utilized to identify the link between the variables. The results demonstrated that inflation rate had a significant impact on firms' operations. From a global perspective, Kamber and Wong (2020) examined twenty-one emerging communities. The findings established that developed nations were more resistant to global factors like inflation, stock shocks, and energy crises.

Strategic solutions significantly influence organizational performance by enabling businesses to utilize advanced technologies that streamline operations, enhance decision-making processes, and improve customer engagement (Bouarar, et al., 2023; Li et al. 2023). This transformative journey involves integrating strategic management planning into all areas of a business, fundamentally changing how it operates, and delivering value to stakeholders. By automating processes, utilizing big data analytics, and adopting cloud-based solutions, organizations can achieve higher efficiency and adaptability (Kolasani 2023). These changes often lead to cost reductions, improved service delivery, and the creation of new revenue streams. Moreover, strategic solutions encourages a culture of innovation, helping businesses stay competitive in rapidly changing markets (Asif and

Hashim, 2024; Khanom 2023). The impact on organizational performance is measurable across various metrics, including increased productivity, enhanced employee engagement, and improved financial outcomes. As organizations become more responsive to strategic solutions trends and customer needs, they not only survive but thrive in the digital age Corvello et al. (2023), showcasing a direct correlation between effective strategic solutions planning and enhanced organizational performance, particularly ArcelorMittal South Africa.

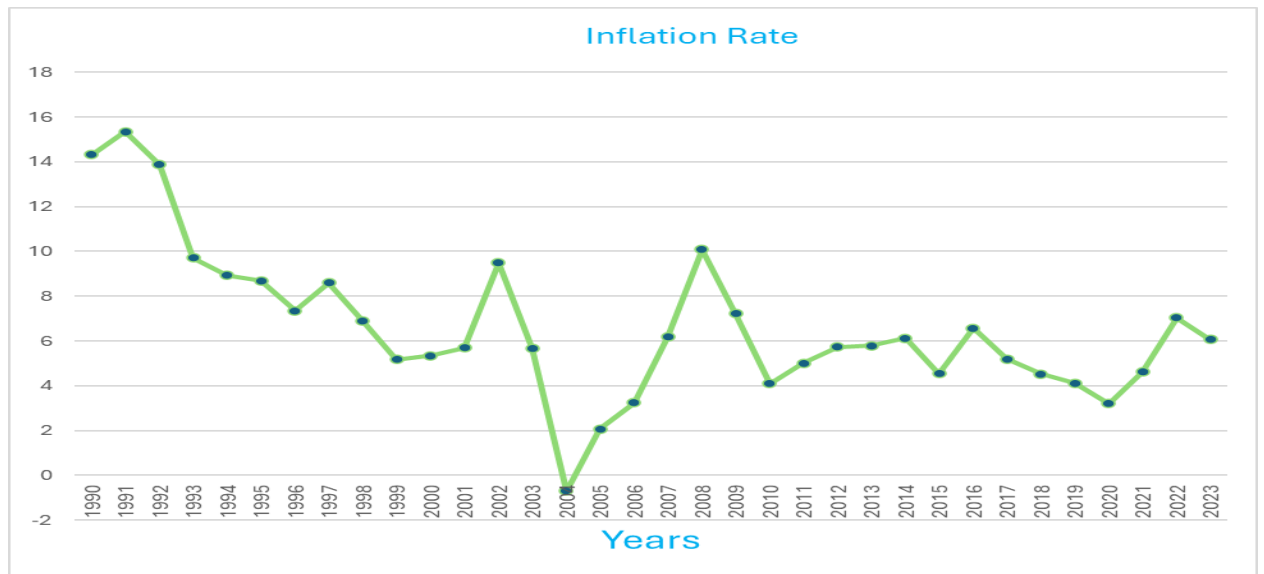


Figure 1: South African Inflation rate. Source: Author owns, 2024

This study focuses on ArcelorMittal South Africa, a leading steel manufacturer facing the dual challenges of inflation and energy crises. As illustrated in Figure 2, South Africa has been going through a loadshedding process that affects production. Examining the strategic solutions practices adopted by ArcelorMittal South Africa during these periods, this research aims to provide empirical evidence of how strategic solutions influence enterprise performance in times of economic instability. The research will adopt mixed methods of data analysis to present a comprehensive understanding of the variables. This will be done through interviews and questionnaire collection to gather the needed information to establish a policy framework for management and government.

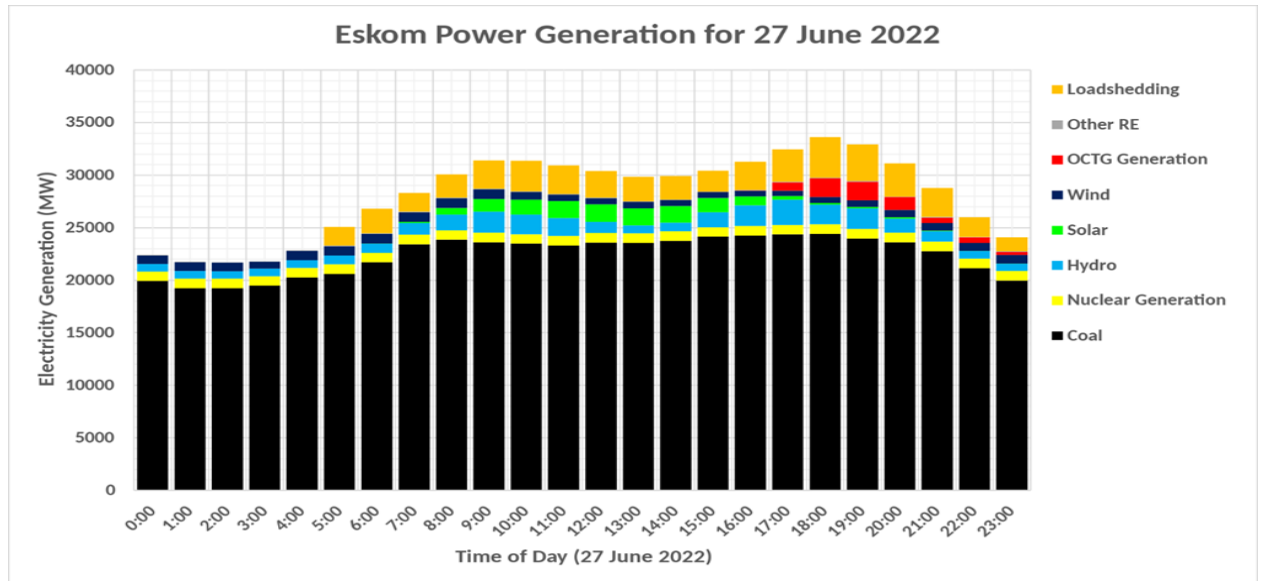


Figure 2: Loadshedding in June 2022 Source: Author owns, 2024

1.2 Problem statement and research gaps

This study focuses on ArcelorMittal South Africa, a leading steel manufacturer facing the dual challenges of inflation and energy crises. Investigating the strategic solutions practices adopted by ArcelorMittal South Africa during these periods, this research aims to provide empirical evidence of how strategic solutions influence enterprise performance in times of economic instability. Understanding these dynamics is crucial not only for academic research but also for informing practical strategies that enhance organizational resilience and sustainability. Through a detailed analysis of strategic decisions, resource allocation strategies, and performance efficiency, this inspection contributes to the broader literary work on strategic solutions under adverse economic conditions. Establishing empirical evidence from ArcelorMittal South Africa, this research aims to offer insights that can guide executives and policymakers in navigating future economic uncertainties effectively. Furthermore, exploring the variables of strategic management, inflation, and energy crises interactions demonstrates a critical area of investigation for understanding organizational resilience and performance. This study seeks to expound on these dynamics through a

focused empirical investigation of ArcelorMittal South Africa, contributing valuable insights to both academic literature and managerial practice.

1.3 Research objectives

1. To examine the impact of strategic solutions practices on the performance of enterprises in South Africa.
2. To investigate the extent to which Steel enterprises in South Africa engage in strategic planning and solutions to mitigate inflation and energy crises.
3. To identify the key barriers that prevent effective strategic planning among South African enterprises.

1.4 Significance of the study

The significance of this study lies in its ability to provide empirical evidence on the role of strategic solutions in shaping the performance of enterprises in South Africa during periods of economic turmoil. Evaluating the strategic planning practices of South African enterprises, particularly steel businesses, this research aims to expand on the key factors that enable or hinder effective strategic solutions in the face of macroeconomic challenges such as high inflation and energy crises.

The findings of this investigation will be of interest to policymakers, enterprise leaders, and academic researchers. For policymakers, the outcomes generated by this research can inform the development of targeted interventions and support programs to strengthen the strategic management capabilities of South African enterprises, particularly in the steel sector.

For enterprise leaders, the study's findings can provide valuable guidance on the strategic planning techniques and management practices that are most effective in navigating periods of economic volatility such as inflation, energy crises, or pandemics.

Furthermore, this research will contribute to the broader academic understanding of the nexus between strategic solutions and enterprise performance, particularly in the context of emerging economies facing complex macroeconomic challenges.

1.5 Structure of the thesis

This section presents the outline of this research thesis as displayed in figure 3 below.

Chapter 1 will cover the study introduction, research problems and gaps, objective and significance.

Chapter 2 presents the literature review with definition of teams, theories, and hypothesis development.

Chapter 3 illustrated the methodology employed in data collection, analysis of data on the variables relationship, and the discussions of the results from the analysis.

Chapter 4 Discusses the conclusions, managerial and policy implications, and finally, the limitation of the research is presented with further research directions.

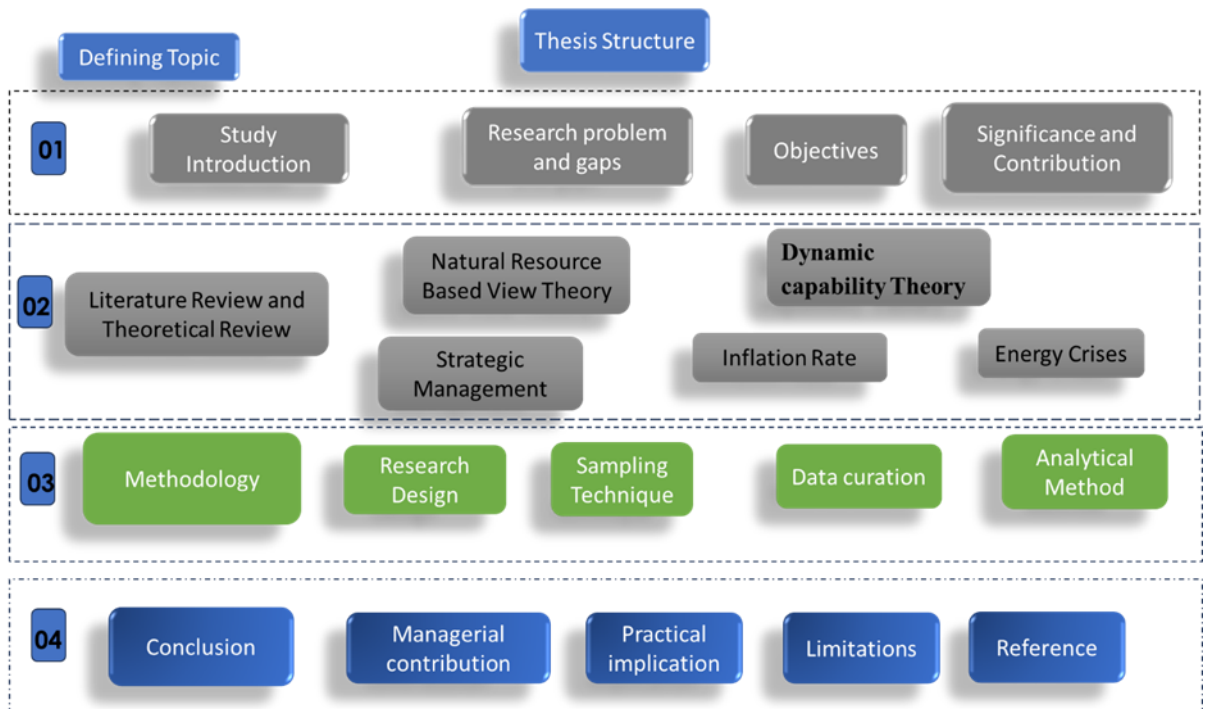


Figure 3: Structure of the thesis

Source: Author owns, 2024

THEORY

2.1 The History of ArcelorMittal South Africa

One of the most significant South Africans of the 20th century, Hendrik van der Bijl, was the impetus behind the founding of the South African Iron and Steel Industrial Corporation (IsCOR). IsCOR was founded as a state business under the Iron and Steel Industry Act, No. 11 of 1928, and began operations in Pretoria. The company was founded to produce iron and a variety of other things, as well as to create jobs. In 1934, the Pretoria facility began to produce goods. Additionally, the first steel was extracted from the Pretoria Works' open-hearth furnace on April 4, 1934. The need for steel during the war and the local production of many commodities led to a rapid rise in demand. The Pretoria works had reached their maximum size, and IsCOR needed to enlarge. Dr. van der Bijl and the other directors determined in 1941 that it was time to expand into a new region. A new steelwork in Vereeniging was once again considered. It was decided to start construction on a plate rolling mill to eventually integrate it into a larger integrated steelworks to meet the urgent needs of the war. West of Vereeniging, the topography along the Vaal River was perfect for development.

The location was downstream of the pumping station intake of the Rand Water Board, and there was enough slope for drainage towards the river. The heavy industries could be placed at a location that minimizes the risks of pollution, ideally on relatively high ground and facing the prevailing winds. Dr. van der Bijl persuaded the IsCOR directors that the Vaal River area was the ideal location for the company's new steelworks. A short distance from Vereeniging, the African Metals Corporation (Ammcor) was founded in 1937 following the discovery of iron ore in Thabazimbi. 1943 saw the completion of the Plate Mill's construction and the start of production. IsCOR began doing business in 1947. It was decided to construct a fully integrated steel plant at Vanderbijlpark immediately following the war, and

construction on this project got underway in early 1947. The Vanderbijlpark Works were formally opened on October 4, 1952, by His Excellency, Governor General Dr. E.G. Jansen. 1953 saw the opening of several new production units, while 1956 and 1960 saw the implementation of significant growth plans. At Vanderbijlpark Works, a second phase of construction began in 1964 and continued until 1969. To provide higher quality and value-added goods like electrolytic tinplate for the canning and beverage industries, large extensions were made, while older factories were modernized. The South African government chose to build Iscor's third fully integrated steelworks at Newcastle on May 17, 1969. The primary driving forces behind this decision were to encourage industrial decentralization and move industry away from the Witwatersrand complex. development in South Africa's best-watered area, Natal. Newcastle was selected because it was a border area with a sufficient labor supply, the Amcor ironworks could be taken over to reduce initial capital costs, and it would give the iron, which was being exported to Yawata, Japan, a new home (the contract for which was about to expire), a way to be used.

Newcastle's location on major rail and road routes between Johannesburg and Durban, the availability of basic utilities like electricity and water, and the town's existing infrastructure with a settled population were additional contributing factors. Even though the ore would need to be transported 1,000 kilometers from Sishen, there was close coking coal accessible, and the economics were generally positive. It was determined that a factory with an ultimate capacity of 8 million tons of liquid steel annually would serve both profile and flat products. The extension to flat goods has been postponed indefinitely because of subsequent changes in the steel markets, and the current capacity is around 2,00 million tons of liquid steel. The biggest growth phase for Vanderbijlpark Works took place between 1972 and 1977. With the commissioning of electric arc furnaces and basic oxygen furnaces, the steel-producing processes were modernized, and the iron-making facilities expanded. South

Works constructed a color coating line, while North Works, a brand-new facility, was built to produce wide hot-rolled, cold-rolled, and galvanized items. The Corporation made significant decisions on its future strategy in 1981. The country's impending scrap crisis combined with a lack of high-grade coking coals resulted in the decision to order a 720 000 tons per year coal-based kiln type direct reduction plant at Vanderbijlpark Works. It was determined to gradually remove the coke ovens, blast furnaces, and steel conversion facilities from Pretoria's metallurgical plants due to their extreme age, unreliability, and pollution. A new facility that was initially powered by scrap and electric arc was built in their place. furnaces, to which an iron-making plant was eventually added. The capacity of the works to produce steel would be lowered to roughly 900 000 tons of liquid steel annually, and some of the outdated rolling mills would also be shut down. The broad recession that occurred at the end of the 1970s and the beginning of the 1980s brought a catastrophe for the global steel industry. Since South Africa was not spared from this recession, local steel consumption decreased. The steel industry experienced a global oversupply. market in which export prices have dropped to unprofitable levels. Iscor was consequently compelled to close the two oldest blast furnaces at Pretoria Works and the so-called South Works at Newcastle, which had been acquired from Amcor just ten years prior, early in 1982.

2.2 Definition of terms

2.2.1 Strategic solutions

Strategic solutions are a comprehensive and ongoing process that organizations use to set goals, identify and evaluate internal and external factors that influence those goals, formulate strategies, implement them, and monitor their progress (Rebuya and Gasga, 2022). The ultimate aim is to achieve long-term objectives and sustain competitive advantage in a dynamic business environment. It is a critical component of an enterprise's ability to navigate

complex and volatile economic environments, as it allows them to align their goals, resources, and capabilities with the shifting market conditions (Mkhonza and Sifolo, 2022). For ArcelorMittal South Africa to mitigate its problems of inflation and energy crises, the firms have to explore the external and internal analysis of the firm.

External analysis encompasses the external environment to identify opportunities and threats. Part of this process involves looking at things like market tendencies, level of competition, economic climate, technical developments, and changes in regulations (Porter, 1980). ArcelorMittal South Africa can employ tools such as Porter's Five Forces and PESTEL analysis, which stands for Political, Economic, Social, Technological, Environmental, and Legal. While the internal analysis assesses the internal environment of a company in order to find its advantages and disadvantages. Examining the company's culture, core competencies, resources, and capabilities is part of this process. Analysis methods like SWOT (Strengths, Weaknesses, Opportunities, Threats) are commonly employed.

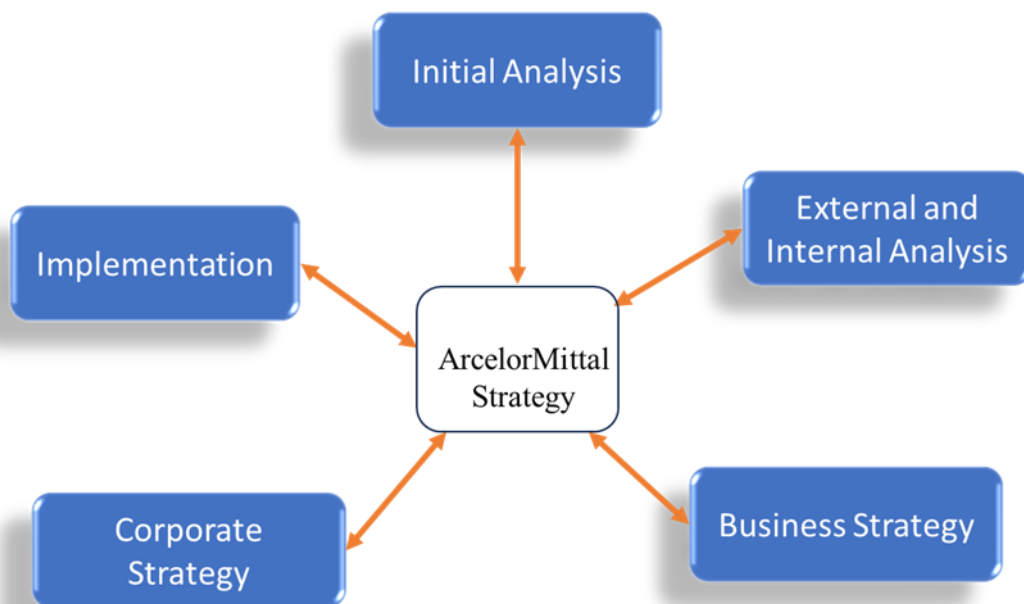


Figure 4: ArcelorMittal South Africa Strategy Source: Author owns, 2024

2.2.1.1 PESTLE Model

The PESTLE analysis provides a comprehensive overview of the external factors impacting the strategic management of ArcelorMittal South Africa. Political factors include government support for strategic management initiatives, which create a favorable regulatory environment, although political instability could pose risks. Economic factors highlight the benefits of economic growth and increased internet penetration, though economic fluctuations can affect investment capabilities. Social factors underscore the growing digital literacy and changing consumer behaviors towards digital services, while social inequalities in digital access can limit market reach. Technological factors emphasize the rapid advancement and adoption of new technologies, offering opportunities for innovation but also necessitating continuous investment and adaptation to stay competitive. Table 2.1 provides a detailed understanding of how each PESTLE factor influences the strategic management of ArcelorMittal South Africa during period of inflation rate and energy crises and overall organizational performance.

Table 2:1 PESTLE analysis of ArcelorMittal South Africa

Category	Factors	Impact on organizational performance
Political	Government policies supporting digitalization	Creates a favorable environment for digital transformation initiatives, enabling smoother implementation of technology-driven projects.
Economic	Economic growth and potential cost	Economic growth in Nigeria supports investment in digital technologies, while cost savings from

	savings	operational efficiencies improve financial performance and competitive positioning.
Social	Increasing digital literacy and internet penetration	Enhanced ability to reach and engage with a digitally-savvy customer base, improving customer satisfaction and loyalty through better service and communication channels.
Technological	Rapid advancements in digital tools and solutions	Offers opportunities for innovation, improved operational efficiency, and competitive advantage, but requires continuous investment to stay current with technological advancements and industry standards.
Legal	Compliance with digital regulations and data protection laws	Ensures that the company adheres to legal requirements, avoiding penalties and building trust with customers through robust data protection and privacy measures.
Environmental	Sustainability Through digital solutions	Digital technologies can help optimize resource use and reduce waste, contributing to the company's sustainability goals and enhancing its corporate social responsibility profile.

2.2.1.2 SWOT analysis

The SWOT analysis of strategic solution impact on ArcelorMittal South Africa organizational performance reveals several key insights. Strengths include enhanced operational efficiency through automation, improved decision-making capabilities from advanced data analytics, and better customer engagement via digital platforms. Weaknesses encompass the high initial costs of digital infrastructure and potential resistance to change among employees. Opportunities lie in expanding market reach, fostering innovation, and developing new products and services facilitated by strategic management. However, threats such as cybersecurity risks and the need to keep pace with rapid technological changes pose significant challenges. By addressing these factors, ArcelorMittal South Africa can effectively leverage strategic management to boost its competitive edge and achieve sustainable growth as displayed in table 2.2

Table 2.2 SWOT approach for digital transformation

Factor	Description
Strengths	<ul style="list-style-type: none"> - Enhanced operational efficiency through automation - Improved decision-making capabilities from advanced data analytics - Better customer engagement and satisfaction through digital platforms - Streamlined supply chain management and inventory control
Weaknesses	<ul style="list-style-type: none"> - High initial investment costs for digital infrastructure - Resistance to change from employees and management

	- Dependence on continuous technological updates and training
Opportunities	<ul style="list-style-type: none"> - Market expansion through digital channels - Increased innovation and development of new products and services - Enhanced competitive advantage through superior digital capabilities - Potential for partnerships and collaborations with tech firms
Threats	<ul style="list-style-type: none"> - Rapid technological advancements requiring ongoing investment - Regulatory compliance challenges with digital and data protection laws - Economic fluctuations impacting investment capacity and cost structures

2.2.2 Inflation rate

Inflation is the rate of increase in prices over a given period. Inflation is typically measured in broad terms, such as the general price increase or increase in a nation's cost of living. On the other hand, it can also be calculated more accurately for certain goods and services, such as food and haircuts. Any measure of the rise in the price of the relevant set of goods or services over a certain period, typically a year, is called inflation. (Madbouly, 2020). In macroeconomic models, several decisions, including borrowing, saving, and pay negotiations, are influenced by inflation expectations. Expectations on inflation therefore have a direct impact on actual inflation. Policymakers therefore closely monitor inflation expectations as a critical element. (Inflation Expectations, 2023). The development of a swift

policy response in the event of an economic crisis typically takes precedence over worries about inflation. However, to forecast how well monetary and fiscal policy actions will cascade to the real economy, it is imperative to monitor how inflation expectations change throughout a crisis. Families and enterprises should shift their consumption from the future into the present if they expect significant future inflation, for instance. Furthermore, it is critical to monitor inflation perceptions to ensure that they sustain the objectives of long-term monetary policy (Poloz, 2021). If inflation expectations start to deviate from the central bank's stated or implied objectives, they can become permanently "un-anchored," which might make it more difficult for the central bank to achieve its objectives of stable prices and maximum employment (Mertens and Williams, 2019). Two major categories can be used to broadly categorize the main causes of inflation: 1. demand-pull and 2. cost-push inflation. As their names suggest, "demand-pull inflation" is driven by changes on the demand side of the economy, whereas "cost-push inflation" is the outcome of rising input costs on the supply side. Inflation can also result from "inflation expectations," or the beliefs that individuals and organizations have about how prices will change over time. This implies that real prices may be impacted by predictions about future pricing. When analyzing and projecting inflation, the Reserve Bank considers several factors (Nakata & Schmidt, 2022).

2.2.3 Energy crises

The term energy crisis is usually defined as any significant shortage in energy supply to a country or region (Alquist et al., 2013). More precisely, the phrase is intended to describe a lack of a particular energy source in a particular location at a particular moment. Since energy is one of the necessities required to keep our society functioning, it should be abundant and secure (Ajao et al., 2021; Paravantis and Kontoulis, 2020). The industrialized world's progress in the twenty-first century is mostly dependent on electrical energy. The disruption of energy supply for any reason can have significant economic and social

consequences for a country or region. Energy crises can be caused by a variety of factors, such as. (Coibion et al., 2020)

2.2.3.1 The causes of the Energy crisis

Large-scale power outages are happening more frequently as our dependency on electricity increases and supply-demand management becomes more difficult, according to Poudyal, et al. (2019). This directly hurts state economies because there are other important factors causing the energy crisis, including:

Overconsumption: The total demand for energy is growing faster than the rate of population growth. Energy is not being utilized to its maximum potential or disseminated properly at the same time.

Inadequate infrastructure: It is too expensive to maintain the outdated power generation and distribution systems.

Inconsistency between the production and consumption of energy: Energy supply cannot keep up with rising demand, so complex energy management techniques are required.

Underutilization of renewable energy sources: Even though things are slowly improving, many countries continue to make little use of their vast renewable energy resources.

Energy waste: Most people do not realize how crucial it is to conserve energy. Similar issues are prevalent in many other countries, such as energy theft.

Natural disasters and accidents: Over time, pipeline explosions, cyberattacks, and natural disasters like hurricanes, earthquakes, and floods damage the electricity system.

Wars and civil unrest: Political and public unrest, as well as wars, can seriously impair the energy supply.

Inadequate energy storage: To meet future demands, energy may need to be continuously enhanced in storage capacity while being stored until it is needed.

2.2.3.2 Types of alternative energy power

The demand for energy from people will rise in the next years because of the growing global population, the expansion of industrial activity, and the improvement of living standards. Carbon dioxide emissions and global warming are caused by conventional fossil fuels like coal and oil (Caciuffo et al., 2020; Szmyd, 2016). Researchers around the world are very concerned about renewable energy sources. Researchers are working on ways to replace the usage of fossil fuels with alternative, renewable, and sustainable energy sources due to the growing cost of fossil fuels and its accompanying effects on the environment worldwide (Deshmukh et al., 2023; Halkos and Gkampoura, 2020). In order to keep up with global population growth and technological advancements, there is an increasing need for natural gas, coal, and chemical batteries, all of which contribute to greenhouse gas emissions and environmental deterioration. As a result, effective renewable energy sources such as solar, wind, wave, tide, acoustic, geothermal, heat, and kinetic energy are being investigate and developed as substitutes for traditional energy solutions for a variety of present and future energy issue (Salvarli and Salvarli, 2020; Deshmukh et al., 2023).

Solar Energy

Solar power is solar radiation that has been transformed into electrical or thermal energy. The most abundant and cleanest renewable energy source is solar energy. This energy can be captured by solar technology and used for a number of purposes, such as producing power, lighting, or a comfortable interior space, as well as heating water for residential, commercial, or industrial use. (Solar Energy Industries Association, 2024).

Windmill Energy

According to Enel Spa, one term for wind turbines is "the windmills of the third millennium." They generate power, a vital resource, by utilizing air currents. An apparatus that transforms wind energy—a sustainable and natural resource—into electrical power is known as a wind turbine, wind generator, or wind turbine generator. A wind turbine performs the opposite of what a ventilator or fan does—it harnesses the wind to create electricity. Additionally, as there are less obstructions in the wind's path, the wind is stronger the taller the turbine. The wind's aerodynamic force is used by the turbine's blades, which resemble an airplane or helicopter's propellers, to turn a rotor, which in turn spins a generator. Electricity is produced by this process and is typically fed into the grid. Either onshore or offshore wind turbines are those that generate electricity for the grid. (Hassan, 2018). Wind farms are groups of wind turbines combined. In 2022, wind energy generated 7.33% of the world's electricity. This number is rising annually. Due to its lack of pollution compared to electricity generated from fossil fuels, wind energy is becoming more and more popular. (Enel Spa).

1.5.1 Organizational performance

Organizational performance refers to how effectively and efficiently an organization meets its goals and objectives (Akhlagh et al., 2022). It encompasses a range of metrics, including financial results (like revenue, profit margins, and return on investment), operational efficiency (such as productivity levels, quality of output, and customer satisfaction), and strategic positioning (market share, innovation rate, and competitive advantage). High organizational performance indicates that the organization is successful in leveraging its resources and capabilities to achieve desired outcomes, adapt to market conditions, and sustain growth over time. Effective measurement and management of organizational performance are crucial for long-term viability and success (Pertheban et al. 2023).

2.3 Theoretical Review

2.3.1 Dynamic Capability Theory

Dynamic Capability Theory (DCT) posits that in rapidly changing business environments, the ability of a firm to systematically and successfully address these changes is a critical component of competitive advantage (Sarwar et al., 2023). At the core of DCT is the notion that certain business processes enable organizations to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Ajgaonkar, 2024). This theory diverges from static views of capability and suggests that it's not only the resources a firm control that matter but how it orchestrates changes to these resources and adapts its operations. It emphasizes three main types of capabilities: sensing opportunities and threats, seizing opportunities, and maintaining competitiveness by enhancing, combining, and protecting resources. Expanding further, DCT integrates the learning and evolutionary aspects of organizational growth. Organizations with strong dynamic capabilities are adept at learning from their environments and can experiment with potential responses to emerging trends. This theory is particularly relevant in sectors driven by technological advances and consumer preferences, where the lifecycle of products and services is increasingly shortened. It provides a framework for understanding how continuous adaptation and change management are crucial in fostering long-term sustainability and growth in dynamic markets (see Figure 5).

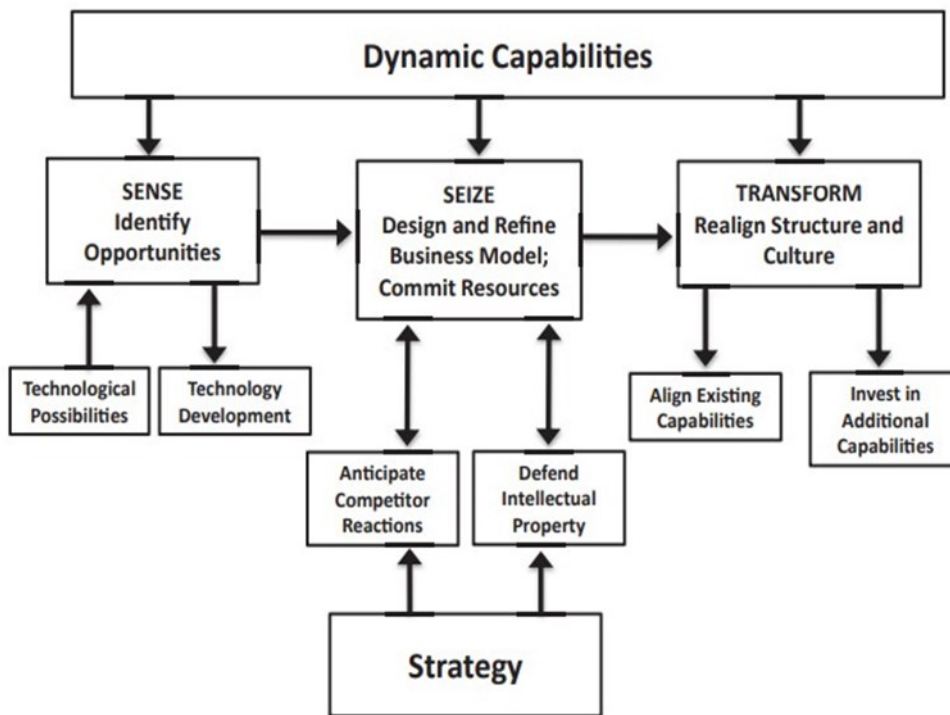


Figure 5: Application of DCT Source: (Teece 2018)

2.3.2 Resource-Based View (RBV)

The Resource-Based View (RBV) is a strategic management theory that posits that the key to a firm's competitive advantage lies in its ability to utilize its internal resources effectively (Barney et al., 2001). These resources, which can be tangible or intangible, must be valuable, rare, inimitable, and non-substitutable (VRIN criteria) for them to provide a sustainable competitive advantage (Barney 1996). Tangible resources include physical assets like equipment and capital, whereas intangible resources encompass things like brand reputation, proprietary knowledge, and organizational culture (Figure. 6). The theory suggests that by identifying and leveraging these unique resources, firms can develop capabilities that are difficult for competitors to replicate or substitute.

Expanding further, the RBV emphasizes that simply possessing unique resources is not enough; firms must also be adept at deploying these resources where they can generate

the most value (Pigola et al. 2022). This requires a deep understanding of organizational processes and the market environment to align resources with strategic opportunities effectively. Additionally, the RBV theory posits that the sustainability of competitive advantage depends on the dynamic capabilities of the firm. Its ability to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments (Glaser and Strauss 2017). Over time, this view has evolved to not only focus on the static capabilities of firms but also on their potential to innovate and adapt in response to shifts in the competitive landscape. Thus, RBV provides a comprehensive framework for understanding how firms can maintain their market position and profitability by strategically managing their resources.

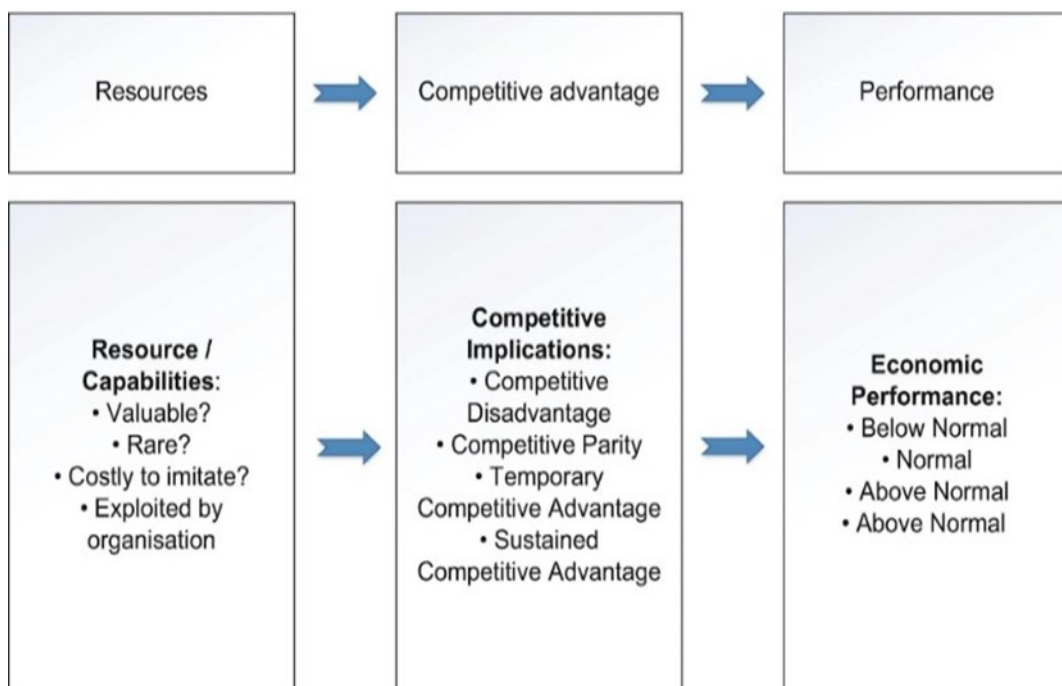


Figure 6: Application of RBV theory Source: (Barney 1991)

2.4 Previous studies on the impact of inflation and energy crises on industrial firms

The empirical evidence from the reviewed literature suggests that strategic solutions play a crucial role in enterprise performance during periods of inflation and energy crises.

The studies indicate that strategic solutions, encompassing business strategy (Arifa and Amanati, 2022), strategic planning (Mathibe et al., 2022), and strategic leadership (Takawira et al., 2022), play a crucial role in guiding companies through adverse conditions. For instance, the adoption of business strategies that consider environmental management can influence operational performance, while strategic planning has been linked to improved social enterprise performance, mediated by value co-creation (Mathibe et al., 2022). Moreover, strategic leadership is highlighted as essential for maintaining competitiveness in firms (Takawira et al., 2022). In the context of energy crises, the relevance of strategic management is underscored by the need for effective energy management systems (Agbajor et al., 2023) and the adaptation to environmental sustainability pressures (Pusparini et al., 2021). These studies suggest that strategic decisions related to energy efficiency and eco-friendly practices can significantly affect enterprise performance during energy crises. Kastrati (2015) highlights the challenges faced by SMEs in the Republic of Kosova due to energy problems, such as power outages, which necessitate costly solutions to maintain customer satisfaction and competitive advantage. Meyer (2018) further underscores the significant role of the fuel energy sector in price stability and production costs, which are critical factors in inflationary periods. Masoga et al. (2022) indicates that energy prices, such as electricity tariffs and petrol prices, have a positive effect on inflation in South Africa, which can influence enterprise performance. Contradictions arise when considering the broader context of strategic solutions. While Ateba and Prinsloo (2018) recommends an integrated strategic solution framework for electricity supply sustainability in South Africa, Dubihlela and Omoruyi (2014) identify barriers to SCM implementation, such as lack of economies of scale and technological challenges, which can impede business performance. Vogel and Cunha (2010), however, provide a more positive outlook on strategic

management by highlighting the advantages of international strategic alliances for South African enterprises, suggesting that strategic solution can be beneficial if properly executed.

The impact of strategic solutions on enterprise performance during periods of inflation and energy crises has been a topic of significant interest among academic researchers and industry practitioners. One of the key factors that has drawn attention to this issue is the challenging economic environment faced by many organizations, particularly in developing economies like South Africa, where inflation and energy supply disruptions have posed significant operational and financial challenges. Diversified empirical studies have explored the affiliation between strategic management, inflation, and enterprise performance. A study by Nag, Hambrick, and Chen (2007) explored the role of strategic management in enabling enterprises to navigate turbulent economic conditions, including periods of high inflation. The researchers found that firms with well-developed strategic planning processes and a strong alignment between their strategic objectives and operational capabilities were better able to mitigate the negative impacts of inflation on their performance. Okoumba et al. (2020) suggest that the adoption of supply chain management best practices is linked to better supply chain performance in South African SMEs, which could be relevant for larger enterprises as well. Additionally, strategic planning, purchasing strategy, and strategic partnerships are found to affect operational performance in manufacturing companies (Tarigan & Siagian, 2021), which could be extrapolated to suggest that strategic management may mitigate the negative impacts of inflation and energy crises on enterprise performance. Similarly, Mandeya and Ho (2021) indicates that inflation negatively impacts economic growth in both the short and long in South Africa, emphasizing the importance of strategic management in navigating these challenges. Another study by Wu et al, (2022) investigated the strategies employed by manufacturing firms in South Africa to address the challenges posed by the country's energy crisis. The researchers found

that companies that had invested in diversifying their energy sources, such as through the adoption of renewable energy technologies, were better able to maintain their operational efficiency and competitiveness during periods of power outages and load shedding. A study by (Fakih et al., 2020) explored the impact of macroeconomic factors, including inflation, on the financial performance of steel companies in MENA regions. The researchers found that strategic initiatives aimed at improving cost management, operational efficiency, and product diversification were effective in helping steel companies mitigate the negative effects of inflation on their profitability and growth. In a similar vein, a study by Mandipa and Sibindi (2022) explored the impact of strategic management on the financial performance of South African firms during the global financial crisis. The researchers found that companies with a strong focus on cost-cutting, operational efficiency, and diversification were able to mitigate the negative effects of the crisis on their profitability and return on assets.

Further research is needed to specifically investigate the impact of strategic management on enterprises like ArcelorMittal South Africa during such periods. Strategic management practices, including business strategy, planning, and leadership, are critical for maintaining and enhancing enterprise performance in the face of energy-related and other environmental challenges. Strategic management appears to be a vital tool for enterprises to mitigate the adverse effects of inflation and energy crises on performance. The literature suggests that while there are challenges and barriers to effective strategic management, particularly in the context of developing economies, there are also strategies and frameworks that can be adopted to enhance enterprise performance during such periods. Therefore, for a company like ArcelorMittal South Africa, adopting a robust strategic management approach, considering the specific economic and energy challenges, is likely to be beneficial for maintaining and improving performance in the face of inflation and energy crises.

2.4.1 Development of hypothesis

From the above empirical review of literature on the relationship between strategic solutions, inflation, energy crises, and enterprise performance the following hypothesis was developed as illustrated below.

H1: There is a negative relationship between inflation and strategic solutions.

H2: There is a negative affiliation between energy crises and strategic solutions.

H3: There is a positive relationship between strategic solutions and enterprise performance.

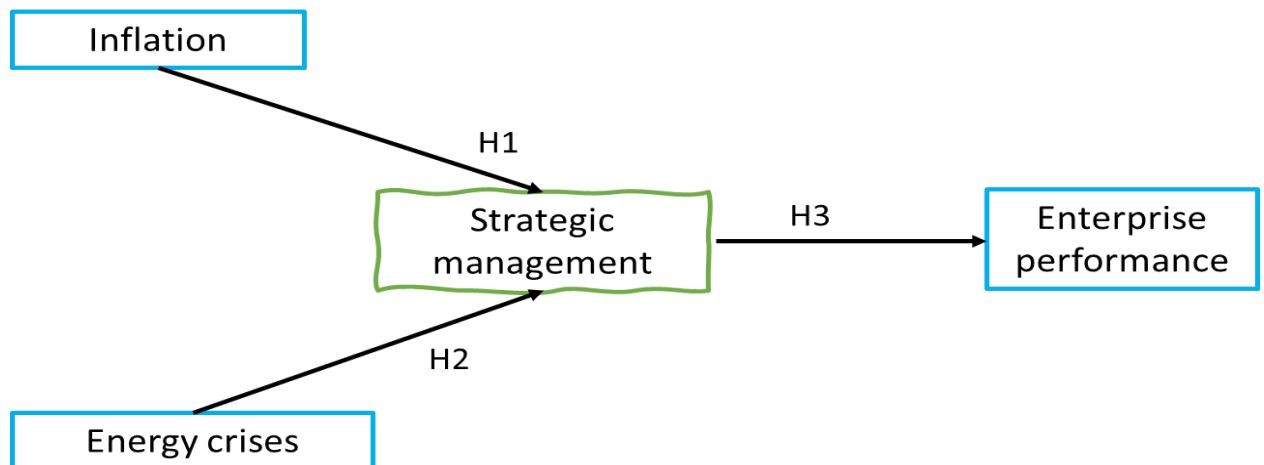


Figure 7: Research model

Source: Author owns, 2024

ANALYSIS

3. METHODOLOGY

3.1 Research design

This study employed a mixed-methods research design to investigate the impact of strategic management on enterprise performance during periods of inflation and energy crises in South Africa considering the top steel manufacturer ArcelorMittal. The research design involved both quantitative and qualitative components. The quantitative component of the study involved the analysis of financial data from ArcelorMittal South African enterprise. The researcher collected financial statements, including income statements, balance sheets, and cash flow statements, for a period of five years (2019-2023). The financial data was used to calculate key performance indicators, such as revenue, profitability (measured by net profit margin and return on assets), and operational efficiency (measured by asset turnover ratio and inventory turnover ratio). To examine the impact of strategic management and macroeconomic factors on enterprise performance, the researcher employed the SWOT and the PESTEL approach to assess the association between the variables effects and management techniques. The qualitative component of the study involved in-depth interviews with the top management teams of a subset of the enterprise. The interviews explored the strategic management practices and decision-making processes employed by the enterprise in response to the challenges posed by inflation and energy crises. The interview data was analyzed using the Smart PLS 3 analytical approach. This help to easy identify the cause and effect between the variables affiliations. The mixed-methods approach allowed the investigator to gain a comprehensive understanding of the phenomenon under investigation, combining the rigor of quantitative data analysis with the depth of qualitative concerns.

3.2 Data collection methods

The study utilized a two-stage sampling approach. In the first stage, the researcher identified a representative sample of 200 managers working at ArcelorMittal South Africa, across various divisions and who are directly linked to the research under investigation. The selection of managers was based on purposive sampling techniques to ensure that the sample was representative of the broader population of ArcelorMittal South African managers. In the second stage, the researchers conducted in-depth interviews with the top management teams selected from the initial sample. The interview participants were identified through a purposive sampling approach, ensuring that the selected managers were diverse in terms of division, responsibility, knowledge of inflation, and energy crises. The final sampling was 103 managers after editing and removing the uncompleted questions.

3.3 Data analysis approach

This section put to work the various analysis of the financial statements and survey questionnaires. The financial data was used to calculate various performance metrics, such as revenue, profitability (return on assets, return on equity), and operational efficiency (asset turnover, inventory turnover). These analyses are presented in tables and figures to show the trend performance during the inflation and energy crises period between 2019-2023. The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using the Smart PLS software. This allows to examine the complex affiliations between strategic management practices, inflation, energy crises factors, and enterprise performance. The PLS-SEM analysis provided additional significance into the mechanisms through which strategic management influences enterprise performance in the context of inflation and energy crises considering the indirect and mediating effects.

This section presents two parts, the first part covers the analysis of the financial statements of ArcelorMittal South Africa's and the second part covers qualitative analysis of ArcelorMittal South Africa's through a survey within the firm.

3.4 Financial analysis of ArcelorMittal South Africa

To understand and effect of inflation rate and energy crises on the performance of ArcelorMittal South Africa, analysis of the firm's financial statements was taken into consideration. Financial statements from December 31, 2019, to December 31, 2023, will be used in the thesis. The Consolidated Statements of Financial Position (also known as the "Balance sheet" or "BS"), the statement of cash flow, and the Consolidated Statement of Profit/Loss (also known as the "Income statement" or "IS") will be the primary subjects of my attention and analysis.

Ratio analysis of ArcelorMittal South Africa

3.4.1 Revenue growth

Revenue, which is determined by multiplying the average sales price by the quantity of units sold, is the money received from regular business operations. Regardless of when the payment is received, revenue is recognized when it is likely that the Company will get an economic benefit and when the revenue can be accurately assessed. Concerning the table and graph, Revenue declined in 2020 compared to the base year of 2019, but it increased in 2021 to a total of 76571, or 8% of its USD 5956. The revenue amount for the 2022 fiscal year was 79844, indicating a 13% rise equivalent to USD 9229. Revenue falls to 68275 in 2023, a -3% decrease, and its USD value is -2340 (see Table 4.1).

Table 3.1: Revenue growth

	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2023	2022	2021	2020	2019

Revenue	68,275	79,844	76,571	53,270	70,615
Revenue growth in percentages	-3%	13%	8%	-25%	0
Revenue growth in USD	-2,340	9,229	5,956	-17,345	0

Source: Author's 2024

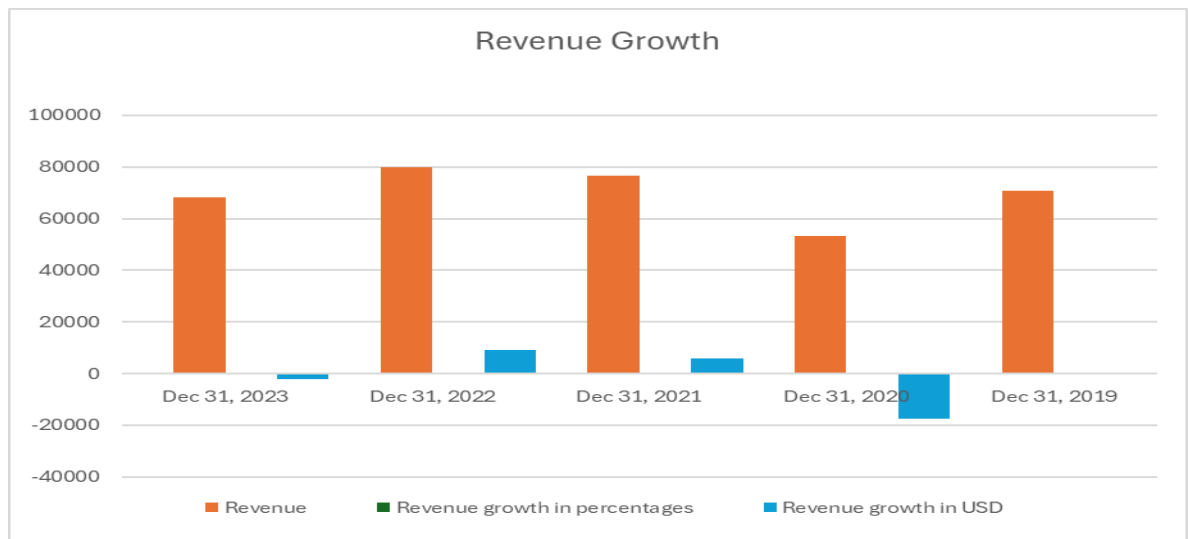


Figure 8: a diagram showing revenue growth from the period of 2019 to 2023
 Source: Author owns, 2024

3.4.2 Profitability ratios

A company's management's effectiveness in running the firm can be determined by looking at its profitability ratios. They are tools that investors can use to assess if a company is a good investment, in addition to another research. In general, better profitability ratios might indicate a company's advantages and capabilities, such as its capacity to keep lower expenses and charge more (or less) for its goods. The reliability of a firm's profitability ratios is best assessed by comparing them to industry averages, the performance history of the company,

or other similar companies. Typically, a greater number in comparison to the prior value denotes good business performance.

The operational profit margin and net profit margin are related, as shown in Table 4.2 and the graph. The operating profit margin and the net profit margin are inversely correlated. In FYR 2019, the operating profit margin increased by 101%, but the net profit margin decreased to -3% from the operating profit margin of 96% in 2020. In 2021, the net asset profit margin was -1 percent. The operational profit margin fell to 78% while the net profit margin increased to 20%. In 2022, the operational profit margin slightly increased to 85%, but the net profit margin decreased to 12%. As it rose to 93% in 2023, the net profit margin dropped to 1%. This correlation shows that a company's running costs will rise in proportion to its net profit margin.

Table 3.2: Profitability ratios

Profitability Ratios					
	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2023	2022	2021	2020	2019
Operating profit margin	93%	85%	78%	96%	101%
Net profit margin	1%	12%	20%	-1%	-3%

Source: Author owns, 2024

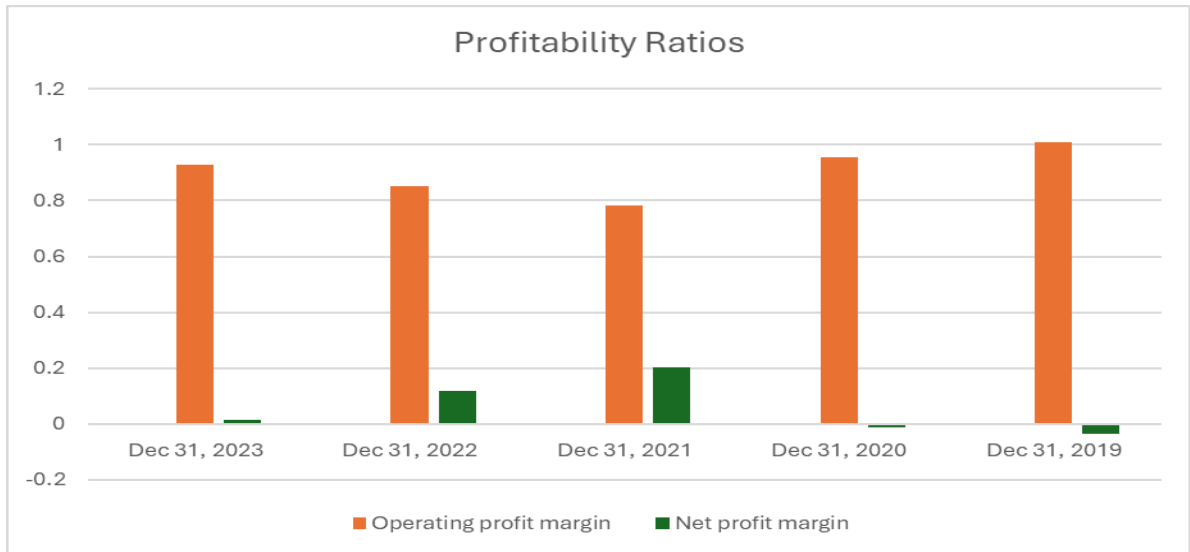


Figure 9: a diagram showing profitability ratios from the period of 2019 to 2023
Source: Author owns, 2024

3.4.3 Liquidity ratios

The capacity to swiftly and affordably turn assets into cash is known as liquidity. The most beneficial application of liquidity ratios is in comparison analysis. Either an internal or external analysis may be done. For instance, employing numerous accounting periods that are reported using the same accounting procedures is a requirement for internal analysis pertaining to liquidity ratios. Analysts can monitor changes in the firm by comparing activities from prior periods to current ones. A corporation is often more liquid and has better coverage of existing debts when its liquidity ratio is higher.

The graphs below illustrate Table 3.3 liquidity numbers, which show that the company's attempt to free itself from its short-term obligations is not warranted. Except for 2022 and 2023, which are a little bit closer to the industrial standard, our ratios here are below the industry benchmark when using the accepted benchmark of the current ratio of 2:1. The quick ratios in Table 3.3 indicate that the company has problems, although the quick ratio industrial benchmark is 1:1. From 2019 to FYR 2023, not a single year is 1:1; instead, they are all close to one but not to one.

Additionally, the cash ratio is closer to one than it is 1:1. For the cash ratio, a ratio between 0.5 and 1 is ideal. The only year that is nearly one is 2022.

Table 3.3: Liquidity ratios

	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Current ratio	1.53	1.66	1.45	1.23	1.34
Quick ratio	0.67	0.76	0.62	0.69	0.53
Cash ratio	0.48	0.57	0.32	0.25	0.23

Source: Author’s 2024

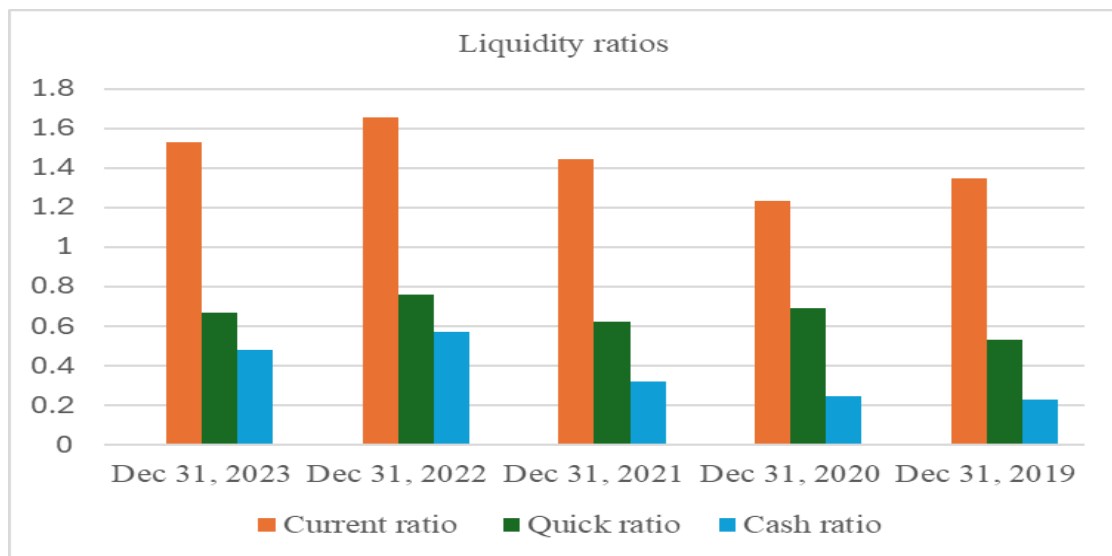


Figure 10: a diagram showing liquidity from the period of 2019 to 2023

Source: Author owns, 2024

3.4.4 Return ratios

Return ratios show how well a business can provide returns to its investors through equity or assets. ROE is widely regarded as a metric that assesses a company's profitability and its efficacy in producing returns for its equity holders. The management of a business is more effective at creating revenue and expanding it when the ROE is higher.

A measure of a company's profitability in relation to its total assets is called return on assets. Management, analysts, and investors can use return on assets (ROA) to assess how well a

company uses its resources to turn a profit. This table analyzes the return ratios of ArcelorMittal South Africa from the FYRs 2019 to 2023.

The snap of the result is not motivated. When I looked at the return on the asset, in 2019 it was -3%, in 2020, - 1%, then in 2021 it brought small to the face of the management with a 17% but turned it neck down in 2022 at 10% and 2022 to 1%. In the likes of the return on equity, it also shows a similar image as the return on equity ratios are also not good. In 2019, the ROE was -6%, in 2020 it was 2% and it rose to 30% in 2022 and started going down to 17% in 2022 and 2% in 2023.

Table 3.4: Returns ratios

	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Return on Assets	1%	10%	17%	-1%	-3%
Return on Equity	2%	17%	30%	-2%	-6%

Source: Author’s 2024

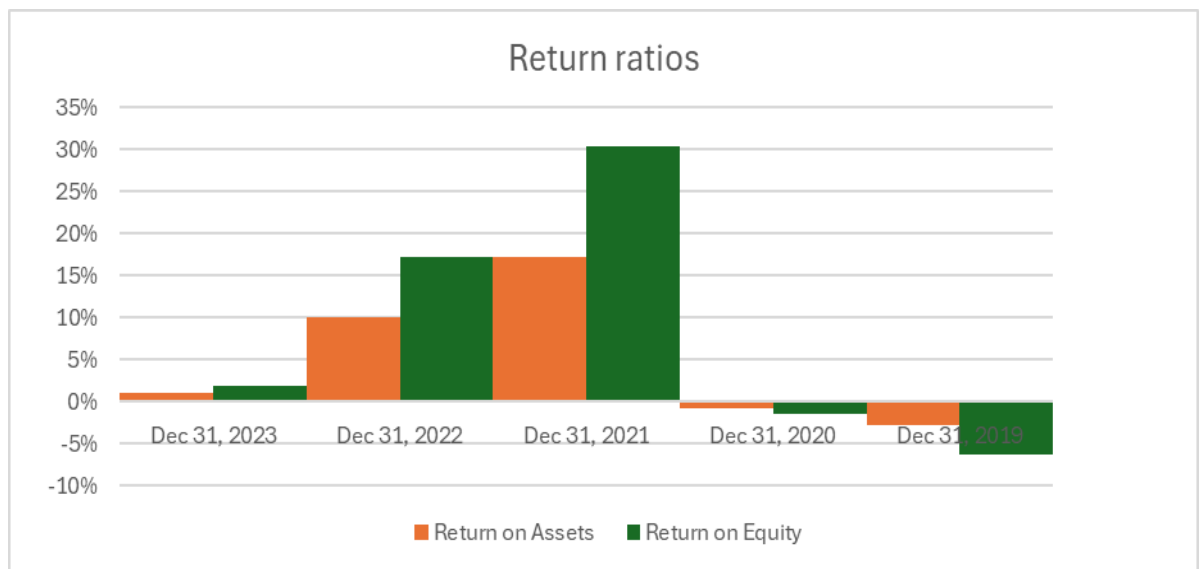


Figure 11: a diagram showing return ratios from the period of 2019 to 2023
Source: Author owns, 2024

3.4.5 Capital Efficiency

Capital efficiency quantifies the amount of money invested in a firm relative to the return on that investment. In general, it relates to how effectively a company uses its funds to run and expand. With reference to table 3.5, capital efficiency over five years from December 31, 2019, to December 31, 2023. The metrics included are Total Assets Turnover, Inventory Turnover, and Accounts Receivable Turnover.

Total Assets Turnover

Total Assets Turnover measures how efficiently a company uses its assets to generate sales. It is calculated as Sales divided by Total Assets. Trend Analysis 2023: 72%, 2022: 86%, 2021: 89%, 2020: 63%, 2019: 79%.

The Total Assets Turnover has fluctuated over the five-year period. It peaked in 2021 at 89% and experienced a significant decline to 72% by 2023. This decline suggests that the company became less efficient in utilizing its assets to generate sales in the last two years compared to its peak performance in 2021.

Inventory Turnover

Inventory Turnover measures how often inventory is sold and replaced over a period. It is calculated as the Cost of Goods Sold divided by Average Inventory. Trend Analysis, 2023: 352%, 2022: 400%, 2021: 476%, 2020: 360% 2019: 371%.

Inventory Turnover has been decreasing since its highest point in 2021 at 476%. By 2023, it had fallen to 352%. This suggests that the company has been holding onto inventory longer, which could indicate inefficiencies in inventory management or a slowdown in sales.

Accounts Receivable Turnover

Accounts Receivable Turnover measures how efficiently a company collects revenue from its customers. It is calculated as Net Credit Sales divided by Average Accounts Receivable. Trend Analysis: 2023: 1493%, 2022: 1331%, 2021: 1430%, 2020: 1128%, 2019: 1237%.

Accounts Receivable Turnover has generally been increasing, reaching its highest point in 2023 at 1493%. This indicates that the company has been increasingly efficient in collecting its receivables over the years, with a significant improvement from 2019 to 2023.

Overall, while the company shows strong improvement in receivables management, it faces challenges in asset utilization and inventory management that need to be addressed to improve overall capital efficiency.

Table 3.5: Capital efficiency

	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Total assets turnover	72%	86%	89%	63%	79%
Inventory turnover	352%	400%	476%	360%	371%
Account receivable turnover	1493%	1331%	1430%	1128%	1237%
Account payable turnover	503%	558%	575%	441%	531%
	average	average			
	total	net	fixed	average	average
averages	asset	asset	inventory	receivables	payables
Total assets turnover	94232	92530	86282	84980	89579
Inventory turnover	19423	19973	16093	14812	19020
Account receivable turnover	4572	6000	5354	4721	5709
Account payable turnover	13569	14313	13309	12070	13297.5

Source: Author's 2024

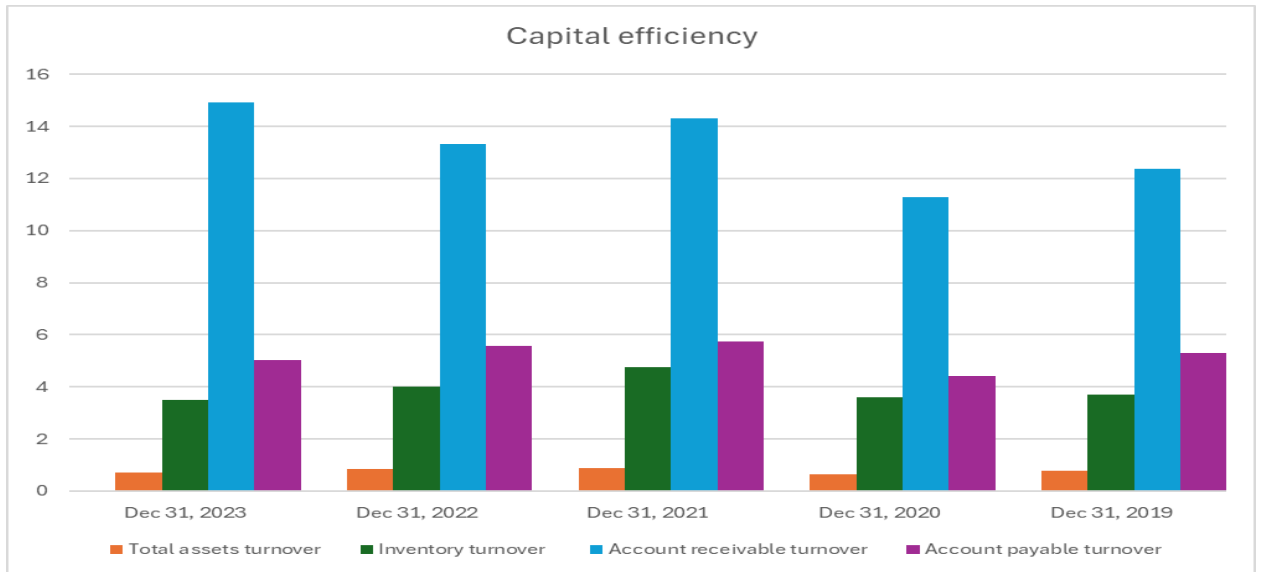


Figure 12: a diagram showing capital efficiency from the period of 2019 to 2023

Source: Author owns, 2024

3.4.6 Debt Management Ratios

The debt ratio is a financial statistic used to indicate the level of leverage held by a company. As expressed as a percentage or decimal, the debt ratio is the entire debt divided by the total assets. It can be seen as the percentage of debt used to finance an organization's assets.

A ratio larger than one indicates that a business has more liabilities than assets since a significant portion of its assets are financed by debt. A corporation with a high ratio can be in danger of loan default if interest rates suddenly increase. A ratio of less than one suggests that a greater portion of a company's assets are financed by equity.

The ratios of debt management found in Table 3.6 point to a concerning financial pattern.

The company's financial leverage and debt-to-equity ratios have not decreased during the last five years, notwithstanding a minor improvement. Although there has been a little decline in the debt ratio from 56% in 2019 to 40% in 2023, the figures remain alarming as they indicate the company's heavy reliance on debt financing. Over the same time period, the equity ratio went from 44% to 60%, but this rise in equity is not enough to offset the high levels of debt. The company's continued reliance on debt puts its financial stability at serious danger and may make it more difficult for it to fulfill long-term commitments.

Table 3.6: Debt Management ratio

	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Financial leverage	168%	170%	176%	214%	228%
Debt ratio	40%	41%	43%	53%	56%
Equity ratio	60%	59%	57%	47%	44%
Debt to equity ratio	168%	170%	176%	214%	228%

Source: Author’s 2024

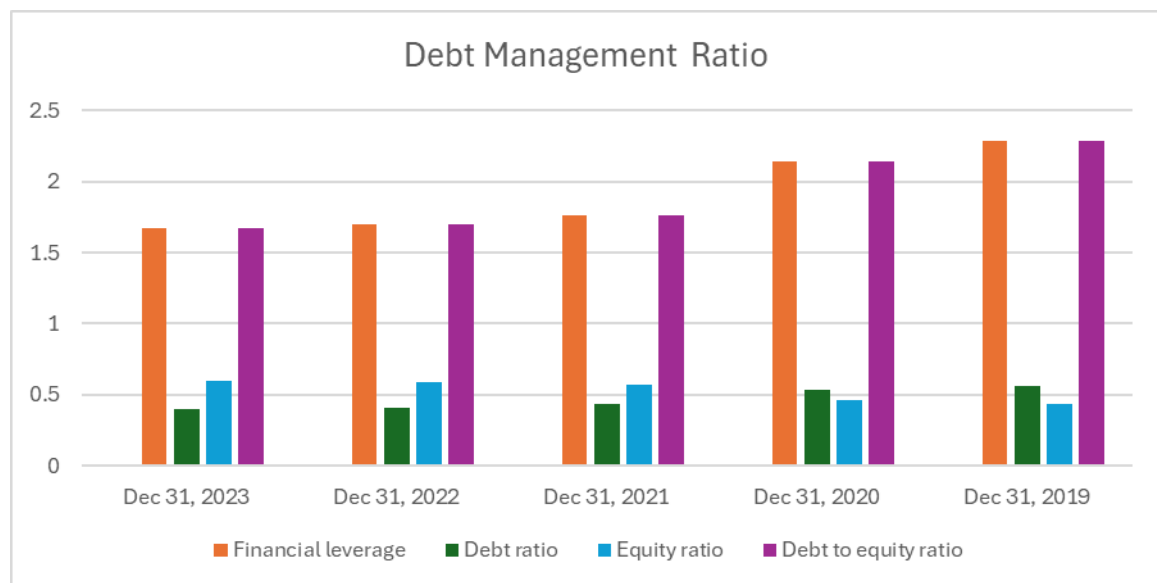


Figure 13: a diagram showing debt management ratio from the period of 2019 to 2023

Source: Author owns, 2024

3.5 PEST Factors Analysis of ArcelorMittal and its operating country (South Africa)

Table 3.7: PEST factors analysis

Politics	Government policy	•The South African Income Tax Act which is a mandatory for all business	Negative. Cost to the company
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	Labor law	<ul style="list-style-type: none"> •The Labor Relations Act 	<p>Positive.</p> <p>Promote negotiate.</p> <p>Positive- reduce employer burdens, negative – cost to the employer.</p>
	Labor law	<ul style="list-style-type: none"> •The Occupational Health and Safety Act 	<p>Negative- more freedom for employees</p>
	Labor law		<p>Positive – bring healthy working environment.</p>
	Government policy	<ul style="list-style-type: none"> •The Compensation for Occupational Injuries and Diseases Act 	<p>Negative- cost to the company</p>
		<ul style="list-style-type: none"> •The Broad-Based Black Economic Empowerment Act 	<p>Negative- employment discrimination</p>

	Labor law, tax policy		
	Company act	•The Skills Development Act	Positive- reduce the cost of transferring skills to employees.
	Corruption	•Listed companies must adhere to JSE securities exchange regulations. Laws to address corruption and punishment.	Positive- promote company security market and business image. Positive
Economics	Inflation target.	National target to bring inflation to between 3% to 4%.	Positive
	Transportation network.	Rail, road, sea, and air transport are accessible.	Positive
	Monetary policy,	Macroeconomic stability and growth	positive

Social	Age Distribution. crime Purchasing power. Health of the people.	Class of the population according to their age. Effect of crime on production Ability to consume goods and services. How healthy are the people and facilities for life care	Positive Positive Positive positive
Technology	Technology policies. Accessibility of technology	Protection of Personal Information (POPI) Act. Africa's hub of technology	Positive positive

Source: Author's 2024

With regards to the PEST analysis Table 3.7,

Politics: ArcelorMittal is negatively impacted politically by government laws on income tax in South Africa since it must pay additional taxes, such as corporate tax, unemployment insurance fund, VAT, and other levies, which adds to the firm's expenses. The nation's current electricity outage is only one example of the many state-side disappointments that make paying taxes depressing, even if they are necessary to run the country. The Labor Relations Act benefits the corporation by allowing employees or labor unions to interact with employers and voice their concerns in order to facilitate discussions. This highlights

the personnel to the management. In addition to giving workers greater rights like the ability to strike and the ability to be fired unfairly, it can be detrimental to employers because workers may take uncalled strikes in an effort to slow down production. Since it constantly monitors the organization, the Occupational Health Safety Act benefits ArcelorMittal by providing a safe working environment and reducing the likelihood of workplace accidents for its employees. ArcelorMittal bears a negative cost associated with occupational illness and injuries. While workers can work longer stretches of time without experiencing workplace accidents because of their careful and organized work environment, they still bear a financial burden associated with these conditions. The money paid to workers does not offset their taxes; instead, the company provides health insurance for its staff.

ArcelorMittal and other enterprises are negatively impacted by government legislation regarding the Black Economic Empowerment Act. We consider this policy to be racial discrimination since it grants black South Africans greater privileges than white South Africans. Once again, the policy restricts the corporation to hiring, say, a White individual who is more competent and needed for the job, provided that the ratio of White to Black employees is met. The Skill Development Act benefits the business since it allows it to train its staff and uses the money spent on skill development to lower the company's corporate tax. Young, recent graduates are developed for integration through this opportunity. ArcelorMittal benefits from the requirements set forth in the Company Act for listing on the Johannesburg Stock Exchange. These regulations enable the company to enhance returns, cultivate a favorable reputation, and advance its business and operations. Being listed on a stock exchange demonstrates the legitimacy of the business's open and honest operations. ArcelorMittal will be able to operate with integrity and implement positive working policies with its stakeholders thanks to the anti-corruption regulations.

Economic: There are various economic considerations that will greatly help ArcelorMittal's operations. In addition to giving the business a steady operating environment, the statutory inflation objective of 3% to 4% is beneficial. Using these opportunities, ArcelorMittal has a few options:

1. Enhanced Value of Export: ArcelorMittal will profit from a competitive edge in the worldwide market and an increase in export value due to more reasonable and competitive pricing.

2. Greater Investing: - Businesses can borrow money at a reduced interest rate when inflation is low. By utilizing lower financing costs, ArcelorMittal will be able to grow its business.

3. Better Well-Being of Workers: Reducing the probability of strikes and raising employee satisfaction can be achieved through increasing real pay and purchasing power. Both productivity and the general success of the business can benefit from this steadiness. Furthermore, ArcelorMittal has access to a strong transportation network, which helps move the massive and cumbersome raw materials the business produces. Rail transportation works well for these items, especially the final commodities produced by ArcelorMittal. Road transport is the most popular mode of distribution locally, but sea shipping is the best option for reaching the worldwide market. ArcelorMittal's ability to connect neighboring countries through land or maritime transportation expands its market penetration.

Furthermore, important are macroeconomic growth and stability brought about by prudent monetary policy. The change of South Africa's economy is facilitated by programs that give young people steady jobs, which makes the long-term success of ArcelorMittal more likely.

Social: societal elements, According to Statista.com, there is a larger age distribution in South Africa among the youth, with those between the ages of 20 and 35 making up roughly 20609 of the country's total population as expressed in thousands. This number represents almost 63% of the whole population of the country. This is excellent news for ArcelorMittal

South Africa because it may lead to workforce availability in a nation where youth make up a larger portion of the population. Owing to the greater proportion of young people, the third quarter of 2023 saw a 31.9% unemployment rate, according to, Government of South Africa (2024). If appropriate safeguards are not implemented, this could have an impact on crime in the nation. In 2024, South Africa's crime index stood at a high of 75.4. However, this was one of the lowest values the country has experienced since 2017. Throughout the monitoring period, the value consistently fluctuated between 75 and 77. According to the same list, South Africa has the highest crime rate in Africa and is the fifth most hazardous nation in the world. (statista.com).

Technology: South Africa is among the nations that adopt technology at a faster rate because of its large youth population and their affluent lifestyle. The nation's institutions and colleges generate highly skilled graduates who are impacted by the technologically advanced modern lifestyle. Technology businesses are well-established in South Africa, and their products are widely available in the country's market. These producers provide technology that is widely used in South Africa.

Porter’s Five Forces

Table 3.8: Evaluation of the Porter’s five forces

Porter’s forces	Elements	Details
Degree of rivalry	Plastic manufacturing companies. Wooden companies Concrete modelers Cost of exiting	Plastics, wood, and concrete are now substitutes for steel and iron use, for example, steel gates were replaced by wooden gates, and automobile industries used plastic for parts where it used to be steel.

		The cost of exit is rival for new entrance due to how to sell your fixed asset when you want to leave the industry.
Barriers for a new entrance	<p>Capital requirement.</p> <p>Experience employees.</p> <p>Access to distribution channels.</p> <p>Customer loyalty</p>	<p>A high cost of capital is needed in the establishment of a steel and iron company, this cost stopped others from entering this industry. Due to the nature of the steel business, it takes years to get the skill in the industry, as few as it is employees are loyal to their work and they don't just leave.</p>
Supplier Power	<p>Number of suppliers</p> <p>Concentration of suppliers.</p> <p>Alternative use of the raw material</p>	<p>The number of suppliers determines how powerful the supplier will be. In the case of few suppliers, the supplier has power because the alternative is few or no alternative suppliers. The concentration of suppliers give room to look for alternatives. If the supplier's work is to concentrate on your raw material only or it is the supplier's main production, the likelihood of availability is possible.</p>
Buyers Power	<p>Alternatives to choose from.</p> <p>Customers market or needs for your product.</p>	<p>If a small size of buyer has more power. The large size of buyers has little power. The scale or quantity of buying gives buying power.</p>

	Size of the customer base	
Threat of Government policies	Government policies in terms of the industry	
Substitutes	Number of Substitute products	such as licenses, operation policies save as threat of substitute, availability of substitute products in the market as well as how ready the buyers can find a substitute for the product.
	Buyers' readiness to substitute	

Source: Author's 2024

3.5.1 Degree of rivalry

Regarding the Table 4.8, ArcelorMittal South Africa faces some rivalry in terms of other materials that can be used instead of steel and iron. Plastics and wood pose rivalry in other parts of the market, but it is not that major a threat because there are other things you cannot substitute with any other material except steel or iron. Exiting the steel industry is difficult due to the high cost of the established non-current asset. To dispose of it comes with difficulties. This saves us as a rivalry in the industry.

3.5.2 Barriers for a new entrance

With the exceptions of international and national policies for the steel and iron industry, the barriers such as the capital requirement in the industry are very huge to raise. Skill and experienced staff for the task in the industry is not easy to get as the nature of the business, high skill staff such as the engineers, IT staff, or marketing officers remain loyal to their employers because of job security in the steel and iron industry, by their nature are not many but pay good salaries and wages. It is advisable to work with an already-established company

rather than a new-entry company. ArcelorMittal has worked with their work for years and they are taking advantage of that. For a new player in their business, getting access to distribution channels is difficult, both for the suppliers and buyers. ArcelorMittal South Africa enjoys the power to control the supply of raw materials as well as a corporate image of new graduates wanted to work with ArcelorMittal. ArcelorMittal enjoys customer loyalty because their customers can depend on them for supply all the time.

3.5.3 Supplier Power

Suppliers have power when there are not many in the industry. Suppliers lose power when the number of suppliers increases. In the context of ArcelorMittal South Africa, though the supplying companies are not many, steel and iron companies are few in the country. The bulk of the raw material for the industry is intense for export to the international market. This makes ArcelorMittal enjoy the power of advantage to get supplies at reasonable prices from the suppliers. The concentration of the suppliers also determines the suppliers' power. If everyone concentrates on a few markets for a supply, it gives the supplier power. In the likes of ArcelorMittal due to many coal mines in South Africa, the coal is heavy and costly for transporting it. The suppliers' favorite is ArcelorMittal because of its proximity to the suppliers.

3.5.4 Buyers Power

Buyers' power springs from when there are alternatives to buy from, the bigger the product market, the more the supplier needs the buyers. ArcelorMittal, when it positions itself as a supplier to the buyers, has buyer power because customers can rely on ArcelorMittal due to the position of the company, it has a reliable transportation network to save its customers, it has the availability of the raw materials to produce the required demand to their customers on time. Again, in the steel and iron market, differentiation of products cannot give

preferential treatment, but price does. ArcelorMittal production scale makes their product prices reasonable in the market. This makes ArcelorMittal enjoy buyer power in the industry.

3.6 SWOT analysis for ArcelorMittal

Table 3.9: SWOT analysis

<p>STRENGTH</p> <ol style="list-style-type: none"> 1. Strong financial position. 2. Availability of raw materials for production. 3. Employees base. 	<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 4. Quality and accessible transportation. 5. Accessibility to market. 6. Competitive in the global market.
<p>WEAKNESS</p> <ol style="list-style-type: none"> 7. Labor strikes. 8. Volatility of the rand (South African currency) to the dollar. 	<p>THREAT</p> <ol style="list-style-type: none"> 9. High-level corruption in governance. 10. New form BRICS (Brazil, Russia, India, China, and South Africa).

Sources: Author’s 2024

3.6.1 Strength

3.6.1.1 Strong Financial Position

One of ArcelorMittal South Africa's advantages is that it was in a strong financial position before the start of COVID-19 and the power outage for several reasons:

ArcelorMittal South Africa has a history of stable profitability and a variety of strong revenue streams. Consequently, the company was able to make prudent investments and weather economic downturns. Strong financial standing served as a safeguard against

external shocks such as shifts in commodity prices, fluctuations in exchange rates, and geopolitical unpredictability, all of which contributed to the company's stability.

Under ArcelorMittal strong financial basis, ArcelorMittal South Africa was able to invest in R&D, leading to improvements in their processes and products and a rise in their competitiveness in the market. A well-funded company can diversify its revenue streams and reduce its dependence on a single product or market by growing its operations and exploring new markets. A strong financial position attracts top talent looking for advancement and job security as well as investors looking for consistent profits, which fosters innovation and business growth. ArcelorMittal may collaborate with other businesses to develop industrial energy producing power plants so that they can rely on it for reliable energy because of the business climate it has established in South Africa. Because businesses are the backbone of the economy, they should band together, negotiate with the government, and support South Africa's energy-producing companies to expedite the resolution of the energy crisis. In exchange, they should receive tax benefits commensurate with their contributions or according to the terms of the government and the business agreement.

3.6.1.2 Accessibility of Raw Materials for Production

ArcelorMittal South Africa benefits from its advantageous location near several raw material sources, including coal and iron ore. This simple access to raw materials lowers transportation costs, guarantees a stable supply chain, and lessens the possibility of production delays. Additionally, the company has a competitive advantage in obtaining raw materials at cheap prices thanks to its solid supplier relationships and variety of sourcing tactics. For instance, ArcelorMittal South Africa has long-term agreements in place with nearby mines for the provision of iron ore, which helps to stabilize supply and reduce price volatility. ArcelorMittal South Africa can meet customer demands, maintain operational efficiency, and seize market possibilities because it has a steady and dependable supply of

raw materials. This asset supports the business's general industry sustainability and competitiveness. Owing to ArcelorMittal's advantageous access to raw materials for production, the company must raise its production targets in order to supply a larger steel market at a competitive price. This will drive up costs for local competitors, giving them the upper hand in the market and preventing foreign competitors from joining forces with them to become co-producers or joint ventures.

3.6.1.3 High employment base

ArcelorMittal South Africa's workforce is diversified and highly skilled, which is one of its main advantages. The organization gains from having a workforce that combines a diverse set of skills, viewpoints, and experiences, which helps it to innovate, adjust to shifting market conditions, and spur growth. Various Skill Set: ArcelorMittal South Africa's workforce comprises professionals with a range of backgrounds, including engineering, metallurgy, finance, marketing, and operations. The company's broad skill set enables it to approach difficult problems from several perspectives and provide creative solutions. The workers at ArcelorMittal South Africa have a wealth of relevant industry knowledge. Having worked for the company for many years, many of them are familiar with its procedures, operations, and clientele. The organization is able to sustain both client happiness and operational excellence because of this expertise. ArcelorMittal South Africa can cultivate an innovative culture thanks to its pool of gifted and imaginative employees. Workers are urged to think creatively, put forth original ideas, and work together on initiatives that advance the business. Maintaining competitiveness in the steel business requires this inventive attitude. ArcelorMittal South Africa's workforce is robust and flexible when faced with obstacles. They are able to quickly adapt to changes in the market, in laws and regulations, or in technology. The long-term success of the company depends on its ability to adapt.

In summary, ArcelorMittal South Africa's workforce is a key differentiator that helps the business stand out in the steel sector. Through the utilization of their varied abilities, expertise, creativity, and flexibility, the organization can sustain itself and accomplish its goals.

3.6.2 Opportunities

3.6.2.1 Quality and accessible transportation

ArcelorMittal South Africa has a fantastic chance to use a combination of rail, road, and sea transportation to improve the accessibility and quality of transportation. ArcelorMittal can increase overall efficiency, save transportation costs, and streamline its supply chain operations by successfully utilizing various modalities.

Rail Transport:

Advantages:

- Economical for shipping large quantities of cargo over vast distances.
- More environmentally friendly than motorized transportation.
- Ideal for moving bulky items like steel products.

Opportunity:

ArcelorMittal can collaborate strategically with rail companies to guarantee dependable and effective delivery of both raw materials and completed goods.

Road Transport:

Advantages:

- Adaptable and capable of reaching far-off places that may be inaccessible to other modes.
- Perfect for last-mile and short-distance deliveries.

Opportunity:

ArcelorMittal can spend money on a fleet of contemporary cars with cutting-edge tracking and monitoring technologies to guarantee on-time delivery and reduce delays.

Sea Transport:

Advantages:

- economically viable for long-distance international cargo shipping.
- great capacity for moving large quantities of goods.

Opportunity:

- ArcelorMittal can save lead times and transportation expenses for international trade by streamlining its shipping routes and timetables.
- ArcelorMittal South Africa can establish a smooth logistics network that guarantees on-time delivery, lowers carbon emissions, and boosts overall competitiveness in the market by effectively integrating various forms of transportation.

3.6.2.2 Accessibility to market

Due to its advantageous geographic location, South Africa has good access to a wide range of markets via several transportation hubs, including seaports, airports, and road networks. The country becomes a focus for trade and logistics both within the region and beyond, as easy import and export activities are made possible. The neighboring countries' steel markets provide ArcelorMittal with a substantial chance to grow and gain market share. ArcelorMittal can make use of South Africa's accessibility to effectively provide steel goods to various markets thanks to the country's convenient transportation and modern connectivity. This will enable the business to take advantage of the region's rising steel demand, expand its customer base, and improve its market presence. For instance, ArcelorMittal is able to ship steel goods to nearby nations like Namibia, Botswana, Zambia,

and Mozambique by taking advantage of the highly developed road infrastructure. Moreover, the corporation can effectively export steel to global markets due to the existence of significant seaports such as Durban and Cape Town. All things considered, ArcelorMittal's accessibility owing to its geographic location improves the company's chances to access the steel marketplaces of surrounding nations and beyond, supporting the company's expansion and prosperity in the area.

3.6.2.3 Competitive in the global market

ArcelorMittal's strategic alliances with numerous international businesses significantly increase its competitive advantage in the worldwide market. ArcelorMittal can access new markets, cutting-edge technologies, and economies of scale that help keep its manufacturing costs down by utilizing these collaborations. Its cost-effective labor and raw material sources, along with its effective production methods, all help to make it competitive on a worldwide level. Furthermore, ArcelorMittal has a great chance to increase its market share and fortify its position in the region because to its dominance of the southern African steel market. ArcelorMittal can boost growth, establish its position as the region's top steel producer, and expand its market influence by taking advantage of its dominant position in this industry. ArcelorMittal is positioned for future success and growth courtesy of its strategic alliances, economical manufacturing methods, and dominant market position in southern Africa. These factors also help the company remain competitive in the global steel market.

3.6.3 Weakness

3.6.3.1 Strikes

The possibility for operations and production disruption is one of ArcelorMittal's weaknesses related to strikes in South Africa. Strikes can affect delivery schedules, cause

delays in the supply chain, and eventually hurt the bottom line of the business. Strikes can also harm a business's standing and connections with stakeholders, such as clients, investors, and staff. To reduce the possibility of strikes and maintain seamless operations in South Africa, ArcelorMittal must have robust worker relations policies in place. To make it easier for the company's workers to avoid needless labor strikes, ArcelorMittal South Africa can take use of the portion of the constitution that grants freedom of association and create their own labor organization, of which all employees must become members.

3.6.3.2 Volatility of Rand (South African currency) to the dollar

Companies like ArcelorMittal in South Africa may face difficulties because of Rand's volatility to the US dollar. Exchange rate fluctuations can affect both the profit from exporting finished items and the cost of importing certain machinery, equipment, and raw materials. An appreciation of the Rand may make importing raw materials more expensive, hence reducing ArcelorMittal's profit margins. However, their exports can become more costly and less competitive in foreign markets if the Rand strengthens. ArcelorMittal may use hedging techniques to control their foreign exchange risk to lessen the effects of currency volatility, but doing so may raise costs for the company. Owing to the volatile foreign exchange market in South Africa, ArcelorMittal South Africa would benefit from identifying suppliers in nations whose economies do not use internationally recognized trade currencies like the dollar, euro, or pound and building strong relationships with them. This will allow the company to gain advantages when importing goods from these suppliers. Their importation costs will go down as a result.

3.6.4 Threat

3.6.4.1 High-level corruption in governance

Corruption in governance poses a threat to the business operations of ArcelorMittal and other firms operating in South Africa. It can lead to problems including unfair competition, regulatory roadblocks, and potential dangers to business operations. Developing connections with significant stakeholders can help you deal with the difficulties of working in a high-corruption environment. Strong anti-corruption rules and compliance measures that encourage transparency in its operations come at an additional expense to ArcelorMittal.

3.6.4.2 New form BRICS (Brazil, Russia, India, China, and South Africa)

Although South Africa is a member of the BRICS group, its impact on global trade is very small. Nevertheless, South Africa is part of the BRICS alliance, which places more emphasis on collaboration and shared growth than it does on taking on specific companies like ArcelorMittal head-on.

ArcelorMittal, a global steel company, may face opportunities and challenges in the international market due to a range of factors, such as trade agreements, tariffs, market needs, and overall economic circumstances. ArcelorMittal needs to be aware of any potential impact that shifting trade regulations and market dynamics may have on its company operations.

ArcelorMittal must stay abreast of developments in international trade, maintain a competitive edge through efficiency and innovation, and modify its approach in response to changing market conditions if it is to succeed in the global market, which includes in Europe and the USA.

3.7 Empirical analysis and Findings

3.7.1 Demographic characteristics of Study respondents

The total number of respondents was 103. Males were made up of 58.3% and the females were 41.7%. This indicates that the management of ArcelorMittal are dominated by men. Also, the majority of the respondents were in the 30 – 50 age brackets. 15.5 per cent of the respondents were in the age 51 - 60 and three respondents were less than 30 years. This shows that the majority of the respondents are in their adulthood age. With respect to the level of education of the respondents, it is apparent that the majority graduate with Honour's degree. 33 of the respondents, representing 32 per cent, are holders of a bachelor's degree whilst 18 respondents have National diploma certificate. Also, 6 respondents out of the total respondents are PhD degree holders. Further, more than 70 per cent of the managers have worked between 11 – 20 years (*see Table 3.10*).

Table 3.10: Demographic Characteristics of Study Participants

	Frequency N=103	Percentage %
<i>Gender</i>		
Male	60	58.3
Female	43	41.7
<i>Age</i>		
Less than 30	3	2.92
31 – 40	40	38.83
41 – 50	44	42.72
51 – 60	16	15.53
<i>Level of education</i>		
Bachelor's degree	33	32.04

Honour's degree	46	44.66
Master's degree	18	17.48
PhD	6	5.82
<i>Working experience</i>		
5 – 10	18	17.48
11 – 15	45	43.69
16 – 20	31	30.10
20+	9	8.73

Source: Researcher's own work, 2024.

5.7.2 Descriptive Statistics of Constructs

The researcher sorts to explore the views of the respondents on the study constructs. Below are their responses using the five-point Likert scale. Concerning energy crises, the overall mean is 3.36. It can be observed that the respondents indifferent about the fact that energy crises impact the strategic management of ArcelorMittal South Africa. However, they agreed that the company's investments in renewable energy sources, such as solar and wind power, have helped to mitigate the impact of the energy crisis (Mean = 3.56; SD = 1.02).

Also, the overall mean of 3.37 of inflation rate suggests the respondents are indifferent with regards to the impacts of inflation rates on its financial performance, ability to maintain competitive pricing, and long-term investment and expansion decisions. Moreover, management of Arcelor Mittal South Africa indifferent about their profit margin's sensitivity towards the changes in inflation rate. On average, the managers were indifferent about the impact of inflation rate and energy crises on their financial performance. Nonetheless, the respondents indicated that the rate of inflation and energy crises have a negative impact on operational efficiency (Mean = 3.51; SD = 1.07) and financial performance (Mean = 3.53; SD = 1.10).

Considering the overall mean of strategic management construct of 3.40, the respondents indicate that they are neutral. This means that the respondents have not picked sides in response to their ability to adhere to the strategies utilized by the company. However, their responses suggest that “the company’s strategic investments in new technologies and production processes have enhanced its competitiveness in the South African steel market” (Mean = 5.56; SD = 1.02) and that “the company’s management has effectively leveraged the company’s strengths and capabilities to capitalize on emerging opportunities in the market” (Mean = 3.51; SD = 1.07).

Table 3.11: Descriptive of Constructs

Constructs	Mean	Min.	Max.	Std. Dev
<i>Energy crises</i>	3.36			1.08
EC1 - The energy crisis in South Africa has had a substantial impact on ArcelorMittal South Africa's production costs and operational efficiency.	3.25	1.0	5.0	1.16
EC2 - ArcelorMittal South Africa's reliance on grid-supplied electricity makes it highly vulnerable to power outages and load shedding.	3.32	1.0	5.0	1.02
EC3 - ArcelorMittal South Africa has successfully implemented strategies to diversify its energy sources and reduce its dependence on grid electricity.	3.25	1.0	5.0	1.08
EC4 - The company's investments in renewable energy sources, such as solar and wind power, have helped to mitigate the impact of the energy crisis.	3.56	1.0	5.0	1.02

EC5 - The energy crisis in South Africa is a significant factor in ArcelorMittal South Africa's long-term strategic planning and decision-making.	3.42	1.0	5.0	1.12
<i>Inflation rate</i>	3.37			1.13
IR1 - The inflation rate of the steel industry in South Africa has a major impact on ArcelorMittal South Africa's financial performance.	3.34	1.0	5.0	1.10
IR2 - ArcelorMittal South Africa's profit margins are highly sensitive to changes in the inflation rate.	3.39	1.0	5.0	1.04
IR3 - Fluctuations in the inflation rate have a significant influence on ArcelorMittal South Africa's ability to maintain competitive pricing.	3.42	1.0	5.0	1.16
IR4 - ArcelorMittal South Africa's cost management strategies are effective in mitigating the impact of inflation on its overall operations.	3.21	1.0	5.0	1.21
IR5 - The level of inflation in South Africa is a critical factor in ArcelorMittal South Africa's long-term investment and expansion decisions.	3.48	1.0	5.0	1.14
<i>Enterprise Performance</i>	3.45			1.11
OGP1 - The inflation and energy crises have had a significant negative impact on ArcelorMittal South Africa's operational performance and production capacity.	3.48	1.0	5.0	1.24

OGP2 - ArcelorMittal South Africa's financial performance, as measured by metrics such as revenue, profitability, and return on assets, has been adversely affected by the challenges posed by the inflation and energy crises.	3.53	1.0	5.0	1.10
OGP3 - The company's operational efficiency, as reflected in its production costs, productivity, and resource utilization, has deteriorated due to the impact of the inflation and energy crises.	3.51	1.0	5.0	1.07
OGP4 - ArcelorMittal South Africa's competitiveness in the South African steel market has been undermined by the company's inability to maintain its operational and financial performance during the inflation and energy crises.	3.34	1.0	5.0	1.10
OGP5 - The company's strategic management has been successful in mitigating the negative impact of the inflation and energy crises on its overall operational and financial performance.	3.39	1.0	5.0	1.04
<i>Strategic Management</i>	3.40			1.10
SM1 - ArcelorMittal South Africa's strategic management practices are effective in navigating the challenges posed by the inflation and energy crises.	3.25	1.0	5.0	1.16
SM2 - The company's strategic planning process considers the potential impact of macroeconomic factors, such as inflation and energy supply, on its operations.	3.32	1.0	5.0	1.02
SM3 - ArcelorMittal South Africa's strategic initiatives to improve operational efficiency and cost management have been	3.25	1.0	5.0	1.08

successful in mitigating the effects of the inflation and energy crises.

SM4 - The company's strategic investments in new technologies and production processes have enhanced its competitiveness in the South African steel market. 3.56 1.0 5.0 1.02

SM5 - ArcelorMittal South Africa's strategic partnerships and collaborations have been instrumental in strengthening its resilience to the inflation and energy crises. 3.42 1.0 5.0 1.12

SM6 - The company's strategic decision-making is guided by a clear and comprehensive understanding of the evolving market conditions and industry dynamics in South Africa. 3.48 1.0 5.0 1.24

SM7 - ArcelorMittal South Africa's strategic management has effectively leveraged the company's strengths and capabilities to capitalize on emerging opportunities in the market. 3.51 1.0 5.0 1.07

Source: Researcher's Own work, 2024.

3.7.3 Measurement Model Analysis Results

The study utilized the partial least square - structural equation modelling (PLS-SEM) to evaluate the nexus between inflation rate, energy crisis, strategic management and enterprise performance of ArcelorMittal South Africa. PLS-SEM results are assessed through the assessment of measurement and structural model - two systematic processes. The measurement model analyses the reliability and validity of the scales. Each scale was assessed for discriminant validity, convergent validity, and reliability prior to the testing of theoretical model. The structural model evaluates the theoretical model.

2.7.3.1 Construct Reliability

The constructs were reflectively measured. Both the Cronbach Alpha and composite reliability were used to measure the internal consistency reliability. Researchers have indicated that composite reliability with values between 0.70 and above are acceptable (Hair et al., 2017). From Table 4.12, the alpha coefficients for energy crisis, inflation rates, enterprise performance and strategic management are 0.882, 0.882, 0.910 and 0.911 respectively. The composite reliability values for all the constructs were higher than 0.70 threshold. Hence, it can be concluded that the constructs have achieved an acceptable level of internal consistency. That is, the scales are considered reliable.

3.7.3.2 Convergent Validity

Convergent validity was assessed in terms of factor loadings and average variance extracted (AVE). According to Hair et al. (2017), the item loadings should be higher than 0.70. From Table 4.12, the items that loaded above 0.70 are rightly captured under the heading “loadings”. Items that loaded between 0.40 and 0.70 were also maintained to increase the composite reliability and average variance extracted (AVE) in order to meet the threshold of 0.700 and 0.500 respectively.

Generally, the accepted measure to establish convergent validity of a construct is the average variance extracted (AVE) (Hair et al., 2017). The rule of thumbs with respect to the evaluation of the convergent validity indicates that the AVE of each measurement construct should be above 0.50. From Table 4.12, all AVEs were above 0.50 with the lowest being 0.653 and the highest AVE being 0.738. These results overall reveal acceptable convergent validity.

Table 3.12: Measurement model valuation

Construct	Item	Loadings	CA	CR (rho_a)	CR (rho_c)	AVE
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Energy crisis	EC1	0.833	0.882	0.884	0.914	0.680
	EC2	0.824				
	EC3	0.884				
	EC4	0.791				
	EC5	0.786				
Inflation rate	IR1	0.900	0.910	0.915	0.933	0.738
	IR2	0.908				
	IR3	0.894				
	IR4	0.826				
	IR5	0.757				
Enterprise performance	OGP1	0.838	0.882	0.884	0.914	0.680
	OGP2	0.798				
	OGP3	0.837				
	OGP4	0.806				
	OGP5	0.843				
Strategic management	SM2	0.774	0.911	0.912	0.929	0.653
	SM3	0.863				
	SM4	0.781				
	SM5	0.807				
	SM6	0.812				
	SM7	0.790				
	SM1	0.825				

CA = Cronbach Alpha, CR = Composite reliability, AVE = average variance extracted.

Source: Researcher's Own work, 2024.

3.7.3.3 Assessment of Discriminant Validity

The degree to which a construct is unique from other constructs is referred to as discriminant validity. To establish discriminant validity, construct must be different and depict a phenomenon not represented by other constructs. Researchers have recommended cross-loadings, Heterotrait- Monotrait Ratio (HTMT) and Fornell-Larcker criterion to be used to assess the discriminant validity of the indicators (Hair et al., 2014).

The Fornell-Larcker criterion suggested by Fornell and Larcker (1981) states that the square root of AVE should be greater than the highest correlation shared between the construct and the other constructs. The analysis of the Fornell-Larcker criterion is illustrated in Table 3.13. The diagonals presented the square root of the AVE and the correlations among constructs. When the correlations among the other constructs are less than the square root of the AVE construct, there is an indication of discriminant validity is established. From Table 4.13, the square root of AVE was higher than the inter-construct correlations and indicates sufficient discriminant validity.

Table 3.13: Fornell-Larcker criterion assessment

	EC	OGP	IR	SM
EC	0.983			
OGP	0.867	0.925		
IR	0.796	0.909	0.859	
SM	0.923	0.829	0.829	0.808

EC = Energy Crises; OGP = Enterprise Performance; IR = Inflation Rate; SM = Strategic Management

Source: Researcher's Own work, 2024

Cross-loading is an approach to assess the discriminant validity of the indicators. The approach specifies that an indicator's outer loading on the connected construct should be greater than any of its cross-loadings - that is, its correlation on other constructs. The cross loadings in bold as displayed in the results in Table 4.14 indicate that there is a discriminant validity between all the constructs.

Table 3.14: Cross-Loadings of constructs

	EC	IR	OGP	SM
EC1	0.833	0.786	0.759	0.825
EC2	0.824	0.641	0.641	0.774
EC3	0.884	0.716	0.743	0.863
EC4	0.791	0.491	0.659	0.781
EC5	0.786	0.636	0.765	0.807
IR1	0.643	0.900	0.806	0.679
IR2	0.733	0.908	0.843	0.753
IR3	0.734	0.894	0.788	0.760
IR4	0.567	0.826	0.660	0.578
IR5	0.707	0.757	0.779	0.750
OGP1	0.736	0.648	0.838	0.812
OGP2	0.748	0.575	0.798	0.783
OGP3	0.705	0.749	0.837	0.790
OGP4	0.643	0.900	0.806	0.679
OGP5	0.733	0.908	0.843	0.753
SM2	0.624	0.641	0.641	0.774
SM3	0.684	0.716	0.743	0.863
SM4	0.791	0.491	0.659	0.781

SM5	0.786	0.636	0.765	0.807
SM6	0.736	0.648	0.538	0.812
SM7	0.705	0.749	0.637	0.790
SM1	0.813	0.786	0.759	0.825

EC = Energy Crises; OGP = Enterprise Performance; IR = Inflation Rate; SM = Strategic Management

Source: Researcher's Own work, 2024

Contemporary studies have shown that cross-loadings and the Fornell-Larcker unreliably detects discriminant validity issues (Henseler et al., 2015). Hence, Henseler et al. (2015) proposes evaluating the heterotrait-monotrait ratio (HTMT) of the correlations. HTMT approach is an estimation of what the actual correlation between two constructs will be if they were perfectly measured. However, HTMT assessment above 0.90 suggests a lack of discriminant validity and when the constructs in the path model are theoretically more divergent, a lower and more conservative threshold value of 0.85 is acceptable. Table 3.15 shows the HTMT of the constructs and it can be established that all the constructs have achieved acceptable levels of HTMT.

Table 3.15: Assessment of Heterotrait-Monotrait Ratio

	EC	OGP	IR	SM
EC				
OGP	0.879			
IR	0.878	0.817		
SM	0.798	0.731	0.898	

EC = Energy Crises; OGP = Enterprise Performance; IR = Inflation Rate; SM = Strategic Management

Source: Researcher's Own work, 2024.

3.7.4 Structural Model Analysis Results

After validating the measurement model, the structural model was used to test the hypothesis. However, the coefficient of determination, predictive power, multicollinearity, effect size must be evaluated.

3.7.4.1 Assessment of Multicollinearity

To assess the structural model, the researcher first examined multicollinearity for the predicting constructs. In assessing the multicollinearity of indicators, the variance inflation factor (VIF) was employed. Each predictor indicator's value, which is the VIF, should be higher than 0.20 and lower than 5 (Hair et al., 2017). From Table 3.16, it is observed that the variance inflation factor for the indicators is within the boundary, suggesting no multicollinearity among the constructs.

Table 3.16: Variance Inflation Factor

Indicators	VIF of indicators
EC1	2.507
EC2	2.849
EC3	3.562
EC4	2.665
EC5	2.657
IR1	3.567
IR2	3.738
IR3	3.136
IR4	3.018
IR5	1.838
OGP1	3.182

OGP2	2.960
OGP3	2.337
OGP4	3.023
OGP5	3.053
SM2	2.886
SM3	3.884
SM4	3.045
SM5	3.379
SM6	3.012
SM7	2.424
SM1	2.916

EC = Energy Crises; OGP = Enterprise Performance; IR = Inflation Rate; SM = Strategic Management

Source: Researcher's Own Work, 2024

3.7.4.2 Assessment of Path Significance

The significance and relevance of the structural equation model relationships using PLS-SEM is shown in Figure 14. The researcher bootstrapped the constructs to examine the significance of the path co-efficiency as shown in Table 3.17. Table 3.17 shows the results of the structural equation modelling analysis which was used to assess the relationship between energy crisis, inflation rate, strategic management and enterprise performance. From Figure 14, energy crisis and inflation rate established a positive significant relationship with strategic management. Further, strategic management positively influenced enterprise performance.

Table 3.17: Results for Structural Model Assessment

Hypothesis	Path	Path Coefficient	T-Statistics	P-Values	Decision
-------------------	-------------	-------------------------	---------------------	-----------------	-----------------

H1	EC -> SM	0.884	31.26	0.000	Supported
H2	IR -> SM	0.125	3.76	0.000	Supported
H3	SM -> OGP	0.929	90.09	0.000	Supported

Source: Researcher’s Own Work, 2024

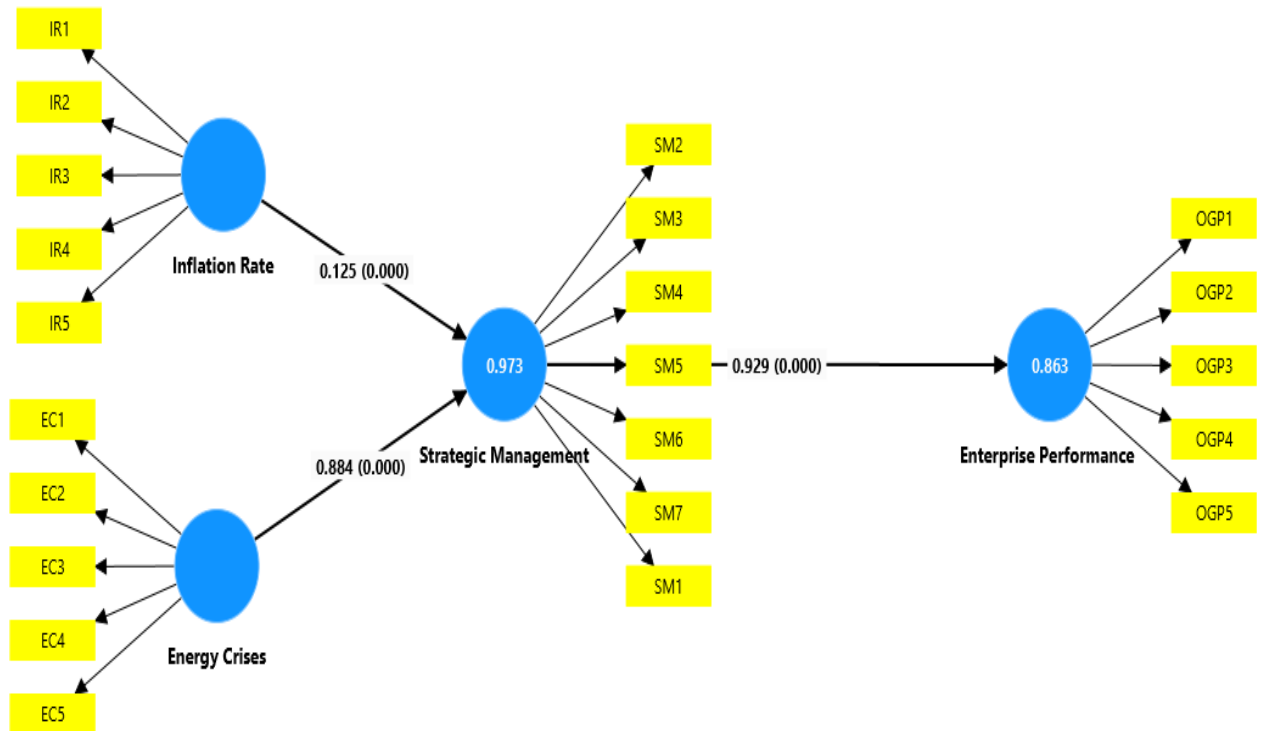


Figure 14: Direct paths of independent and dependent variables
Source: Author owns, 2024

3.7.4.3 Assessment of Coefficient of Determination and Predictive Power

After assessing the level of multicollinearity, the overall fit of the model is assessed using coefficient of determination (R-square) and predictive relevance (Q-square). The R-square is the square correlation of actual and predicted values. It includes all the constructs employed for the model estimation to judge the model’s predictive power. The R-square represents a measure of in-sample predictive power (Sarstedt, Ringle, Henseler, & Hair, 2014). From Table 4.18, the coefficient of determination which is R-square was identified

to be 0.863 for enterprise performance and 0.973 for strategic management. This shows that 86.3 per cent of the percentage of variation in enterprise performance is explained by the strategic management the organisation utilizes. Further, energy crises and inflation rate also explain more than 90 per cent of the strategic management implemented by ArcelorMittal South Africa.

Table 3.18: R-Square, Adjusted R-Square and Q-Square of constructs

	R Square	R Square Adjusted	Q - Square
Enterprise Performance	0.863	0.862	0.788
Strategic Management	0.973	0.972	0.971

Source: Researcher's Own Work, 2024

Also, the construct cross-validated redundancy (Q^2) was used to assess the fitness of the model. Q^2 indicates the out-of-sample predictive relevance. That is, the ability of independent variables to predict dependent variables. The dependent variables in this study exhibit an acceptable level of predictive accuracy. From Table 3.18, Q^2 were 0.788 and 0.971. This value is greater than zero; hence, the predictive relevance of the construct is acceptable.

3.7.4.4 Effect Size Assessment

Furthermore, the effect size (f^2) was used to assess the independent variable's contribution to the dependent variable. Table 4.19 shows that the f^2 value for energy crises is 10.44, inflation rate is 0.21, and strategic management is 6.31. This implies that the removal of constructs energy crises and strategic management have a substantial effect respective on the model. Also, the removal of inflation rate will impact the model because it has a moderate impact on the model.

Table 3.19: F-Square of construct

Constructs	Effect size values
-------------------	---------------------------

Energy crises	10.44
Inflation rate	0.21
Strategic management	6.31

Source: Researcher's Own Work, 2024

3.7.5 Discussion of Objectives

3.7.5.1 Inflation rate and Strategic management

The objective of the study is to assess the impact of inflation rate on strategic management. The study, therefore, tested the influence of inflation rate on strategic management through a bootstrapping analysis. The results from the hypothesis test indicate that there is a statistically significant relationship between inflation rate and strategic management ($\beta = 0.125$, $p = 0.000$) (see Table 3.17). This indicates that there is a positive significant relationship between inflation rate and strategic management. The path coefficient of 0.125 suggests that for every unit increase in inflation rate, there is a 12.5 per cent increase in strategic management. However, the study hypothesized a negative impact of higher inflation rates on strategic management. Hence, the H1 is rejected. This result is inconsistent with the results of Mandeya and Ho (2021) who found that inflation rates have a negative direct effect on strategic management. Their study showed that strategic management mitigates the negative effects of inflation on their profitability and growth. The results also disconfirmed the study of Wu et al. (2022) and Fakhri et al. (2020) who found that inflation rate actively influences strategic management.

3.7.5.2 Energy crises and Strategic management

Table 3.17 presents the relationship between the study variables. It is observed that the relationship between energy crises and strategic management is statistically significant from the results. However, there is a negative relationship between energy crises and strategic management. Energy crises statistically and significantly relate to strategic management, $\beta = 0.884$, $t = 31.26$, $p = 0.000$. The study reveals that energy crises are a critical factor that positively affects the strategic management. That is, a unit increase in energy crises among ArcelorMittal South Africa will result in 88.4 per cent increase in strategic management. However, the H2 is unsupported. This study found a positive significant relationship between energy crises and strategic management. This is inconsistent with studies by Tarigan and Siagian (2021) who found that energy crises have a negative significant influence on strategic performance. Further, Wu et al, (2022) found that energy crises unfavourably impact strategic management. But strategic management is a motivation tool to influence organizational performance in the wake of energy crises.

3.7.5.3 Strategic management and enterprise performance

Taking inspiration from prior studies, the study hypothesized that strategic management positively and significantly relates to enterprise performance (H3). From Table 3.17, the results demonstrate that strategic management is a predictor of enterprise performance among ArcelorMittal South Africa with $\beta = 0.909$, and a p – value = 0.000. The study reveals that strategic management positively, and significantly influences enterprise performance. Further, a unit increase of effective strategic management will increase enterprise performance by 92.9 per cent. Hence, H3 is supported.

The result of this research discovered strategic management has a significant effect on the enterprise performance of companies in South Africa. This is supported by Mandipa and Sibindi (2022), who found that a strong focus on cost-cutting, operational efficiency, and diversification were able to mitigate the negative effects of the crisis on their profitability and return on assets. Hence, it is clear that strategic management systems create more efficiencies in the cost of doing business in South Africa. This makes the business environment favorable to most of the companies that cannot cope with the energy crises and high inflation rates. The positive effect of strategic management empowers enterprises to plot a course in turbulent economic conditions, incorporating periods of high inflation (Nag et al., 2007). Moreover, businesses are better equipped to lessen the detrimental effects of inflation on their performance when they have established strategic planning procedures and a good alignment between their strategic objectives and operational capabilities. Similarly, Vogel and Cunha (2010) mentioned that strategic management positively affects firm performance emphasizing the advantages of international strategic alliances for South African enterprises.

4. CONCLUSION

The purpose of research aims to explore the role strategic management play in the management of ArcelorMittal South Africa performance taking into consideration the effect of inflation and energy crises. Strategic management techniques play a crucial role in effectively dealing with the simultaneous challenges of inflation and energy shortages. These economic challenges require a strong and flexible strategy framework that can adjust to changing market conditions, increasing operational expenses, and unreliable energy sources. To achieve this research objectives, the financial statements of ArcelorMittal, a top steel manufacturer, were analyzed for a period of five years. Again, survey questionnaire was employed to assess management knowledge and how these external factors are mitigated in the firms. The research employed dynamic capability and resource-based view theories to understand how the firm utilized their resources both tangible and intangible during period of inflation and energy crises. The findings from the financial statements' evaluation established that efficient cost control, adaptable pricing methods, and creative financial management are essential for mitigating the impact of inflationary forces. ArcelorMittal South Africa can sustain profitability in the face of increasing input costs by enhancing operational efficiency and making strategic investments in technology. Furthermore, it is crucial to implement strategic measures in reaction to energy crises, such as enhancing energy management techniques, allocating resources to renewable energy sources, and guaranteeing the resilience of supply chains. These actions are necessary to maintain production efficiency and effectively manage operating expenses. Further, the results of the study confirmed that strategic management is a motivational tool to induce organizational performance during energy crises and higher inflation rates.

Leadership is crucial in establishing a distinct strategic vision, facilitating efficient communication of objectives, and involving stakeholders in the strategic planning process.

The company's proactive and adaptive initiatives will enable it to not only endure current inflationary and energy issues but also establish a strong position for sustainable growth and competitive advantage in the future. ArcelorMittal South Africa can achieve resilience and success in a constantly changing economic environment by consistently evaluating and adjusting their plans. The thesis findings enhance the current literature by offering an in-depth analysis of the affiliation between strategic management, inflation, and company performance within a merging economy. The findings demonstrated by this research can guide the creation of impactful policy interventions and strategic initiatives that aim to improve the expansion and adaptability of businesses in response to fluctuations in the economy.

4.1 Contributions to theory and practice

This study contributes to the theoretical understanding of strategic management in highly volatile environments. Examining how ArcelorMittal South Africa adapts its strategies in response to inflation and energy crises, it offers material significance into the dynamic capabilities' framework, emphasizing the need for flexibility and rapid adaptation in strategic planning. In this research the dynamic capability and resource-based view were utilized to understand the relationship between strategic management, inflation, energy crises, and enterprise performance of ArcelorMittal South Africa. The findings highlight the importance of integrating cost management and resource allocation strategies within the broader strategic management framework. This highlights the relevance of resource-based theory, suggesting that effectively utilizing internal resources and capabilities is critical in navigating external economic pressures. The research established the pivotal role of leadership in strategic adaptation, contributing to leadership techniques in strategic management. It emphasizes how effective leadership can drive organizational resilience by fostering a culture that supports continuous strategic renewal and innovation. The dynamic

capabilities demonstrate the impact of stakeholder engagement on strategic success. The findings of the investigation show that engaging various stakeholders (employees, customers, suppliers, investors) in the strategic process can lead to more informed and effective strategic decisions.

Furthermore, practical significance into ArcelorMittal South Africa's cost management strategies during inflationary periods provides a valuable reference for other organizations facing similar challenges. Practitioners can learn from the company's approaches to cost control, such as optimizing supply chains and investing in energy-efficient technologies. The financial statement analysis highlighted the importance of dynamic pricing strategies to maintain profitability during inflation. Businesses can adopt these practices to better align their pricing with market conditions, ensuring competitiveness and customer retention. Again, the negative influence of energy crises of ArcelorMittal South Africa can be reduced through investment in renewable energy and efficiency improvements can serve as a best practice model for other companies. This emphasizes the importance of sustainability and energy resilience in strategic planning. The firms can move from consumption of fossil fuels which have high pollution effect to more renewable energy like solar, wind, and biogas. Additionally, practitioners can adopt more inclusive strategic planning approaches to ensure that the perspectives and needs of all stakeholders are considered, leading to more robust and supported strategic initiatives. Thereby, continuously monitoring the external environment and being prepared to adjust strategies rapidly, businesses can better navigate economic uncertainties.

5. RECOMMENDATION

In this thesis work the underachievement of enterprise in South Africa emerged as a result of inflation and energy crises. Five years periods of ArcelorMittal financial statements from 2019 to 2023 were analysed. Financial analysis tools of Liquidity rates, profitability ratios, capital efficiency ratios, return ratios, and revenue growth were performed.

Reference to 3.4 for the financial analysis of ArcelorMittal South Africa.

An inflation and energy crises survey was conducted among ArcelorMittal management as to how the organization's performance was affected during the periods of inflation and energy crises.

Reference to 3.7 Empirical analysis and findings.

As a result of the examination, ArcelorMittal options to mitigate the underperformance is to look for alternative solutions to mitigate the energy crises. Severely options of energy solutions have been considered in the likes of solar energy, biomass energy, and coal energy. The pros and cons of the mentioned option are shown in the table below.

Energy source	Pros	Cons
Solar Energy	Renewable and abundant source of energy. Reduces electricity bills. Low maintenance costs. Environmentally friendly, no greenhouse gas emissions during operation.	High initial installation costs. Intermittent energy source (depends on sunlight availability). Requires significant space for panels.

	Technological advancements continue to improve efficiency.	Energy storage solutions (like batteries) can be expensive.
Biomass Energy	<p>Renewable resource.</p> <p>Can reduce waste in landfills.</p> <p>Can produce energy continuously (unlike solar and wind).</p> <p>Can reduce reliance on fossil fuels.</p> <p>Can produce biofuels, biogas, and heat.</p>	<p>Can produce air pollutants and greenhouse gases</p> <p>Requires significant land and water resources</p> <p>May compete with food production for resources</p> <p>Transportation and processing of biomass can be costly</p> <p>Can lead to deforestation if not managed sustainably</p>
Coal Energy	<p>Abundant and reliable source of energy.</p> <p>Established infrastructure and technology.</p> <p>Can produce large amounts of electricity.</p> <p>Relatively low-cost energy source.</p>	<p>Major contributor to air pollution and greenhouse gas emissions.</p> <p>Health hazards due to air pollution and mining accidents.</p> <p>Finite resources will eventually be depleted.</p>

		Environmental degradation from mining operations. High water usage for cooling in thermal plants.
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Sources: Researcher own work 2024

The comparisons and examinations of the various options of the energy, Coal energy is the best option for ArcelorMittal for mitigation of energy crisis for the company.

5.1 Financing Coal Energy Plant

There are various ways of financing, or raising findings for organization projects as management's purpose is to maximize profit and to minimise cost for the owners of the company. The table below demonstrates the financing options.

Financing Option	Description	Pros	Cons
Equity Financing	Raising capital by selling shares of the company.	No debt to repay. Investors share the risk. Can bring expertise and resources from investors.	Dilution of ownership. Potential loss of control. Requires sharing profits with investors.
Debt Financing	Borrowing money to be paid back with interest	Retains full ownership of the project.	Repayment obligation regardless of project success.

		Interest is tax-deductible	Can be expensive if interest rates are high
Public-Private Partnerships	Collaboration between government and private sector to finance, build, and operate projects.	Shared risk and resources. Government support can improve project credibility	Complex arrangements. Potential conflicts of interest
Project Finance	Financing based on the projected cash flows of the project rather than the balance sheets of the project sponsors.	Limited recourse to project sponsors. Can off-balance-sheet financing.	Complex and time-consuming to arrange. Requires reliable and predictable cash flow projections
Leasing	Renting equipment or facilities instead of purchasing them.	Lower upfront costs. Flexibility to upgrade equipment.	Long-term cost can be higher than purchasing. No ownership of assets

Source: Researcher's own work, 2024

5.2 Using Economic Value Added Method

Economic Value Added (EVA) is a measure of a company's financial performance that calculates the value created over and above the required return on invested capital. For a project, EVA can be calculated using the following format:

EVA Calculation Formula

$$EVA = NOPAT - (\text{Invested Capital} \times WACC)$$

Where:

NOPAT (Net Operating Profit After Tax) is the profit generated by the project after accounting for taxes but before financing costs and interest.

Invested Capital is the total capital invested in the project.

WACC (Weighted Average Cost of Capital) is the average rate of return required by all of the project's capital providers (both debt and equity).

Discussion of elements used in the Economic Value Added calculation

NOPAT = Net profit after tax.

NOPAT used in this thesis work is the cost saving from the energy expense for the next 10 years in which the coal plant going to supply energy to the company.

The investment capital for this thesis is the loan raised to establish the coal plant. The repayment term is 10 years. The loan amount is \$ 125 000 000, and the interest is 7%.

The total amount of the energy cost saved for the 10 years is discounted to its present value at an inflation rate of 4%.

Energy cost saving \$5 343 000 x 10 = \$53 430 000

Cost of operating \$6000000

Present value Energy cost saving = PV

$$PV = \frac{FV}{(1 + r)^n}$$

$$PV = \frac{53430000}{(1+0.04)^{10}}$$

$$PV = 36\,095\,394$$

The present value for the operating cost of running the coal plant is estimated as 6000000 with an inflation of 4%.

$$PV = \frac{6000000}{(1 + 0.04)^{10}}$$

$$PV = 4\,053\,385$$

$$\text{NOPAT} = (36\,095\,394 - 4\,053\,385) = \$32\,042\,009$$

CAPM = Capital Asset Pricing Model.

Formula for CAPM = $R_e = R_f + B(R_m - R_f)$

$$R_e = 0.09250 + 1 \times (14.49 - 0.09250) = 14.49\%$$

$$R_e / (r_e) = \text{cost of equity} = 14.49\%$$

$$R_d = \text{cost of debt} = 4\%$$

$$D = \text{Market value of debt} = \$1\,250\,000\,000$$

$$E = \text{Market value of equity} = \$1\,114\,612\,789$$

$$V = \text{total value of equity and debt} = \$2\,364\,612\,789$$

Calculation of WACC

$$\text{WACC} = r_e \times E/V + D/V \times r_d(1-\text{tax})$$

$$\text{WACC} = 0.1449 \times 1114612789 / 2364612789 + 1250000000 / 2364612789 \times 0.07(1 - 0.28)$$

$$\text{WACC} = 13\%$$

Steps to Calculate EVA

1. NOPAT (Net profit after Tax)

$$\text{NOPAT} = \text{Operating Income} \times (1 - \text{Tax Rate})$$

Operating Income is the earnings before interest and taxes (EBIT).

Tax Rate is the corporate tax rate applicable to the project.

$$\text{NOPAT} = (\$32042009) \times (1 - 0.28) = \$23\,070\,246$$

$$\text{Tax rate} = 28\%$$

$$\text{Invested Capital} = \$125\,000\,000$$

WACC (Weighted Average Cost of Capital)

$$\text{WACC} = 13\%$$

Calculation of EVA:

$$\text{EVA} = \text{NOPAT} - \text{Invested Capital} \times \text{WACC}$$

$$38469600 - (125000000 \times 13\%)$$

$$\$23\,070\,246 - \$16\,250\,000$$

$$\text{EVA} = \$6\,820\,246$$

The project has an Economic Value Added (EVA) of \$6 820 246

The project is producing value above and above the cost of the capital used, as shown by the positive EVA.

6. Limitations of research

Recognizing the study's limitations is crucial, as it offers an essential understanding of ArcelorMittal South Africa's strategic management procedures during inflation and energy crises. The research was empirically limited to ArcelorMittal South Africa one of the top steel firms in the country. Companies in different industries have distinct dynamics and problems, hence the results might not be directly transferable. Again, the investigation was specific to ArcelorMittal a company in South Africa. Therefore, the economic conditions, regulatory environment, and market dynamics might differ significantly from other emerging communities and even regions within Sub-Saharan Africa. Next, inflation and energy crises are influenced by different external factors at different time periods. As results, applying the findings from this study will lead to bias conclusions. In the data collection, both financial statements and questionnaires were adopted for this research. Only five years of financial statements were analyzed (2019, 2020, 2021, 2022) and the questionnaire was limited to managers. Since only five years were analyzed, the results cannot be generalized for all the years and other firms. Finally, interviews and surveys may be subject to respondent bias, where participants may provide socially desirable answers rather than their true opinions. The Smart PIs analysis approach was employed to analyze the data collected.

Subsequent investigations should focus on overcoming these constraints by expanding the range of inquiry, utilizing various methodological strategies, and investigating emerging fields such as technological advancements and stakeholder engagement

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**LIST OF ABBREVIATIONS AND WORDS USED
INTERCHANGEABLE**

RBV – Resource Based-view

CPI - Consumer Price Index

PPI - Producer Price Index

VAT – Value Added Tax

DCT - Dynamic Capability Theory

SM – Strategic Managment

IR – Inflation Rate

EC – Energy Crises

OGP – Enterprise Performance.

HTMT - Heterotrait-Monotrait Ratio

ROE – Return on Equity

ROA – Return on Asset.

STRATEGIC SOLUTIONS – Strategic management

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APPENDICES

Appendix P I: Variables measurement

	1- Strongly Disagree 2- Disagree 3- Neutral 4 – Agree 5 - Strongly Agree	
Strategic management	SM1 - ArcelorMittal South Africa's strategic management practices are effective in navigating the challenges posed by the inflation and energy crises.	
	SM2 - The company's strategic planning process considers the potential impact of macroeconomic factors, such as inflation and energy supply, on its operations.	
	SM 3 - ArcelorMittal South Africa's strategic initiatives to improve operational efficiency and cost management have been successful in mitigating the effects of the inflation and energy crises.	
	SM 4 - The company's strategic investments in new technologies and production processes have enhanced its competitiveness in the South African steel market.	
	SM 5 - ArcelorMittal South Africa's strategic partnerships and collaborations have been instrumental in strengthening its resilience to the inflation and energy crises.	
	SM 6 - The company's strategic decision-making is guided by a clear and comprehensive understanding of the evolving market conditions and industry dynamics in South Africa.	
	SM 7 - ArcelorMittal South Africa's strategic management has effectively leveraged the company's strengths and capabilities to capitalize on emerging opportunities in the market.	

Inflation rate	IR1 - The inflation rate of the steel industry in South Africa has a major impact on ArcelorMittal South Africa's financial performance.	
	IR 2 - ArcelorMittal South Africa's profit margins are highly sensitive to changes in the inflation rate.	
	IR 3 - Fluctuations in the inflation rate have a significant influence on ArcelorMittal South Africa's ability to maintain competitive pricing.	
	IR 4 - ArcelorMittal South Africa's cost management strategies are effective in mitigating the impact of inflation on its overall operations.	
	IR 5 - The level of inflation in South Africa is a critical factor in ArcelorMittal South Africa's long-term investment and expansion decisions.	
Energy crisis	EC 1 - The energy crisis in South Africa has had a substantial impact on ArcelorMittal South Africa's production costs and operational efficiency.	
	EC 2 - ArcelorMittal South Africa's reliance on grid-supplied electricity makes it highly vulnerable to power outages and load shedding.	
	EC 3 - ArcelorMittal South Africa has successfully implemented strategies to diversify its energy sources and reduce its dependence on grid electricity.	
	EC 4 - The company's investments in renewable energy sources, such as solar and wind power, have helped to mitigate the impact of the energy crisis.	
	EC 5 - The energy crisis in South Africa is a significant factor in ArcelorMittal South Africa's long-term strategic planning and decision-making.	

Enterprise performance	OGP1 - The inflation and energy crises have had a significant negative impact on ArcelorMittal South Africa's operational performance and production capacity.	
	OGP 2 - ArcelorMittal South Africa's financial performance, as measured by metrics such as revenue, profitability, and return on assets, has been adversely affected by the challenges posed by the inflation and energy crises.	
	OGP 3 - The company's operational efficiency, as reflected in its production costs, productivity, and resource utilization, has deteriorated due to the impact of the inflation and energy crises.	
	OGP 4 - ArcelorMittal South Africa's competitiveness in the South African steel market has been undermined by the company's inability to maintain its operational and financial performance during the inflation and energy crises.	
	OGP 5 - The company's strategic management has been successful in mitigating the negative impact of the inflation and energy crises on its overall operational and financial performance.	
Sources	(Phiri et al., 2023) (Zulu et al., 2021) (Pelser et al., 2022)	

