Towards Industrialized Africa: Opportunities and Challenges

Edited by

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Foreword

The African continent is the second most-populated continent in the world, home to over 1.2 billion people, or 16% of the world’s population. Despite this, Africa currently only accounts for less than 2% of international trade and global manufacturing. Africa’s economic emergence and transition from a continent of low-income into middle-income economies, requires transforming the economic structure from predominantly agrarian and extractive activities to more vibrant and value adding industrial sectors like processing, manufacturing, tourism, etc.

The important contribution of inclusive and sustainable industrial development in helping Africa overcome its critical development challenges is clearly recognized in the 2030 Agenda for Sustainable Development, within Sustainable Development Goal 9 (SDG9), calling to build resilient infrastructure, promote sustainable industrialization and foster innovation, and Agenda 2063, encompassed in Aspiration 1 of the First Ten-Year Implementation Plan, under “a prosperous Africa based on inclusive growth and sustainable development.”

To realize their potential, African countries also need to promote regional integration and intra-regional trade. Although it is widely recognized that intra-regional trade could play a significant role in accelerating economic growth and poverty reduction and enhancing food and energy security in Africa, the continent continues to trade little with itself.

Following the unveiling of the African Continental Free Trade Agreement in Kigali, Rwanda, in March 2018, Africa is about to become the world’s largest free trade area by number of countries. So far, 49 African countries signed the agreement meant to create a tariff-free continent that can grow local businesses, boost intra-African trade, rev up industrialization and create jobs.

According to the UN Economic Commission for Africa (ECA), if all 55 African countries join the free trade area, it will cover more than 1.2 billion people and a combined GDP of $2.5 trillion. The ECA adds that intra-African trade is likely to increase by 52.3% by 2020 under the African Continental Free Trade Agreement, and the UN Conference on Trade and Development expects Africa to gain more industrial and value-added jobs because of intra-African trade, hence contributing to Africa’s industrial transformation and prosperity as envisaged in African Union Agenda 2063 and the 2030 Agenda.

According to the UNIDO (2016) report, there are four main reasons for Africa to industrialize:

▪ Without industrializing, it is unlikely that Africa can meet the Sustainable Development Goals by 2030, particularly SDG 9 on industry, innovation and infrastructure.
▪ Inclusive and sustainable industrial development is associated with job creation, sustainable livelihoods, innovation, technology and skills development, food security and equitable growth – some of the key requirements for eliminating poverty by 2030.
▪ Rarely has a country evolved from poor to rich without sustained structural transformation from an agrarian or resource-based economy towards an industrial or service-based economy. This transformation is important to ensure wealth creation through increased economic integration and productivity.
▪ Millions of young people enter the labour market in Africa every year. Industry, by providing decent jobs and by expanding the fiscal revenues needed for social investments, can boost capacity for the much-needed inclusive development.

There are important benefits of inclusive and sustainable structural transformation and industrialization – for diversifying the economy, creating jobs and building equitable societies. The benefits to Africa of leveraging trade in intermediate goods, investment, and regional and global value chains. Such chains can be served by micro, small and medium-sized enterprises, using their relative advantages in flexibility, innovativeness, personalized contacts, quality of
products and creating new opportunities for the international sourcing of scarce specialized skills. Enterprises from Africa may be able to learn from the experience of other developing countries, especially in Asia.

Africa should move away from the “generalized” industrial policies that have proved ineffective over the last three decades. They also need to build strong institutions and viable investment climates. And they need to realize the full potential of public-private partnerships (PPPs) and the opportunities for collaboration among industry, governments and other stakeholders.

The words of two of the African development giants still reverberates in the minds of all who believe in the future of Africa:

“Industry ... is the means by which rapid improvement in Africa’s living standards is possible ... ” Kwame Nkrumah (1965).

“Everybody wants development; but not everybody understands and accepts the basic requirements for development. The biggest requirement is hard work” Julius Kambarage Nyerere (1968).

The IAABD members are conscious about Nkrumah and Nyerere’s words which date back so many years, but still relevant to-day. Our meeting and congregation in Dar es Salaam, is significant because we can still trace Mwalimu Nyerere’s foot-steps in Dar es Salaam towards African development based on Kwame Nkrumah’s foundation speech in 1965. This year the IAABD takes a leaf from the two giants conscious hopes of Africa which is industrialized and Africa which is developed. The IAABD 20th Conference in Dar es Salaam should be primarily be dedicated to these African giants of development.

In the papers contained in these Proceedings, delegates are exchanging ideas on an important theme for this conference: “Towards Industrialized Africa: Opportunities and Challenges”. Over the period, May 8 – 11, 2019, we have gathered under the auspices of the University of Dar es Salaam Business School in Dar Salaam, Tanzania to once again follow in the foot-steps of our Pan-African pioneers to examine and re-examine many of issues that continue to challenge those committed in the African development agenda. The conference theme is germane particularly at this time when the African continent needs a sober introspection to address the challenges to genuine development through industrialization embedded in the four main reasons for Africa to industrialize advanced in the UNIDO (2016) report above.

The papers presented in this compendium of the Proceedings of the IAABD, Volume 20 have been peer-reviewed and approved. The papers were meticulously and diligently selected and blind peer reviewed by the Track Chairs and other experts to underscore the relevance and essence of the conference theme. These papers and presentations touch on various aspects of Industrialized Africa: Opportunities and Challenges. While some papers focus on specific issues in various African countries, others deal with issues that affect the continent as a whole. Yet, some papers and presentations examine the impact of specific global phenomena/issues or processes on Africa and Africa Diaspora. The diversity of the papers in this volume reflects the copious academic versatility and multidisciplinary background of the contributors. While the reviewers and Proceedings editor painstakingly did their work, the authors are responsible for the views and conclusions expressed in this volume. It should also be noted that in addition, there are dozens of work-in-progress presentations not included in this volume.

Without a shadow of doubt it is an honour and privilege to serve IAABD as Proceedings Editor. With humility, I owe great gratitude to several individuals who have in various ways contributed and are contributing to the success of this conference and to the publication of this volume. I am sincerely grateful to all the authors who submitted their papers and whose papers are contained in this volume. From the bottom of my heart I am particularly thankful to the track chairs for undergoing the painstaking and tedious management of review process of all the papers and sharing their thoughts with the various authors.
On behalf of the IAABD I also wish to thank the host, the University of Dar es Salaam Business School, Tanzania and the Local Organizing committee for their tireless efforts in making this conference a memorable success.

Finally, I am grateful to the outgoing President of IAABD, Dr Kofi Dadzie, for once again entrusting me with this important opportunity to serve the IAABD. To all the members of the current IAABD Executive Committee, outgoing and those who will continue to steer the ship, I thank you for the opportunity to serve in my present capacity and for your unflinching support. As they say in Dar es Salaam ‘Nashukuru sana’

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TRACK 1
Accounting, Finance, and Investment
EFFECT OF MONETARY POLICY ON THE INDUSTRIAL OUTPUT OF SELECTED DEVELOPING AFRICAN ECONOMIES: EVIDENCE FROM NIGERIA, KENYA AND SOUTH AFRICA: 1986-2016

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Failed industrialization is a hitch to economic development in Africa. The study evaluates the effect of monetary policy on the Industrial Output of selected developing African economies. Secondary data were sourced from World Bank Data Atlas, Knoema, IMF and countries Central Bank Annual bulletin for bank rates, money supply and manufacturing output for the period of 1986 to 2016 and were subjected to Augmented Dickey Fuller Unit Root test, Johansen Co-integration and Granger Causality study. The study discovered that there was long run relationship between monetary policy and industrial output for the three countries, Nigeria, Kenya, and South Africa. However, monetary policy was unable to granger cause a significant change in industrial output of Nigeria, Kenya and the combined selected countries together; except for South Africa that showed that monetary policy granger cause significant change on industrial output. Thus, the study concludes that monetary policy has long run relationship with industrial output but does not influence industrial growth in the selected developing African economies. Hence, the study recommends that regulatory authorities should reduce cash reserves of banks, interest rates and increase money supply such that both loans and funds will be easily accessed by manufacturing/industrial outlets to enhance manufacturing output.

Keyword: African economy, industrialization, manufacturing output, monetary policy, natural resources.

Introduction

In the continent over the world, the most discussed economic issues by policy makers is industrialization and it has become the bedrock of development in the Asian continents, the Arab world has stepped up industrialization with high technological innovation to boost economic competitive edge and growth. However, the industrialization agenda has failed to meet the target development marker in Africa. Industrialization has been a recurrent political campaign promises across the African continent due to its acknowledged ability to facilitate prosperity, employment, better incomes for all and economic growth. Yet the continent is less industrialized today than it was four decades ago (Moghalu, 2016). For instance, the contribution of Africa’s manufacturing sector to the continent’s gross domestic product actually declined from 12% in 1980 to 11% in 2013, where it has remained stagnant over the past few years (UN Economic Commission for Africa).

The African Development Bank in 2017 hold that Africa as a land of opportunity is well endowed with natural resources necessary for a resource-based industrialization. The continent
alone sits on more than US$82 trillion in discovered natural resources, with the potential to contribute US$30 billion a year in government revenues over the next 20 years (ADB, 2017). Africa also possesses other natural resources like minerals, rivers, forests, fisheries and aquaculture with values above US$24 billion, etc., in vast quantities worth significant amount. However, many countries continue to export raw materials with little value addition which cost 5 to 6 times in final product when imported as consumables. For instance, Côte d’Ivoire and Ghana produce 53 percent of the world’s cocoa. But the supermarket shelves in Abidjan and Accra, their respective capitals are stacked with chocolates imported from Switzerland and the UK, countries that do not farm cocoa. This scenario is replicated throughout the continent in different contexts. Nigeria as the world’s sixth-largest producer of crude oil exports more than 80% of its oil but cannot refine enough for local consumption. In 2013 alone, it spent about $6 billion subsidizing fuel imports (Mbae, 2014).

Industrial development of African economies is significantly tied to their economic monetary policy directions. The monetary policy directions of an economy control the flow of economic activities that reflect the overall developmental performance of the country. Monetary policy is one of the roles of the Central Bank, which act as a specialized agency of government to control financial movement within the economy. Financial control function of Central Banks consequently brings to bear the mechanism for anticipated role of credit direction and funds availability in the economy. However, this credit direction powers funds availability to the industrial sector of the economy that reflects on the functions and activities of banks in the economy, which are controlled by the monetary policies of the apex bank. The function of monetary policies in reserve requirement determination, interest rate determination, credit channeling (money supply) and inflation control affects standard of living, industrial performance, stock market performance, credit to private sector investment and economic growth and their speed of impact are based on the swiftness the monetary policy role plays on financial intermediation which influence economic/industrial development (Artus & Barroux, 1990; Fasanya, Onakoya, & Agboluaje, 2013). However, the ever-increasing money supply is not also adding to developmental strides in African industrial economies which have led to questioning of the status quo of monetary policy on industrial growth. Thus, this study aims to analyze the effect of monetary policy on industrial output of the selected developing African economies by asking; does monetary policy mechanism drive economic development in industrial output?

Hypothesis statement (Null)

Ho1: There is no causal effect of monetary policy on manufacturing output of developing African economies.

Ho2: There is no long run effect of monetary policy on manufacturing output of developing African economies.

Conceptual, Theoretical and Empirical Review

Monetary policy can be described as the act of controlling the direction and movement of monetary policy and credit facilities in pursuance of stable price and economic growth in an economy (CBN, 2015). It is also a driver of economic growth through its conscious manipulation of credit rate, money supply and inflation rate to achieve economic growth (Chipote & Makhetha-Kosi, 2014). In contemporary economics, the central bank is the authority with the mandate of monetary policy manipulation via monetary policy tools to accelerate and achieve desired economic macroeconomic objectives. Different transmission mechanism of monetary policy dictates the tune of economic activities and productivity of manufacturing/industrial output in an economy. Monetary policy in African countries like Nigeria, Kenya and South Africa over the years revalidates the position of monetary direction facilitated to boost industrial output.
Monetary Policy in Nigeria

The primary goal of monetary policy in Nigeria has been the maintenance of domestic price and exchange rate stability since it is critical for the attainment of sustainable economic growth and external sector viability (Sanusi, 2002). The Central Bank of Nigeria (CBN), apart from designing and implementing policies with a view to help in the development and growth of the country always pursue her universal goals of maintaining monetary stability thereby strengthening the real sector. The CBN is the apex, principal regulator and supervisor in the money market, with the Nigerian Deposit Insurance Corporation (NDIC) playing complementary role. Actually, the promulgation of the CBN Decree 24 and Banks and Other Financial Institutions (BOFI) Decree 25, both of 1991, gave the Bank more flexibility in regulating and supervising the banking sector and licensing finance companies. The intention of the Monetary Policy Committee constituted by the CBN employs appropriate instruments of monetary policy to effect changes in the liquidity of the deposit money banks so as to influence the supply of money and regulates the financial institutions interest rates which affect all spending in the economy. Nnanna, (2001) reveal that though, the monetary management in Nigeria has been relatively more successful during the period of financial sector reform which is characterized by the use of indirect rather than direct monetary policy tools yet, the effectiveness of monetary policy has been undermined by the effects of fiscal dominance, political interference and the legal environment in which the Central Bank operates.

Monetary Policy in South Africa

In South Africa, the primary objective of monetary policy in South Africa is to achieve and maintain price stability in the interest of sustainable and balanced economic development and growth. The Reserve Bank has full operational autonomy and its monetary policy is set by the Bank’s Monetary Policy Committee (MPC), which conducts monetary policy within a flexible inflation-targeting framework. The evolution of the South African monetary policy has been remarkable. From the “direct controls” regime in 1970 to the “liquidity asset ratio-based system” between 1960 and 1981, to the most recent monetary policy adopted in 2000 – the “inflation targeting framework” – the South African monetary policy system has been able to adapt to economic and development challenges both domestically and abroad.

The South Africa Reserve Bank (SARB) employs various instruments of monetary policy to influence interest rates, most of which is the accommodation instrument, supplemented by various open market operations (Gidlow, 2002).

Monetary Policy in Kenya

In Kenya, monetary policy consists of decisions and actions taken by the Central Bank to ensure that the supply of money in the economy is consistent with growth and price objectives set by the government. The objective of monetary policy is to maintain price stability in the economy. Monetary policy is guided by a monetary programme, which is premised on the economic growth and inflation targets provided by the National Treasury. Monetary policy decisions are made by the Monetary Policy Committee (MPC). The MPC meets at least once every two months and reviews data and analysis from various sources including the Central Bank Departments enabling it to decide on any action to maintain or vary its stance. The Monetary Policy Committee is the organ of the Central Bank of Kenya (CBK) responsible for formulating monetary policy. The Committee was formed vide Gazette Notice 3771 on April 30, 2008, replacing the hitherto Monetary Policy Advisory Committee (MPAC).

Industrialization

The industrialization of the Nigerian, Kenyan and South African economies in Africa have witnessed unprecedented programme adjustment to modify and boost industrial growth and development in the countries. However, their underlying outputs have fallen short of full potentials due to vast and increase environmental, policy, political and unpatriotic deficiencies.
Across African countries different industrial programmes have been projected to continue to improve industrial output across the continent. For instance, the plan of action for the Accelerated Industrial Development of Africa (AIDA) was supported by the AU, ECA, AFDB and NEPAD, which demonstrate how the link between industrialization and structural transformation is being taken seriously. AIDA is based on four tenets – 1) Using Africa’s own natural resource endowment as a basis for industrial transformation; developing an infrastructural system including energy and transportation; 2) Increasing research and development and 3) The adaptation of technology and 4) Promoting private sector development especially the role of small and medium scale enterprises.

However, regardless of this collective effort to industrialize the African continent, the countries within Africa have self-destruct over time based on high level of corruption and lack of political will to industrialize their economies. Africa also has the weakest supply-chains and downstream sectors that are impacted swiftly by supply shocks or systemic impact. A fundamental problem Africa faces and is still residue in our efforts is our curiosity to travel abroad – visit success models and attempt to replicate this in Africa without considering the tenets of environmental factors/advantages and disadvantages. Much capital and time that cannot be recuperated is sunk (Lopez, 2014).

Different theories have projected the allocation of funds and a frontier for industrial growth. The IS-LM model as a sensitive theory of money supply is significant to credit facilitation (monetary movement) for economic direction. The IS-LM Model developed by John Hicks in 1937 was later extended Alvin Hansen between 1940s and mid-1970s. The theory captured the interplay of variables where economic growth and development is determined by key variables of monetary policy such as money supply, interest rate, inflation rate determination and reserve ratio.

**Empirical Review**

Monetary policy as one of the economic policies is usually used in achieving various macroeconomic objectives like increase in output needs and providing favourable environment for effective promotion of industrial output proxy by manufacturing output. Various empirical works have been carried out in line with monetary policies and manufacturing output across the world. By exploring into the areas of study, this research reviewed Chimobi and Uche (2010), who examine the relationship between Money supply, Inflation and Output in Nigeria. The study adopted co-integration and granger-causality test analysis. The co-integrating result of the study showed that the variables used in the model exhibited no long run relationship among each other. Nevertheless, money supply was seen to granger cause both output and inflation. The result of the study suggested that monetary stability can contribute towards price stability in the Nigerian economy since the variation in price level is mainly caused by money supply and concluded that inflation in Nigeria is to an extent a monetary phenomenon.


Bakare-Aremu and Osobase (2015) examined the collaborative effort of monetary and fiscal policy on manufacturing sector for different periods in Nigeria discovered mixed output of both monetary and fiscal policy tools on the performance of the manufacturing sector.

The product effects of monetary policy on the banking credit capacity to the industrial sector are also discussed in Toby and Peterside (2014), Chinweoke, Egwu and Nwabeke (2015) and Bada (2017), who examine the effect of banks’ credit on manufacturing sector, agriculture and manufacturing sectors, and agricultural and manufacturing outputs on the Nigerian economy.
respectively. Their study showed that banks loans and banks’ credits have the significant impact on the agricultural and manufacturing sector in Nigeria.

However, similar study was carried out in South Africa in Adebayo and Harold (2016) using an eight variable Structural Vector Autoregression (SVAR) model examined the response of industrial sector performance in South Africa to monetary policy shocks using a monthly data from 1994:1 to 2012:12. The study found out that money supply shock has a significant positive impact on the industrial output growth from about the eight months. Another African study in Omolade and Ngalawa (2016) investigate the relationship between monetary policy and growth of the manufacturing sector in Algeria. Using a structural vector autoregressive model and quarterly frequency data for the period 1980Q1 to 2010Q4, the study finds no evidence that money supply responds to fluctuations in manufacturing sector growth or Gross Domestic Product (GDP) growth. Interest rates, however, are seen to explain nearly a third of the variations in manufacturing output growth, suggesting that the manufacturing sector is sensitive to interest rates. Their study also reveals that money supply variations are largely explained by changes in interest rates. The monetary authorities adjust total money supply in response to any movements in the rate of interest, probably to keep the rate of interest within a certain target given other developments in the fundamentals. The interest rates, in turn, play an important role in determining variations in manufacturing sector growth.

Other studies outside Africa are shown in Rafiq and Mallick (2008) who examine the effects of monetary policy on output in the three largest euro area economies (Germany, France and Italy) using the new VAR identification procedure. Quarterly observations from 1981-2005 were used. Results suggest that monetary policy innovations are at their most potent only in Germany. Apart from Germany, it remains ambiguous as to whether a rise in interest rates concludes with a fall in output, thereby showing a lack of homogeneity in the responses.

Ivrendi and Yildirim (2013) investigation of macroeconomic parameters and monetary policy shocks in a cross-section of 6 rapidly emerging nations: Turkey, South Africa, Brazil, China, India, and Russia. Adopting a Structural VAR model, it found that tight monetary policy in most countries increases the value of legal tender, interest rates and reduces inflationary pressure and output. There is no fact of exchange rate, price, trade and output relationship. The study affirmed exchange rate as the most important transmission mechanism in the six countries.

The study of Berument and Dincer (2008) measured the effects of monetary policy for Turkey through structural VAR (SVAR) technique covering the period 1986-2000. Empirical results show that a tight monetary policy has a temporary effect on output, causing output to decline for three months in a statistically significant fashion. The findings confirm the work of previous studies (Sousa and Zaghini, 2008; Sims, 1992). Savannarideth (2015) also examine the money-output Granger causality in Lao PDR and found that money supply does not Granger-cause output.

However, limited regional work were discovered on Africa as most studies of monetary policy were country based and this form the reason for an African study. Based on the results of various previous studies conducted on the subject matter, this objective tends to bridge the gap by employing monetary policy tools on Manufacturing output of African emerging economies in Nigeria, Kenya and South Africa.

**Methodology**

The study used ex-post facto research design derived from CBN statistical bulletin of various years, World Bank Data base, IMF, Knoema and the South African Central Bank. The study covers the period of 31 years from 1986 to 2016. The study adopts and modifies the study of Khaysy and Gang (2017) who used OLS techniques. This research is modeled after Khaysy and Gang (2017) model stated as:
GDP = f(M2, REX, INTR, INFR) thus, GDP= β0 + β1 M2 + β2 REX + β3 INTR + β4 INFR + Ut .............................. (1), Where: GDP- Gross Domestic Product, M2- Money Supply, REX- Real Exchange Rate, INTR- Interest Rate, INFR- Inflation Rate.

Therefore, the model for the study in line with previous studies is modified and expressed thus; MO = f(IntR, CRR, TBR, M2) . . . . . . . . . . . .. 3.1, thus MO = β0 + β1 IntR + β2 CRR + β3 TBR + β4 M2 + Ut ........................................ 3.2. Hence, the variables considered for this study are MO-Manufacturing Output, IntR- Interest Rate, CRR- Cash Reserve Ratio, TBR- Treasury Bill Rate and M2- Money Supply β0, β1, β2, β3 and β4 - are parameters and Ut - Error term. They are subjected to Panel OLS and granger analysis and individual country analysis.

**Presentation and Analysis of Results**

This section is divided into three subsections. The unit root test is presented first, followed by cointegration tests. This leads to the presentation of the Panel Co-integration and Granger analysis for the three countries.

Tests for cointegration: For the purposes of this study cointegration examines the long run relationship between the Manufacturing output and the regressors. Since all variables are non-stationary in level, the next procedure is to test for the existence of long run relationships among the variables in the model. The cointegration test using Johansen test requires the estimation of a LR equation.

**Table 3: Cointegration Test Result for Nigeria @5% level**

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Trace Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
<th>Eigenvalue</th>
<th>Max-Eigen Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.***</th>
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<tbody>
<tr>
<td>None Nigeria</td>
<td>0.999734</td>
<td>523.7835</td>
<td>159.5297</td>
<td>0.0000</td>
<td>0.999734</td>
<td>205.7842</td>
<td>52.36261</td>
<td>0.0001</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.998257</td>
<td>428.7061</td>
<td>159.5297</td>
<td>0.0000</td>
<td>0.998257</td>
<td>158.8068</td>
<td>52.36261</td>
<td>0.0000</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.999798</td>
<td>471.1044</td>
<td>159.5297</td>
<td>0.0000</td>
<td>0.999798</td>
<td>212.6316</td>
<td>52.36261</td>
<td>0.0001</td>
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<tr>
<td>At most 1 Nig.</td>
<td>0.941812</td>
<td>181.9889</td>
<td>95.75366</td>
<td>0.0000</td>
<td>0.941812</td>
<td>71.10206</td>
<td>40.07757</td>
<td>0.0000</td>
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<tr>
<td>Kenya</td>
<td>0.903322</td>
<td>189.7974</td>
<td>95.75366</td>
<td>0.0000</td>
<td>0.903322</td>
<td>58.40915</td>
<td>40.07757</td>
<td>0.0002</td>
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<tr>
<td>South Africa</td>
<td>0.925289</td>
<td>174.1807</td>
<td>95.75366</td>
<td>0.0000</td>
<td>0.925289</td>
<td>64.85312</td>
<td>40.07757</td>
<td>0.0000</td>
</tr>
<tr>
<td>At most 2 Nig.</td>
<td>0.823820</td>
<td>110.8868</td>
<td>59.81889</td>
<td>0.0000</td>
<td>0.823820</td>
<td>43.40629</td>
<td>33.87687</td>
<td>0.0027</td>
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<tr>
<td>Kenya</td>
<td>0.798943</td>
<td>79.66303</td>
<td>47.85613</td>
<td>0.0000</td>
<td>0.798943</td>
<td>40.10412</td>
<td>27.58434</td>
<td>0.0008</td>
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<tr>
<td>South Africa</td>
<td>0.805006</td>
<td>109.3276</td>
<td>59.81889</td>
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<td>0.805006</td>
<td>40.89699</td>
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<tr>
<td>At most 3 Nig.</td>
<td>0.542909</td>
<td>37.01048</td>
<td>29.79707</td>
<td>0.0062</td>
<td>0.542909</td>
<td>22.46797</td>
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<td>Kenya</td>
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<td>4.365131</td>
<td>3.841466</td>
<td>0.0367</td>
<td>0.160212</td>
<td>4.365131</td>
<td>3.841466</td>
<td>0.0367</td>
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<tr>
<td>South Africa</td>
<td>0.183927</td>
<td>5.081285</td>
<td>3.841466</td>
<td>0.0242</td>
<td>0.183927</td>
<td>5.081285</td>
<td>3.841466</td>
<td>0.0242</td>
</tr>
<tr>
<td>At most 4 Nig.</td>
<td>0.103032</td>
<td>2.718368</td>
<td>3.841466</td>
<td>0.0992</td>
<td>0.103032</td>
<td>2.718368</td>
<td>3.841466</td>
<td>0.0992</td>
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<tr>
<td>Kenya</td>
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<td>15.49471</td>
<td>0.0701</td>
<td>0.333409</td>
<td>10.13947</td>
<td>14.26460</td>
<td>0.0029</td>
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<tr>
<td>South Africa</td>
<td>0.559582</td>
<td>41.98257</td>
<td>29.79707</td>
<td>0.0012</td>
<td>0.559582</td>
<td>20.50079</td>
<td>21.13162</td>
<td>0.0611</td>
</tr>
</tbody>
</table>
Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0.05 level, * denotes rejection of the hypothesis at the 0.05 level, **MacKinnon-Haug-Michelis (1999) p-values

Source: Researchers’ compilation via E-views 10.0. Values marked with a * represent long run cointegration at 5%.

The co-integration result for Nigeria, Kenya and South Africa in table 3 of the trace and maximum eigen-value tests shows the existence of four (4) co-integrating vectors between CRR, INTR, M2, TBR and MO at the 5% level of significance. This thus confirms the existence of long-run equilibrium (cointegrating) effect of CRR, INTR, TBR and M2 on MO for the three countries.

Panel Data Pooled Cointegration Results

Table 4: Johansen Fisher Panel Cointegration Tests

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Fisher Stat.* (trace test) Prob.</th>
<th>(max-eigen test) Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>464.7 (0.0000)</td>
<td>89.33 (0.0000)</td>
</tr>
<tr>
<td>At most 1</td>
<td>88.45 (0.0000)</td>
<td>40.26 (0.0000)</td>
</tr>
<tr>
<td>At most 2</td>
<td>56.07 (0.0000)</td>
<td>27.93 (0.0001)</td>
</tr>
<tr>
<td>At most 3</td>
<td>18.84 (0.0044)</td>
<td>18.84 (0.0044)</td>
</tr>
<tr>
<td>At most 4</td>
<td>20.23 (0.0025)</td>
<td>14.15 (0.0280)</td>
</tr>
</tbody>
</table>

* Probabilities are computed using asymptotic Chi-square distribution.

Source: Researchers’ compilation via E-views 10.0. * represent long run cointegration at 5%.

Panel-The Panel Cointegration Trace and Maximum Eigenvalue Tests reveal the existence of five (5) co-integrating vectors (with p-values of 0.0000, 0.0000, 0.0000, 0.0044 and 0.0025 respectively and also Fisher statistic of 0.0000, 0.0000, 0.0001, 0.0044 and 0.0280 respectively) between CRR, INTR, TBR, M2 and MO. This confirms the co-integration result of the residual co-integration tests of the existence of co-integration between CRR, INTR, TBR and M2 on MO.

Decision rule: We reject null hypothesis of no co-integration relationship to accept the alternative that there is co-integration. We thus, conclude that the monetary policy instruments in CRR, INTR, TBR and M2 have long run equilibrium effect on MO.
Test of Hypothesis

Table 5: Pairwise Granger Causality Tests Nigeria, Kenya, South Africa and PANEL

<table>
<thead>
<tr>
<th>Pairwise Granger Causality Tests</th>
<th>Lags: 2</th>
<th>Nigeria</th>
<th>Kenya</th>
<th>South Africa</th>
<th>Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Null Hypothesis:</td>
<td>ObsF-Stat (Prob.)</td>
<td>F-Stat (Prob.)</td>
<td>F-Stat (Prob.)</td>
<td>F-Stat (Prob.)</td>
<td></td>
</tr>
<tr>
<td>CRR does not Granger Cause MO</td>
<td>29</td>
<td>0.89 (0.4236)</td>
<td>2.20 (0.1329)</td>
<td>0.74 (0.4873)</td>
<td>0.46 (0.6356)</td>
</tr>
<tr>
<td>MO does not Granger Cause CRR</td>
<td>3.77 (0.0376)</td>
<td>0.10 (0.9086)</td>
<td>1.80 (0.1877)</td>
<td>6.52 (0.0024)</td>
<td></td>
</tr>
<tr>
<td>INTR does not Granger Cause MO</td>
<td>29</td>
<td>0.27 (0.7633)</td>
<td>2.18 (0.1353)</td>
<td>9.84 (0.0008)</td>
<td>0.22 (0.8031)</td>
</tr>
<tr>
<td>MO does not Granger Cause INTR</td>
<td>1.59 (0.2249)</td>
<td>0.78 (0.4712)</td>
<td>13.79 (0.0001)</td>
<td>0.22 (0.8031)</td>
<td></td>
</tr>
<tr>
<td>TBR does not Granger Cause MO</td>
<td>29</td>
<td>0.85 (0.4392)</td>
<td>1.59 (0.2253)</td>
<td>7.94 (0.0023)</td>
<td>0.44 (0.6467)</td>
</tr>
<tr>
<td>MO does not Granger Cause TBR</td>
<td>0.31 (0.7361)</td>
<td>0.34 (0.7179)</td>
<td>6.98 (0.0073)</td>
<td>0.29 (0.7491)</td>
<td></td>
</tr>
<tr>
<td>M2 does not Granger Cause MO</td>
<td>29</td>
<td>5.10 (0.0143)</td>
<td>2.45 (0.1072)</td>
<td>2.17 (0.1359)</td>
<td>0.43 (0.6498)</td>
</tr>
<tr>
<td>MO does not Granger Cause M2</td>
<td>0.27 (0.7683)</td>
<td>4.33 (0.0248)</td>
<td>7.10 (0.0038)</td>
<td>2.45 (0.0922)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Computation by author using E-view10.0

Nigeria-From the Granger Causality Test result in table 5 for Nigeria, Kenya and South Africa the test was carried out with a lag 2 period, monetary policy instrument is unbundled into four variants and their causal relationship with MO tested. The choice of a lag of 2 is aimed at not sacrificing greater degrees of freedom which may be prejudicial to the outcome of the test. From the results, there was a uni-directional causality relationship from MO to CRR and from M2 to MO (with p-values of 0.0376 and 0.0143) without a feedback returning from CRR to MO and MO to M2 (since all their p-values 0.4236 and 0.7683 are more than the 5% chosen level of significance) for Nigeria while there was only bidirectional relation from MO to M2 for Kenya. Hence, there are no causal relationships from CRR, TBR and INTR to MO in Nigeria and Kenya. South Africa showed a bi-directional causality relationship from between INTR and TBR on MO (with p-values of 0.0008 and 0.0023) with a corresponding feedback returning from MO to INTR and TBR (with p-values 0.0001 and 0.0073 which are less than the 5% chosen level of significance). There was also a uni-directional relationship from MO to M2 (with p-value of 0.0038).

Decision: Based on the output, we accept the null hypothesis for CRR, INTR, TBR and M2 on MO that there exists no causal effect of monetary policy on manufacturing output of Nigeria and Kenya. However, we accept the alternative that CRR, INTR, TBR and M2 have causal effect on manufacturing output of South Africa.

Panel- The panel result reveals that all the monetary policy instruments in CRR, TBR, INTR and M2 with F-statistics of 0.45564, 0.43814, 0.21986 and 0.43335 with p-values of 0.6356, 0.6467, 0.8031 and 0.6498 respectively for panel data does not granger cause MO at 5% level of significance. However, MO was able to granger cause changes in CRR with F-statistics of 6.52242 with p-values of 0.0024. Hence, CRR, TBR, INTR and M2 does not granger cause MO in the selected African developing economies.

Decision Rule: The study therefore accepts the null hypothesis that there is no direction of causal effect of monetary policy on manufacturing output of developing African economies.

Conclusion and Recommendation

The study’s broad objective is to examine the effect of monetary policy on manufacturing output of developing African economies focusing basically on three economies namely – Nigeria,
Kenya and South Africa. The panel data study revealed that there was no significant relationship between monetary policy and manufacturing output in selected African developing economies. Based on the outcome of our Study, we affirm that monetary policy has no significant effect on manufacturing output of selected developing African economies. The study recommends that regulatory authorities should reduce cash reserves of banks, interest rates and increase money supply such that both loans and funds will be easily accessed by manufacturing/industrial outlets to enhance manufacturing output in the selected developing African economies. Special funds should also be made available for industrialization as a tool for the social and economic transformation of their societies which will facilitate structural transformation as the end result.

References


This study examines feedback trading in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa. Using daily data that spans the period, June 3, 1997, to December 30, 2016, we find significant asymmetric positive feedback trading in the foreign exchange market of South Africa. The findings may have implications for the risk management strategy to adopt.

Keywords: feedback trading, TGARCH-M.

INTRODUCTION

The financial liberalisation of African economies comes with the attraction of diverse international investors and the attendant financial market appreciation and more inflows of capital. Some of these diverse international investors may attempt to identify trends in past financial asset returns and base their decisions on anticipations deduced from such trends. Such behaviour is termed feedback trading.

Feedback trading can either be positive or negative. A positive (negative) feedback trading strategy is where investors buy (sell) after a price rise and sell (buy) after a price fall. If feedback trading is positive in the foreign exchange market, traders will buy (sell) after depreciation (appreciation) of the exchange rate, and prices are expected to overshoot levels based on fundamental which will exhibit excess volatility. Thus, the action of positive feedback traders, which according to Nofsinger and Sias (1999) include individual and institutional investors, may potentially destabilise exchange rate returns and in the long-run speculators will liquidate their position and prices will move to their fundamental values (DeLong, Shleifer, Summers, and Waldmann, 1990). In contrast, if feedback trading is negative, traders buy (sell) when the exchange rate appreciate (depreciate), and this may stabilise the market.

Evidence of positive feedback trading has been documented in different types of financial markets. For instance, Santana and Wadhwani (1992) found evidence of positive feedback trading in the US market, and for advanced markets in Europe and Asia Koutmos (1997) reported evidence of positive feedback trading. Also, Koutmos and Saidi (2001) documented the presence of positive feedback trading in emerging markets. Bohl and Siklos (2008) also provided evidence of positive feedback trading in matured markets, supporting the findings of Koutmos and Saidi (2001). Similarly, Kuttu and Bokpin (2017) find evidence that positive feedback trading induces negative autocorrelation in the stock returns of Ghana, Kenya, Nigeria, and South Africa. For the index in emerging and matured futures market, Antonio, Koutmos and Pericli (2005), Salm and Schuppli (2010), and Hou and Li (2014) documented evidence of positive feedback trading. Chau, Deesomsak, and Lau (2011) provided evidence of positive feedback trading in the exchange-traded fund markets, whereas Dean and Faff (2008) provided evidence of asymmetric feedback trading behaviour in the international equity and bond markets.
In the foreign exchange markets, Laopodis (2005) applied a GARCH-augmented Sentana and Wadhwani (1992) feedback model to foreign exchange market data of several industrial and emerging economies including South Africa, which span January 1, 1990 to December 30, 2003 and reported significant feedback trading in all the exchange rates with the exception of the Euro. Sager and Taylor (2006) found evidence for positive feedback trading in interdealer order flow using Granger-causality tests applied to the Evans and Lyons (2002a) daily data which cover 12 European foreign exchange markets spanning the period May 1, 1996, to August 31, 1996. Marsh and O’Rourke (2005) used multiple regression on British foreign exchange markets data set which spans August 1, 2002, to June 29, 2004, and found evidence for negative feedback trading in semi-daily commercial-customer order flow. Similar findings were reported by Bjønnes, Rime and Solheim (2005a) for the Swedish kroner-euro exchange rate data, stretching from January 1, 1993, to June 28, 2002. Daniélsson and Love (2006) used standard instrumental variables techniques to estimate a VAR model that allows contemporaneous feedback trading on US dollar-euro, US dollar-British pounds, and British pounds-euro foreign exchange data and reported significant positive feedback trading. The literature on evidence of positive feedback trading in foreign exchange markets is inconclusive; further examination is needed.

The extant literature has tended to examine positive feedback in international financial markets as possible explanations to market efficiency. However, to the best of our knowledge, only Laopodis (2005) has examined feedback trading in the South Africa’s foreign exchange market as one of the statistical features of the foreign exchange market inefficiency.

Few studies have examined the market efficiency dynamics of African foreign exchange markets. For instance, Aron (1997) used cointegration methodology on monthly data spanning January 1970 to February 1995 and found that the exchange rate returns for South Africa were predictable by past values of exchange rates. Similar findings were documented by Aron and Ayogu (1997) when they used the cointegration methodology. Sifunjo, Ngugi, Ganesh, and Gituro (2008) report that the foreign exchange market of Kenya is not efficient after they applied run tests, unit root tests and the Ljung-Box Q-statistics on the daily closing spot price of the Kenya shillings per US dollar exchange rate data which covered the period January 1994 to June 2007. Ayogu (1997) used likelihood ratio test on data covering the period 1 January 1993 to 31 December 1993 and reported that the foreign exchange market of Nigeria is not efficient. Chiwira and Muyambiri (2012) used Augmented Dickey-Fuller tests, autocorrelation test, Kolmogorov-Smirnov Test, Runs Test and the Phillips-Perron unit root test on foreign exchange data for Botswana covering the period 2004 to 2008 and found that the foreign exchange market is not efficient.

The primary aim of this study is to examine whether feedback trading exists in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa. The presence of feedback trading may be one of the possible explanations behind the efficiency of the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa.

Egypt, Ghana, Kenya, Nigeria, and South Africa have relatively well developed financial systems in sub-Saharan Africa. They have also experienced relatively high real gross domestic product growth in recent times. For example real gross domestic product growth for Egypt, Ghana, Kenya, Nigeria and South Africa, was 4.1%, 3.9%, 5.7%, 2.7%, and 1.3%, respectively, in 2015. These are projected to increase to 5.3% 6.2%, 6.1%, 2.5%, and 2.0%, in 2019, respectively.1

1 Please see “Global Economic Prospects: Divergences and Risks” published by the World Bank at https://openknowledge.worldbank.org/bitstream/handle/10986/26800/9781464810244.pdf . This information was retrieved on 30/07/2017
We apply the Shiller-Sentana-Wadhwani feedback model augmented with Threshold Generalised Autoregressive Conditional Heteroskedasticity (TGARCH) of Zakoian (1994) to study feedback trading in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa.

The findings indicate significant positive feedback trading in only the foreign exchange market of South Africa. Also, economically, feedback trading is higher during market downturns than during market upturns in the foreign exchange market of South Africa. The lack of feedback trading in the foreign exchange markets of Egypt, Ghana, Kenya and Nigeria does not mean market efficiency. Pervasive government intervention, illiquidity and the existence of a parallel black market in these foreign exchange markets may make the activities of feedback traders non-existent.

The findings in this study may have implications for risk management. Given that volatility is a very important consideration in the calculation of Value-at-Risk measures, hedge ratios, pricing of derivatives, and hedging and trading strategies, the presence of long memory in foreign exchange return volatility may provide useful information to market participants. In particular, extreme persistence in volatility may provide investors with useful information in pricing long-term derivative contracts (Bollerslev and Mikkelsen, 1996). Furthermore, the presence of long memory, while standing against the efficient market hypothesis, has a significant bearing on the market dynamics with respect to the amount and direction of foreign trade flows, international asset portfolios, and future prices.

The rest of this paper is organised as follows. The next section outlines the positive feedback trading and the long memory models. Section 3 presents the data and its preliminary statistical properties. The empirical findings are presented and discussed in Section 4. Section 5 concludes the paper.

**METHODOLOGY**

**Feedback model with two types of Investors**

The assumption underpinning the model developed by Shiller (1984) and Sentana and Wadhwani (1992) is that there are two types of investors. Thus, smart-money investors (who are expected utility maximisers), and positive feedback trading investors. Smart-money investors rely on fundamentals relating to shares, and their behaviour is characterised by risk aversion. The demand for market portfolio shares by smart-money investors is governed by risk-return considerations. Specifically, the first type (smart-money investors) will hold a fraction of shares of the market portfolio given by the following:

\[ Q_{1,t} = \frac{(E_{t-1}(r_t) - \kappa)}{\theta \sigma_t^2}, \tag{1} \]

where \( Q_{1,t} \) is the fraction of shares demanded by smart-money investors; \( r_t \) is the ex-post return at \( t \); \( E_{t-1} \) is the expectation at time \( t - 1 \); \( \kappa \) is the rate of return on a risk-free asset; \( \sigma_t^2 \) is the conditional variance at \( t \); and \( \theta \) is a fixed coefficient measuring the degree of relative risk aversion by expected utility maximisers. Assuming \( \theta \) is positive, the product \( \theta \sigma_t^2 \) is the required risk premium at time \( t \). If the market is rational and all investors have the same demand function, i.e. \( Q_{1,t} = 1 \), in equilibrium Equation (1) will collapse into \( E_{t-1}(r_t) - \kappa = \theta \sigma_t^2 \) which is the dynamic Capital Asset Pricing Model proposed by Merton (1973). The second type of investors, who consider only historical market data, follows a positive feedback strategy; thus, they buy (sell) after the price increases (decreases). Their demand function is given by the following:

\[ Q_{2,t} = \rho^+ r_{t-1} + \rho^- r_{t-1}, \tag{2} \]

where, \( \rho^+, \rho^- > 0 \). If \( \rho^+, \rho^- < 0 \) then there is a negative feedback trading. Equation (2) is more general than the one used by Sentana and Wadhwani (1992) because it allows for asymmetries in the feedback mechanism. Equation (2) becomes the demand function used by Sentana and Wadhwani augmented with Threshold Generalised Autoregressive Conditional Heteroskedasticity (TGARCH) of Zakoian (1994) to study feedback trading in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa.
Wadhwani (1992) if $\rho^+ = \rho^-$. In equilibrium, all shares must be held, that is, $Q_{1t} + Q_{2t} = 1$. From Equations (1) and (2) we have

$$E_{t-1}(r_t) = \kappa + \theta \sigma_t^2 - (\rho^+ \theta \sigma_t^2) r_{t-1} - (\rho^- \theta \sigma_t^2) r_{t-1}. \tag{3}$$

The terms $(\rho^+ \theta \sigma_t^2)$ and $(\rho^- \theta \sigma_t^2)$ in Equation (3) implies that the presence of positive feedback trading will induce negative autocorrelations in returns. If $\rho^+ < \rho^-$ feedback trading will be more intense during market declines. The higher the volatility, the more negative the autocorrelation. Equation (3) is easily converted to a regression equation with a stochastic error term by setting $r_t = E_{t-1}r_t + \epsilon_t$ and substituting it into Equation (3) to obtain the following:

$$r_t = \kappa + \theta \sigma_t^2 + (\phi^+ \sigma_t^2) r_{t-1} + (\phi^- \sigma_t^2) r_{t-1} + \epsilon_t \tag{4}$$

where, $\phi^+ = -\rho^+ \theta$ and $\phi^- = -\rho^- \theta$. Equation 4 implies that the time varying autocorrelation will depend on the sign of past returns being equal to $(\phi^+ \sigma)$ for $r_{t-1} \geq 0$ and $(\phi^- \sigma)$ for $r_{t-1} \leq 0$.

From Equation (4) $\epsilon_t = \sqrt{h_t}\epsilon_t$, where $\epsilon_t \sim NID(0,1)$ and $h_t$, the conditional variance of the returns. The conditional standard deviation is given by $\sigma_t$. The conditional variance of the returns, $h_t$, is modelled as a Threshold Generalised Autoregressive Conditional Heteroskedasticity (TGARCH) process of Zakoian (1994). The TGARCH model was introduced by Zakoian (1994) and it has the advantage of the conditional variance being positive. The TGARCH, and the Exponential GARCH (EGARCH) proposed by Nelson (1991), allow the conditional variance to respond asymmetrically to positive and negative innovations. However, in the EGARCH, the conditional variance is a function of standardised innovation and it does not provide any linear representation of some function $\epsilon_t$. In the TGARCH, the vector $(\epsilon, \epsilon)$ can be shown to follow an ARMA process just as in the GARCH model the $(\epsilon)$ sequence follows an ARMA process (Zakoian, 1994). According to Koutrmos and Saidi (2001) the TGARCH specification is ideally suited to test for asymmetries in the conditional variance of the distribution of returns. The TGARCH process is given by

$$\sigma_t = a_0 \sum_i (\alpha_i \epsilon_{t-i} - \alpha_i^* \epsilon_{t-i}) + \sum_j \gamma_j \sigma_{t-j} , \tag{5}$$

for i=1, 2, ………p and j= 1, 2,…….,q.

Equation (5) models the conditional standard deviation rather than the conditional variance, $h_t$, which is mostly the case with ARCH-type models. This specification allows the conditional standard deviation, $\sigma_t$, to respond asymmetrically to past positive and negative innovations defined as $\epsilon_{-1} = \max(0, \epsilon_{-1})$ and $\epsilon_{-1} = \min(\epsilon_{-1}, 0)$.

The significant Jacque-Bera statistic and the high kurtosis shown in Table 1 support the application of distributions with flatter tails, such as Student’s $t$ and the generalised error distribution (GED). Because of evidence of non-normality in financial asset returns, assuming normality will be unreliable. In this paper, we use the GED with a density function given by

$$f(\mu_t, \sigma_t, v) = v/2[\Gamma(3/v)]^{1/2} [\Gamma(1/v)]^{-3/2}(1/\sigma_t) \exp\{-[\Gamma(3/v)/\Gamma(1/v)]^{1/2}|\epsilon_t/\sigma_t|^v\}, \tag{6}$$

where $\Gamma(.)$ is the gamma function and $v$ is the scale parameter or the endogenously estimated degrees of freedom. The GED collapse into the normal distribution when the scale parameter $v=2$; when $v < 2$, the distribution of error term exhibits thicker tails compared to the normal distribution. Conversely, when $v > 2$, the distribution of the error term has thinner tails than the normal distribution, and when $v = 1$, the Laplace or double-exponential distribution is obtained.

Given the initial values for $\epsilon_t$ and $\sigma_t$, the parameter vector can be estimated by the log likelihood:

$$L(\Theta|k, p, q) = \sum_{t=1}^T \log f(\mu_t, \sigma_t^2, v),$$

where, $\Theta$, $\mu_t$, $\sigma_t$ and $v$ are the parameter vector, conditional mean, the conditional variance and scale parameter, or, the degrees of freedom, respectively.

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Because the log-likelihood function is non-linear in the parameters, we use the Broyden, Fletcher, Goldfarb, and Shanno (BFGS) algorithm (in RATS 8.2) to maximise the log-likelihood function via Quasi-Maximum Likelihood Estimation (QMLE). According to Bollerslev and Wooldridge (1992), the QMLE is robust to the distribution of the disturbance term.

**DATA**

The data set consists of daily continuously compounded returns, which run from June 3, 1997, to December 30, 2016, yielding 5,109 observations. We use the exchange rate of the dollar per local currency as a proxy for the exchange rate market thus: pound/dollar for Egypt, cedi/dollar for Ghana, shilling/dollar for Kenya, naira/dollar for Nigeria, and rand/dollar for South Africa. The sample date starts from June 3, 1997, because Standard and Poor’s began recording data for Ghana, Kenya, and Nigeria from the middle to late 1997. The data were obtained fromDataStream.

**Table 1.**

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Egypt</th>
<th>Ghana</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.033</td>
<td>0.059</td>
<td>0.013</td>
<td>0.025</td>
<td>0.022</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.779</td>
<td>0.813</td>
<td>0.506</td>
<td>0.730</td>
<td>1.030</td>
</tr>
<tr>
<td>Skewness</td>
<td>37.505</td>
<td>0.520</td>
<td>0.484</td>
<td>11.083</td>
<td>0.273</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1921.299</td>
<td>16.014</td>
<td>27.673</td>
<td>397.803</td>
<td>8.727</td>
</tr>
<tr>
<td>Jarque-Bera (r)</td>
<td>784417.35**</td>
<td>36275.96**</td>
<td>129763.60**</td>
<td>332787.60**</td>
<td>7044.20**</td>
</tr>
<tr>
<td>LB(12) for r²</td>
<td>242.55**</td>
<td>104.10**</td>
<td>68.677**</td>
<td>17.208**</td>
<td>22.220**</td>
</tr>
<tr>
<td>LB(12) for r²</td>
<td>11.276**</td>
<td>1334.10**</td>
<td>1898.60**</td>
<td>18.794**</td>
<td>1615.80**</td>
</tr>
<tr>
<td>ARCH (r)</td>
<td>0.009**</td>
<td>0.286**</td>
<td>0.287**</td>
<td>0.2812**</td>
<td>0.291**</td>
</tr>
</tbody>
</table>

Summary Statistics of Data Used

Notes: **Denotes statistically significant at 5%, Arch (r) is the Engle (1982) test for ARCH up to lag order 1, LB(12) and LB2(12) is Ljung–Box Q-statistic at lag 12 for the standardised residuals and squared standardise residuals respectively. ADF denotes Augmented Dickey-Fuller unit root test.

From Table 1, all the foreign exchange markets under study are positively skewed meaning that positive shocks are more common than negative shocks. Thus, investors have a high probability of getting positive returns from these foreign exchange markets. Leptokurtosis is present in all the five markets, and normality is rejected in all markets. The rejection of normality is consistent with the application of a nonlinear model. However, there is dependence in the standardised residuals, and the squared standardised of the residuals return series. There is also a significant ARCH effect in all the series, and this makes a compelling case for the application of a heteroskedastic model. Lastly, the null of unit root is rejected in all the series when we applied the Dickey and Fuller (1979) unit root test.

**EMPIRICAL RESULTS**

**A. Feedback Trading**

The quasi-maximum likelihood estimates of the feedback model described by Equations (4) and (5) is reported in Table 2. The coefficients describing the conditional variance process, $\alpha_0$, $\alpha_1^+$, $\alpha_1^-$ and $\gamma$, are statistically significant in all the 5 foreign exchange markets. This implies that current volatility is a function of last period’s innovation and last period’s volatility. Laopodis
and Pericli, (2005) argue that positive feedback traders are active during foreign exchange market downturns. While positive feedback trading parameter during foreign exchange market downturns, there is no evidence of positive feedback trading during market advances. The positive feedback trading parameter during foreign exchange market downturns, \( \phi^- \) is also only statistically significant for the foreign exchange market of South Africa. This evidence indicates that positive feedback traders are active during foreign exchange market downturns in the South Africa foreign exchange market as well. Given that \( \phi^+ \) and \( \phi^- \) is statistically significant in foreign, it can be argued that the positive feedback mechanism is highly asymmetric only in foreign exchange market South Africa. The findings for South Africa is at variance with that of Laopodis (2005) who found insignificant positive feedback trading in the South African rand.

(2005) document similar findings for the South African rand. The highly significant \( \gamma \) suggests significant temporal dependencies and persistence in the conditional volatility process in all foreign exchange markets. The persistence of volatility or how long volatility lasts may be quantified by an examination of the half-life of shock. Following Bhar and Nikolova (2009) we define the half-life (HL) of shock as \( HL = \ln(0.5)/\ln(\gamma) \). The HL indicates the time period required for the shocks to reduce to one half of their original size. Based on the HL values, volatility lasts for 2, 3, 4, 9 and 8 days respectively in the cases for the Egyptian pound, Ghanaian cedi, Kenyan shilling, the Nigerian naira and the South African rand respectively. Laopodis (2005) reported HL values of less than a day for the lowly traded Thailand baht and Mexican peso; about two months for the Japanese yen and more than three months for the British pound. Relatedly, the two biggest economies in Africa, that is Nigeria and South Africa, seems to have relatively higher persistence in their foreign exchange markets.

Judging by the economic significance of the parameter, we can conclude that volatility is an asymmetric function of past innovations. Unambiguously, for all markets \( \alpha^+ \) < \( \alpha^- \) meaning the impact of negative innovations on volatility is more pronounced than positive innovations, the so-called leverage effects. The leverage effects have been used to explain volatility asymmetry in financial markets, especially the equity market. However, Antoniou, Koutmos, and Pericli, (2005) argue that positive feedback traders may be the cause of the volatility asymmetry observed. The asymmetric behaviour observed in these markets may imply that market traders look up to central banks to intervene for them to realise short-term profits. This assertion may be true for Egypt, Ghana, Kenya and Nigeria where government intervention on the foreign exchange markets is rampant.

The inter-temporal mean and volatility dependencies cannot completely be the cause of the departures observed in the return series on these markets. This is because, the estimated values of the scale parameter, \( \nu \), is well below two, the value required for normality and it is very close to unity. This suggest that distribution of the error terms have thicker tails than will be observed in a normal distribution. This confirms the use of density functions with thicker tails indicating that the Generalised Error Distribution (GED) yields the Laplace or double exponential distribution in all the five exchange rates.

In Equation (4), the parameter \( \theta \) may be interpreted as the coefficient of relative risk aversion of a representative investor, while \( \theta \sigma^2 \) relates to the time-varying risk premium. As reported by Chou (1988), and French, Schwert and Stambaugh (1987), a positive \( \theta \) should imply that investors are compensated for any additional risk. The estimates show positive and statistically significant \( \theta \) values for the foreign exchange market in South Africa. This result implies that these foreign exchange markets provide returns that compensate investors for time-varying risk. The estimate for the foreign exchange market in Egypt, Ghana, Kenya and Nigeria is, however, not statistically significantly different from zero. The mixed results for \( \theta \) reported for all the five foreign exchange markets mean that each market should be analysed with a model specification that takes the underlying heterogeneous return generation process into consideration.

The parameters \( \phi^+ \) and \( \phi^- \) test the presence of positive feedback trading when exchange-rate depreciate and exchange-rate appreciate, respectively. The parameters display the signs predicted by the model but \( \phi^+ \) is statistically significant only for South Africa. This shows that for South Africa, there is positive feedback trading during market upturns. For the rest of the markets, there is no evidence of positive feedback trading during market advances. The positive feedback trading parameter during foreign exchange market downturns, \( \phi^- \) is also only statistically significant for the foreign exchange market of South Africa. This evidence indicates that positive feedback traders are active during foreign exchange market downturns in the South Africa foreign exchange market as well. Given that \( \phi^+ \) and \( \phi^- \) is statistically significant in foreign, it can be argued that the positive feedback mechanism is highly asymmetric only in foreign exchange market South Africa. The findings for South Africa is at variance with that of Laopodis (2005) who found insignificant positive feedback trading in the South African rand.
when he used data spanning the period January 1, 1990 to December, 2003. The difference may be due to different methodologies or, different data sets. The asymmetry or the so-called leverage means that positive feedback trading is more intense during exchange-rate appreciation than exchange-rate depreciation. It is not clear why there is intense trading during exchange-rate appreciation, but studies like that of Taylor and Allen (1992) on the London currency market; Cheung and Chinn (2001) on the U.S. currency market; Menkhoff (1997) on the currency market in Germany; and Lui and Mole (1998) for Hong Kong currency market provide evidence that technical trading best characterises trading behaviour of dealers. Froot and Ramadorai (2005) present evidence that institutional investors are trend-following technical stratagist and they engage in positive feedback trading.

Koutmos and Saidi (2001) argue that a substantial amount of feedback trading may be due to portfolio insurance strategies and the extensive use of stop-loss orders. Because these strategies lead to sell decisions during exchange-rate appreciation, it is logical to expect feedback trading activity during market declines. Also, margin accounts could be liquidated during large market declines. Thus margin accounts could be used to curtail feedback trading and hence market volatility. Hardouvelis (1989) offers evidence that higher margin requirements can lead to lower volatility. However, Hsieh and Miller (1990) argue otherwise. A study on the USA equity market by Sentana and Wadhwhani (1992) do not find evidence that margin requirements influence feedback trading. Clearly, the literature on the impact of margin requirements on feedback trading and volatility is inconclusive; further examination is needed.

The findings for South Africa suggest that positive feedback traders are active during both exchange-rate appreciation and exchange-rate appreciation. A combination of stop-loss orders and take-profit orders may occasion intense trading during both market downturns and upturns. Thus, under stop-loss orders, the dealer is instructed to sell (buy) if the rate falls (rises) to the trigger rate, thereby generating positive feedback trading. By contrast, take-profit orders instruct the dealer to sell (buy) if the price rises (falls) to the trigger rate, thereby generating negative feedback trading. According to Osler (2005), because stop-loss and take-profit orders cluster at different points, offsets are limited, and these orders create noticeable nonlinearities in exchange rate dynamics. In particular, Osler (2005) provides evidence to support the existence of price cascades due to stop-loss order. In a downward cascade, for example, an initial price decline triggers stop-loss sell orders that in turn trigger further declines, which in turn trigger further stop-loss sell orders, etc.

Conversely, upper cascades are equally possible, because every sale of one currency is the purchase of another. The presence of technical traders may also lead to feedback trading. Specifically, trend-following technical traders may generate positive feedback trading whilst contrarian may generate negative feedback trading. However, economically, judging by the positive feedback coefficients, feedback trading is higher during market downturns than during market upturns in the foreign exchange market of South Africa. Hence, feedback trading in the foreign exchange market exhibits asymmetric behaviour.

For robustness check, specification tests for the conditional mean of the estimated standardised residuals from the Feedback TGARCH-M model are reported in Panel A in Table 3. As can be seen in Panel A of Table 3, the mean is zero, and the variance is one. Thus the conditional mean from the estimated standardised residuals follows a Gaussian distribution. Also, linear and non-linear independence tests using the Ljung-Box Q-statistic (LB) show that the standardised residuals and the squared standardised residuals are uncorrelated up to 12 lags.

Volatility Specification tests on the news impact curve for the feedback TGARCH-M model is reported in Panel B in Table 3. The tests proposed by Engle and Ng (1993), which are applied on the estimated squared standardised residuals, are designed to examine how well a particular model captures the volatility dynamics. If the test is successful, then the estimated standardised residuals should not be predictable on the basis of observed variables. The Engle and Ng (1993) sign bias test consider two sources of an asymmetric response to the variance. Thus, the sign effect, that is past shocks of different signs have different effects on the present volatility and,
the size effect, where past shocks of the same sign but different magnitude have different effects on the present volatility. Engle and Ng (1993) proposed the joint test for sign and size bias with a Lagrange multiplier test which is chi-square, $\chi^2(3)$, distributed. From Panel B in Tables 3 and Table 5 it is interesting to note that the all the individual test in the Engle and Ng (1993) sign bias test are not statistically significant across all markets. This show that the conditional variance models are well specified, and they capture the time variation in the volatility of currency returns.

For further robustness check, the Shiller-Sentana-Wadhwani augmented with an Exponential GARCH model of Nelson (1991) was estimated and the results indicate that the estimates are not statistically and economically different from that of the feedback TGARCH-M model estimates reported in Table 2 (for brevity, this is not reported, and it would be provided upon request).

\[ r_t = \kappa + \theta \sigma_t^2 + (\phi^+ \sigma_t^2) r_{t-1} + (\phi^- \sigma_t^2) r_{t-1} + \varepsilon_t \]

\[ \sigma_t = \sigma_0 \sum_i (\alpha_i^+ \varepsilon_i - \alpha_i^- \varepsilon_{i-1}) + \sum_j \gamma_j \sigma_{t-j}, \quad \text{for } i = 1, 2, \ldots, p \text{ and } j = 1, 2, \ldots, q \]

<table>
<thead>
<tr>
<th></th>
<th>Egypt</th>
<th>Ghana</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\kappa$</td>
<td>0.051</td>
<td>0.004**</td>
<td>-0.029</td>
<td>0.024**</td>
<td>0.021**</td>
</tr>
<tr>
<td>$\theta$</td>
<td>(0.012)</td>
<td>(12.329)</td>
<td>(-0.168)</td>
<td>(4.355)</td>
<td>(4.652)</td>
</tr>
<tr>
<td>$\phi^+$</td>
<td>-0.041</td>
<td>-0.023</td>
<td>-0.033</td>
<td>0.021</td>
<td>0.044**</td>
</tr>
<tr>
<td>$\phi^-$</td>
<td>(-1.609)</td>
<td>(-1.939)</td>
<td>(-1.113)</td>
<td>(1.364)</td>
<td>(4.163)</td>
</tr>
<tr>
<td>$\alpha_0$</td>
<td>0.021**</td>
<td>0.109**</td>
<td>0.038**</td>
<td>0.085**</td>
<td>0.004**</td>
</tr>
<tr>
<td>$\alpha_i^+$</td>
<td>(5.105)</td>
<td>(4.577)</td>
<td>(-5.365)</td>
<td>(5.265)</td>
<td>(7.129)</td>
</tr>
<tr>
<td>$\alpha_i^-$</td>
<td>(2.017)</td>
<td>(3.752)</td>
<td>(3.756)</td>
<td>(2.568)</td>
<td>(10.436)</td>
</tr>
<tr>
<td>$\gamma$</td>
<td>0.083**</td>
<td>0.636**</td>
<td>0.237**</td>
<td>0.382**</td>
<td>0.356**</td>
</tr>
<tr>
<td>$\nu$</td>
<td>(2.266)</td>
<td>(4.138)</td>
<td>(6.523)</td>
<td>(2.564)</td>
<td>(3.582)</td>
</tr>
<tr>
<td>$\psi$</td>
<td>0.728**</td>
<td>0.823**</td>
<td>0.846**</td>
<td>0.928**</td>
<td>0.924**</td>
</tr>
<tr>
<td>$\psi$</td>
<td>(2.008)</td>
<td>(4.240)</td>
<td>(3.632)</td>
<td>(7.586)</td>
<td>(3.214)</td>
</tr>
<tr>
<td>$\psi$</td>
<td>1.159**</td>
<td>1.293**</td>
<td>1.132**</td>
<td>1.186**</td>
<td>1.367**</td>
</tr>
<tr>
<td>$\psi$</td>
<td>(2.82)</td>
<td>(7.364)</td>
<td>(5.256)</td>
<td>(2.856)</td>
<td>(2.312)</td>
</tr>
</tbody>
</table>

2 For brevity, the estimates are not reported here and it would be provided upon request.
Quasi-Maximum Likelihood Estimates of the Feedback Model for Returns (TGARCH-M)

Note: **Denotes statistically significant at 5%. The numbers in parentheses are t-statistics, and they are robust to autocorrelation and heteroskedasticity using the Bollerslev Wooldridge (1992) standard errors.

Table 3 Robustness Tests

<table>
<thead>
<tr>
<th></th>
<th>Egypt</th>
<th>Ghana</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Panel A: Model Diagnostics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>0.021</td>
<td>0.083</td>
<td>0.012</td>
<td>0.015</td>
<td>0.026</td>
</tr>
<tr>
<td>Variance</td>
<td>1.259</td>
<td>1.275</td>
<td>1.256</td>
<td>1.425</td>
<td>0.997</td>
</tr>
<tr>
<td>LB[12] for $Z_{t,e}$</td>
<td>73.668</td>
<td>29.545</td>
<td>65.251</td>
<td>56.857</td>
<td>21.953</td>
</tr>
<tr>
<td>LB[12] for $Z_{t,e}^2$</td>
<td>89.292</td>
<td>45.868</td>
<td>51.586</td>
<td>68.561</td>
<td>25.653</td>
</tr>
</tbody>
</table>

**Panel B: Volatility Specification Test of the News Impact Curve**

<table>
<thead>
<tr>
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<th>Ghana</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sign bias</td>
<td>0.389</td>
<td>-0.795</td>
<td>-0.126</td>
<td>-0.016</td>
<td>0.139</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(-1.678)</td>
<td>(-0.563)</td>
<td>(-0.537)</td>
<td>(1.908)</td>
</tr>
<tr>
<td>Positive sign bias</td>
<td>0.109</td>
<td>0.489</td>
<td>0.219</td>
<td>0.025</td>
<td>0.132</td>
</tr>
<tr>
<td></td>
<td>(0.571)</td>
<td>(1.771)</td>
<td>(0.225)</td>
<td>(1.564)</td>
<td>(1.807)</td>
</tr>
<tr>
<td>Negative sign bias</td>
<td>-0.102</td>
<td>-0.055</td>
<td>-0.196</td>
<td>-0.152</td>
<td>-0.193</td>
</tr>
<tr>
<td></td>
<td>(-0.099)</td>
<td>(-0.024)</td>
<td>(-0.561)</td>
<td>(-1.395)</td>
<td>(-1.510)</td>
</tr>
<tr>
<td>Joint Test</td>
<td>0.670</td>
<td>2.017</td>
<td>0.315</td>
<td>1.658</td>
<td>8.094</td>
</tr>
</tbody>
</table>

Note: **Denotes statistically significant at 5%. The model diagnostic parameters, $Z_{t,e}$ and for $Z_{t,e}^2$ are the Ljung–Box Q-statistic at lag 12 for the standardised residuals and squared standardised residuals, respectively. The numbers in parentheses are t-statistics, and they are robust to autocorrelation and heteroskedasticity using the Bollerslev Wooldridge (1992) standard errors.

Discussion

Positive feedback trading causes autocorrelations in returns, increases volatility and can result in higher predictability of returns, potentially implying market inefficiency. Further, the high volatility persistence found in all five foreign exchange markets may imply inefficiency in these currency markets. According to Laopodis (2005) this result also implies that since informed and noise traders exert a greater influence on the exchange rate during volatile periods, deviations from a long-run value in an exchange rate are likely to increase.

Further, Chau, Deesomsak, and Lau (2011) argue that these results are consistent with the view that due to higher participation by noise traders the market is less rational and inefficient during high-sentiment periods. The implication is that in agreement with the findings of Sentana and Wadhwani (1992) for the US equity market, positive feedback trading is an important determinant of short-term movements in the foreign exchange market South Africa. Positive feedback traders can destabilise or stabilise the foreign exchange markets. They can destabilise the market when their sales after foreign exchange rate appreciation contribute to the fall of the market, and their purchases after foreign exchange rate depreciation lead to market advances.

Positive feedback traders who follow a strategy of hedging opportunities by using extensive stop-loss orders, tend to stabilise the currency. In contrast, negative feedback traders’ attempt...
to realise profit as the exchange rate appreciates (or depreciates), may drive the exchange rate’s value away from its long-run value.

Before liberalisation, most countries in Africa were characterised by extensive foreign exchange rationing, sizeable black-market premiums, and declining per capita real income. Today, the countries that successfully reformed by liberalising their foreign exchange market look markedly different. Foreign exchange rationing and parallel market spreads are a distant memory, especially in South Africa which has adopted a free-floating foreign exchange regime, and per capita income has increased sharply (Maehle, Teferra, and Khachatryan, 2013). In instances where positive feedback trading tends to destabilise the market, benefits from market liberalisation can diminish, and this may have serious consequences on the South African economy, in particular. Also, positive feedback trading generates volatility in returns and may lead to market crashes when the bubble created by the feedback trading burst.

The findings of positive feedback trading in only the foreign exchange market of South Africa may suggest market inefficiency. The lack of evidence of positive feedback trading in the foreign exchange of Egypt, Ghana, Kenya, and Nigeria may be due to pervasive government intervention in these foreign exchange markets. Egypt, Ghana, Kenya, and Nigeria have adopted a mixture of fixed and managed float which gave the government the right to intervene in the foreign exchange market. The governments can influence the exchange rate but do not commit itself to maintain a fixed exchange rate or some narrow limits around it. Dutta and Leon (2002) have argued that the farther the exchange rate is from its desired target rate, governments may intervene during periods of large and persistent depreciation of the local currency because persistent depreciation is likely to affect net exports and the cost of servicing foreign currency denominated debt. Exchange targeting is a popular strategy in developing economies, particularly for countries like those in Africa that depend heavily on exports for economic growth (Calvo, Reinhart, and Végh, 1995). These foreign exchange markets of Egypt, Ghana, Kenya, and Nigeria have witnessed some major interventions by their respective central banks over the time period due, partly, to political events, and some major shocks in the financial markets. These interventions have the tendency to distort the value of the currency from its intrinsic value for an extended period of time.

Similar findings, for foreign exchange market inefficiency, have been documented by Aron (1997) and Aron and Ayogu (1997) for South Africa, Sifunjo et al. (2008) for Kenya, Ayogu (1997) for Nigeria, and Chiwira and Muyambiri (2012) for Botswana. However, for the foreign exchange market South Africa the greater predictability brought about by the negative autocorrelations generated by feedback trading is very unlikely to produce arbitrage opportunities for smart-money investors, this is because volatility also increases simultaneously with the degree of predictability. The findings should be seen in the light of the unique dynamics that characterises African foreign exchange markets, and not on the statistical properties alone.

For example, Africa’s foreign exchange markets are largely characterised by a lack of liquidity. Sellers of hard currency are usually limited to commodity exporters and the central banks because of poorly developed manufacturing base. Furthermore, the foreign exchange markets in most African countries are characterised by a rationed foreign exchange supply. That is, foreign currency derived from commodity exports are usually fed into the financial system via weekly or monthly auctions by the central banks. Because most economies in Africa are commodities export dependent, variations in commodity prices can affect the supply of foreign currency in the foreign exchange markets. Also, due to the fragility of African economies and the heightened potential of political instability, a sudden drop in commodity prices or a period of civil unrest can trigger a sudden fall in the availability of foreign currency.

CONCLUSION

This paper examined feedback trading in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa. We applied the Shiller-Sentana-Wadhwani feedback model.
augmented with Threshold Generalised Autoregressive Conditional Heteroskedasticity (TGARCH) of Zakoian (1994) to a dataset that consists of 5,109 observations.

The results suggest that only the foreign exchange market South Africa displays both positive and negative feedback trading, but economically positive feedback trading is higher than negative feedback trading. The findings of positive feedback trading in South Africa may, partly, be due to the free-floating exchange rate regime adopted by the government.

The findings imply that past innovations can be used to predict current innovations, and this provides evidence against the weak-form efficient market hypothesis. This has implication for the allocative efficiency and to a larger extent the contribution of the foreign exchange markets to economic growth. The findings presented in this paper may have implications for the risk management strategy to pursue. Furthermore, the results have implication for portfolio diversification, and the pricing of derivatives, especially in South Africa which has a derivatives market.

References


The failure of commercial banks in an economy can lead to loss of confidence among depositors and stakeholders in the banking sector. This research focused on the assessment that CEO attributes have on financial distress in commercial banks in Kenya. The objectives included the tier based assessment of financial distress in Kenyan commercial banks and the assessment of the effect of CEO attributes on financial distress in Kenyan commercial. A causal research design was employed to 42 commercial banks in Kenya which also formed the population and sample. Multi-discriminant analysis technique (MDA) was employed and the findings revealed that 18% of the commercial banks in tier II and III were financially distressed. The findings also indicated that CEO tenure has a significant and negative relationship with financial distress in Kenyan commercial banks. The findings implied that close monitoring of commercial banks should be done to mitigate the risk of financial distress and that the commercial banks should consider hiring young managers to avoid the risk of financial distress.

Key words: Chief Executive Officer, Attributes, Commercial Banks, Financial Distress

1.1 Background of the study

Bank failures and financial crises are economic hazards which cause economic policy derailment and damage to the growth of commercial bank and finance (Ali, 2007). The growth and expansion of commercial banks offer significant benefit to economies and enable the objectives of financial liberalization by enhancing competition in the banking industry, stimulate progresses in service to clienteles and expansion of access to loans among the domestic small and medium scale businesses.

Chan and Heang (2010) adds that the role of the banking industry is fundamentally significant in guaranteeing the smoothness of monetary policy transmission in less developed countries as it offers the core source of financing to businesses. In this context, banks act as asset transformer in transforming client deposits into loans as bank assets. However, the attainment of these benefits has been endangered because commercial banks have been susceptible to financial distress (Brownbridge, 1998). Similarly,

In Kenya, commercial banks performance has not been impressive over the last decade even with several reforms in place to improve performance, stability, productivity, financial accessibility and efficiency (Onuonga, 2014).

The Kenyan financial industry has seen 37 financial institution face financial distress, out of which 25 non-bank financial institutions have been liquidated and 12 banks liquidated (Deposit Protection Fund Board Kenya, 2014). According to CBK (2016), 2 more banks have been put under receivership and 1 under statutory management. However, the extent of financial distress
among the different banks tiers is unknown and this presents a knowledge gap that prompted this study.

Motivation of the Study

The banking sector is an essential portion of any economy and failure of commercial banks can lead to loss of confidence among depositors and stakeholders in the banking sector. Some of the causes of failure of commercial banks include: insider lending, non performing loans (Waweru & Kalani, 2009) although there is still inconsistency in results of causes of financial distress in financial institutions (Schaeck & Cihak, 2007).

Some scholars believe that CEOs are key in the operations of firms including commercial banks due to their individual managerial and entrepreneurship skills which are deemed to be critical in the enterprise growth and performance to a large extent (Fama and Jensen, 1983; Wu, 2014). Past research has shown that the individual attributes of age, ethnicity, level of education, gender, work experience, office tenure have mix influence on firm performance (Barno, 2017; Bhaiyat & Garrow, 2015; Croci & Jankensgard, 2014 and Dittmar & Duchin, 2012). The varied related research findings have arisen in varied geographical locations, varied industry, using varied methodology and even after employing varied sample sizes. It appears that there is no consensus on the subject and hence justifying the current research on whether CEO attributes possess influence on the financial distress of commercial banks in Kenya.

1.3 Research objectives

This study aimed at fulfilling the following objectives:

1.3.1 Main objective
The main objective of this research was to assess the effects of CEO attributes on financial distress in commercial banks in Kenya.

1.3.2 Specific objectives
To determine the extent of financial distress in the different bank tiers in commercial banks in Kenya.
To assess the significance of the CEO attributes on financial distress in commercial banks in Kenya.

2.2 Theoretical framework

2.2.1 Agency Theory

In financial economics, agency theory was put forth to address the principal-agent association brought about by existence of corporations whose leadership were managers not owners (Habbash, 2010; Getahun, 2013). The segregation of corporate ownership from management in current institutions paves way for the context of application the theory (Harun, 2017). Habbash (2010) alludes to the fact that institution owners are extensively spread hence they do not partake in daily processes and leadership of their own institutions somewhat leading them to hire managers to manage the daily affairs of their corporation on their behalf led by the CEO with expectations of high returns. Similarly, Getahun (2013) asserts that majority of the owners hardly have time and skill required to manage a firm leading to ultimate return on investment and firm value.

Agency theory stipulates that, institution that employ appropriate corporate governance aim at increasing shareholders value by eradicating persistent conflict of interest that occur amongst owners and managers. In this view point, the shareholders elect and appoint board of directors whose mandate is to monitor actions of the management by providing strategic directions in place of shareholders as an avenue to reduce conflict of interest and are also tasked to hire a CEO to steer the organization (Getahun, 2013). This imply that the standard of corporate governance grounds the nature of the relationship among stakeholders.
Agency problem is not new to corporates due to differing goals between owners and hired managers (Naushad & Malik, 2015). For instance, owners are interested in gaining maximum value while CEOs may have goals such as contract renewal, bonuses, image and industry dominance (Jensen & Meckling, 1976). Jensen and Meckling (1976) defined agency relationship as an agreement under which the principal delegates decisions making authority to the agent. Even though CEOs have formal authority over the institutions they manage, agency problem emanates from information asymmetry where they are better placed with information regarding better ways to invest funds (Burgaz, 1997). CEOs may be limited on their contracts although they hold extensive rights which may lead to problem of corporate management (Fama & Jensen, 1983).

Agency theory proposes that alignment of the agent and principal interests results in maximizing of the interest of the shareholders. Corporate rules and regulations assist in alleviating agency costs by streamlining management and shareholders’ interests to avoid financial distress (Manini & Abdillahi, 2015). The theory prescribes that management led by their CEO should be answerable in their tasks, action and responsibilities (Abdullah & Valentine, 2009). The agency theory was adopted as it helps to explain why firms fail leading to financial distress.

2.2.2 The Upper Echelons Theory

The upper echelons theory explains that firm performance is wholly dependent on the efficiency and the efforts pulled together by those bestowed to provided leadership to the organization specifically the CEO (Hambrick and Mason, 1984). Hence, the growth and overall performance of an institution is usually mirrored to the CEO. The theory specifically mentions that CEOs perspective of the institution they provide leadership is shaped by the strategies they chose to put forth that underscores future wellbeing of the institution. The theory adds that the CEOs vision in that case; the perception of the environment is delimited by their understanding base and standards they hold. The theory explains that the human capacity is limited to the information it can process at any given time, as a result, decisions to act on the matters arising in the surrounding is purely dependent on the depositions exposure and individual characteristics. Individual attributes thus influence decision making process.

According to Oppong (2014), personal characteristics can greatly influence facets of the surrounding that can be viewed, suggesting that what can be viewed and processed by the mind ultimately enlightens the eventual decisions and strategies to be employed which is reflective of firm performance. As a result, Hambrick and Mason (1984) suggest the need to evaluate individual characteristics that can be seen such as education levels, professional qualifications and societal background of the top leader in the corporate context. In this regard, factors such as CEO age, CEO years of experience, CEO educational background and level, CEO tenure, CEO gender can be examined to check for their influence on decision making process and strategies that affect institution future prospects (Hood, 2008; Juravich, 2012; Herri, Johan, Handika, & Yulhasri, 2017). Therefore, the theory proposes that values and experience which are reflected from attributes of the leader influence organizational performance and must constantly be under scrutiny to curb financial distress occurrence. This theory was applicable in identifying the main CEO attributes that influence financial distress.

RESEARCH METHODOLOGY

3.1 Research Design

The study employed causal research design was used to evaluate the extent of financial distress among bank tiers and significant CEO attributes on financial distress among commercial banks in Kenya.
3.2 Population and Sampling
This research considered a census approach. Cooper and Schindler (2011) defined census as consideration of all the total count of all the element in the population. The population of this research was obtained from CBK website (Appendix II) totaling to 42. The census was necessary due to the small nature of the population (Cooper & Schindler, 2011) and to enhance accuracy of the research results.

3.4 Data collection methods
The study employed secondary method of data collection. The analyzed data was obtained from CBK annual supervisory report available in the website and financial and annual reports of commercials banks’ available in their individual website. The period under study was one year (2016) which was cross-sectional. The data was utilized to answer objective one and two.

3.5 Data analysis technique
The data collected was evaluated based on the research problem. Data analysis can be described as the method of analyzing data and techniques for interpreting the results obtained. Multi discriminant analysis was employed to analyze secondary data. Discriminant function analysis was performed to determine how CEO attributes influence financial distress in commercial banks in Kenya. The discriminant analysis obtains a model to predict a single qualitative variable from one or more independent variables in research (Cramer, 2003). The discriminant analysis derives an equation as a linear combination of the independent variables that will discriminate best between groups in the dependent variable (Ramayah, Ahmad, Halim, Zainal, & Lo, 2010). The maximum number of functions obtained is usually either the number of predictor variable or the number of groups minus one whichever is lesser. In order to establish a relationship, a test of P-value was obtained at 5% significance level to test the significance of the CEO attributes on financial distress while Eigen value was used to explain the unexplained variation in the model.

3.6.1 Operationalization of variables
The section presented the measurements used to operationalize the research variables before applying multi discriminant analysis.

3.6.1.1 Dependent Variable
In this research, the dependent variable was determined using the Altman Z-Score model. Altman (1968) pioneered MDA after Beaver’s Univariate model. Hauschild (2013) alludes that Z-score as a model is used widely not only for predicting bankruptcy but also navigating model for performance measure for existing businesses. More so, it is an essential tool for emergent entrepreneurial undertakings and early stages of business development plans and those with intention to seek funding. The Z-score model:

\[ Z = 3.25 + 6.56x1 + 3.26x2 + 6.72x3 + 1.05x4 + \varepsilon \]

Where:
- \( x1 = \frac{\text{Current Assets-Current Liabilities}}{\text{Total Assets}} \)
- \( x2 = \frac{\text{Retained earnings}}{\text{Total Assets}} \)
- \( x3 = \frac{\text{Earnings before interest and taxes}}{\text{Total assets}} \)
- \( x4 = \frac{\text{Book value of equity}}{\text{Total Liability}} \)
- \( \varepsilon = \text{error term}(\text{Altman, 2000; Altman et al., 2017}) \)

The ratings are a means of cutoff between distressed and non-distressed institutions. The ratings used in this study were as follows:
**Table 3.1: Zone of discrimination**

<table>
<thead>
<tr>
<th>Cut off Zone</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z&gt;5.85 Safe Zone</td>
<td>There is least likelihood that the firm will be distress</td>
</tr>
<tr>
<td>4.35&lt;Z&gt;5.85 Grey Zone</td>
<td>There is less likelihood that the firm will be distress</td>
</tr>
<tr>
<td>Z&lt;4.35 Distress Zone</td>
<td>There is high likelihood that the firm will be distress</td>
</tr>
</tbody>
</table>

*Source: Aasen (2011)*

**3.6.1.2 Independent Variables**

Independent variables included: Age, Gender, Education, Tenure and Experience. The table 3.2 shows how the independent variables were computed.

**Table 3.2: Operationalization of variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement</th>
<th>Literature</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of CEO</td>
<td>The difference between the CEOs date of birth and the year of the study</td>
<td>(Alqatamin, Arbi, &amp; Thankom, 2017);</td>
<td>Numeric</td>
</tr>
<tr>
<td>Education of the CEO</td>
<td>Last degree of executive formal education members</td>
<td>Herri, Johan, Handika and Yulihasri (2017)</td>
<td>Nominal</td>
</tr>
<tr>
<td>Gender of the CEO</td>
<td>Value of 1 if CEO is male and 0 if female</td>
<td>Alqatamin et. al. (2017);</td>
<td>Nominal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gorts (2016)</td>
<td></td>
</tr>
<tr>
<td>Tenure of the CEO</td>
<td>Number of years in the work</td>
<td>Herri, Johan, Handika and Yulihasri (2017)</td>
<td>Numeric</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gorts (2016)</td>
<td></td>
</tr>
<tr>
<td>Experience of CEO</td>
<td>Number of years worked</td>
<td>(Kariuki, Namusonge, &amp; Orwa, 2015)</td>
<td>Numeric</td>
</tr>
</tbody>
</table>

*Source: Author (2017)*

**3.6.2 Research Model**

From the conceptual framework, the variables were expressed in a form of a function:

\[ F_{di t} = \alpha + \beta_{y1it} + \beta_{y2it} + \beta_{y3it} + \beta_{y4it} + \beta_{y5it} + \varepsilon_{it} \]  \hspace{1cm} (2016)

Where: \( F_{di t} \) = financial distress in commercial banks i at time t
\( \alpha \) = Intercept
\( \beta \) = discriminant Coefficients
\( y1 \) = Age of CEO
\( y2 \) = Education of CEO
y3 = Gender of CEO
y4 = Tenure of CEO
y5 = Experience of CEO
ɛit = error term

3.7 Data Presentation
The quantitative data was mainly presented using tables. The multi discriminant analysis results were presented as generated by the statistical tool and the β coefficients summarized in a tabular format.

3.8 Research quality

3.8.1 Objectivity of research
Objectivity is the explanation of findings of results on the basis of the final results of data analysis as opposed to personal interpretation (Sekaran & Bougie, 2013). The findings of this research were based on the results obtained after analyzing the actual data collected and free from bias or any form of ethical and moral bias held by the researcher.

3.8.2 Validity of the research instrument
Validity is the degree in which an instrument, technique applied or process employed to measure a concept does certainly measure the concept as intended. It is a qualifying check for research (Kothari, 2004; Sekaran & Bougie, 2013). Validity of the research is dire to establish precision and truthfulness of the research. The validity of research was realized.

3.8.3 Ethical consideration
Kumar (2005) defined ethics as a way of conducting oneself in accordance to the principles of conduct that are considered correct especially those in a certain profession. This study was reviewed and designed to ensure integrity, transparency and quality. The Independence of this study was clear and any conflict of interest was made explicit (Bless & Higson-Smith, 2000; Economic and Social Research Council, 2015). Therefore, in this research, an introduction letter from Strathmore University stating confidentiality and the purpose of research was issued (Appendix I). The information collected was regarded with high privacy and no disclosure whatsoever was made beyond using the information solely in the research.

CHAPTER FOUR – PRESENTATION OF FINDINGS

4.1 Response Rate
The initial data consisted of 42 commercial banks for one year (2016). The raw data was collected from banks websites and CBK website. The initial population was 42 observations (42 banks by 1 year). A total of 4 observations (4 banks by 1 year) had insufficient financial information and were therefore eliminated from the study. Subsequently, the results were based on (42-4) 38 observations in one year. However, CEO attributes for 34 banks were available giving a response rate of 80.95%. The data collected was deemed sufficient for analysis.

4.2 Extent of Financial Distress in Kenyan Commercial Banks
To evaluate financial distress, Altman’s model (Z score) was applied to categorize whether an institution was either safe, in a grey area or distressed. The model:

\[ Z = 3.25 + 6.56x1 + 3.26x2 + 6.72x3 + 1.05x4 + \varepsilon \] ........................................ (2016)

Z represented financial distress, x1 was arrived at by calculating (Current Assets-Current Liabilities) to Total Assets, x2 was calculated from Retained earnings to Total Assets, x3 was derived from Earnings before interest and taxes to Total assets and x4 by Book value of equity to Total Liability (Altman, 2000; Altman et. al, 2017). The cut off zones for financial distress were: above 5.85 – safe; between 4.35 and 5.85 – grey and below 4.35 were classified as distressed (Aasen, 2011).
The research set out to determine the extent of financial distress in bank tiers in commercial banks in Kenya in 2016. The findings were meant to answer the specific objective one. The first objective was addressed by analyzing Z score components selected from banks financials and grouping them into either distressed, grey or safe as shown in table 4.1 below:

Table 4.1: Summary of level of distress

<table>
<thead>
<tr>
<th>Bank Tiers</th>
<th>Safe</th>
<th>Grey</th>
<th>Distress</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>4.9</td>
<td>4.56</td>
<td>5.19</td>
</tr>
<tr>
<td>II</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>4.84</td>
<td>3.49</td>
<td>5.89</td>
</tr>
<tr>
<td>III</td>
<td>2</td>
<td>14</td>
<td>4</td>
<td>4.8</td>
<td>2.93</td>
<td>6.06</td>
</tr>
<tr>
<td>Totals</td>
<td>3</td>
<td>28</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals in Percentage</td>
<td>8%</td>
<td>74%</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1 shows the distress level under different bank tiers. There were 8 Tier I banks’ in 2016 with a mean Z score of 4.9 implying that none of Tier I banks were distressed. The minimum Z score was 4.56 while the maximum was 5.19. Additionally, there were 10 Tier II banks in 2016 were 1 was in safe zone, 6 in grey and 3 were financial distressed. The mean Z score was 4.84 while the minimum was 3.49 and the maximum was 5.89. The mean of 4.84 implies that most of the Tier II banks were in grey area and that there is a large range between those financially distressed and those in grey and safe zone. Among the Tier III banks there were 2 banks on safe zone, 14 on grey zone and 4 financially distressed. The mean of Tier III banks was 4.8 with a minimum of 2.93 and a maximum of 6.06. The results show that there is large range between those in safe and grey and those facing financial distress. Overall, there were 3 banks in safe zone, 28 in grey zone and 7 financially distressed accounting for 8%, 74% and 18% respectively. The results implied that there was presence of financial distress in 2016 among Tier II and Tier III banks. The regulating body, CBK should monitor commercial banks and address causes of financial distress to safeguard the stakeholders (Whitaker, 1999; Ayayi & Sene, 2010; Mostafa, Rezina & Hasan, 2016). The cutoff points for the Z score are: < 3.25 is distress; 3.25<Z<5.85 is grey while > 5.85 are considered safe (Aasen, 2011)

4.4 Effects of CEO attributes on banks’ financial distress

4.4.1 CEO attributes descriptive statistics

The second objective of the research was to evaluate the significance of CEO attributes such as age, gender, education level, tenure, experience on the influence of occurrence of financial distress amongst commercial banks in Kenya.

Table 4.2: CEO attributes

<table>
<thead>
<tr>
<th>CEO Attributes</th>
<th>Mean</th>
<th>Median</th>
<th>Mode</th>
<th>Std Deviation</th>
<th>Min</th>
<th>Max</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Age</td>
<td>50.09</td>
<td>50</td>
<td>51</td>
<td>7.24</td>
<td>33</td>
<td>66</td>
<td>0.306</td>
<td>0.709</td>
</tr>
<tr>
<td>CEO Tenure</td>
<td>5.65</td>
<td>3.25</td>
<td>0.67*</td>
<td>6.3</td>
<td>0.58</td>
<td>26</td>
<td>1.79</td>
<td>2.64</td>
</tr>
<tr>
<td>CEO Experience</td>
<td>24.94</td>
<td>24.5</td>
<td>26</td>
<td>7.1</td>
<td>8</td>
<td>41</td>
<td>0.329</td>
<td>0.627</td>
</tr>
</tbody>
</table>

a. Multiple modes exist. The smallest value is shown
4.4.1.1 CEO age
Table 4.2 shows the findings of the CEO age amongst 34 commercial banks in Kenya in 2016. The age of the CEOs ranged from 33 years to 66 years with a mean of 50.09 years, median of 50 years (SD=7.24), mode of 51 years, skewness of 0.306 which is approximately symmetrical and a kurtosis of 0.709 which is less than 3 is platykurtic. The results illustrate that the average age of CEOs in commercial banks was 50 years implying that they are of mature age to manage demands of performance in commercial banks and to make strategic decisions towards direction of the financial institution (Croci & Jankensgard, 2014; Barno, 2017). Although the age difference between the oldest (66 years ) and the youngest (33years) a majority of the CEOs were approximately 50 years as indicated by a skewness of 0.306 which is approximately symmetrical.

4.4.1.2 CEO Tenure
The Table 4.2 shows findings of CEO office tenure to range from 0.58 years to 26 years implying that there was varied number of years held in the office leading to a skewness of 1.79 implying that CEO tenure was highly skewed positively and a kurtosis of 2.64 which is platykurtic. The mean was 5.65 years, median of 3.25 (SD=6.30), and there were several modes. The mean number of office tenure (5.65 years) can be considered long enough to contribute towards financial stability of commercial banks. Barno (2017) suggests that managers need to have a long tenure so that they can have deeper understanding of the company’s business and make informed decisions. Other studies with similar stance are Bhaiyat and Garrow (2015),Herri, Johan, Handika and Yulihasri (2017),Kariuki, Namusonge and Orwa (2015) and Kyenze (2014) argue that CEO tenure significantly reduces the likelihood of financial distress.

4.4.1.3 CEO experience
CEO experience as shown in Table 4.2 was found to range from 8 years to 41 years with a mean of 24.94 years and a median of 24.5 years (SD=7.1), mode of 26 years, skewness of 0.329 which is approximately symmetric and kurtosis of 0.627 which is less than 3 implying platykurtic. On average, the CEOs were well experienced to provide leadership in the banks as illustrated by mean of 24.94 years. Additionally, the CEO experience was evenly distributed as shown by a skewness that is approximately symmetrical of 0.329. In addition, experienced CEOs have increasing effect on firm valuation comparative to less experienced CEOs. The outcome concurs with Kariuki, Namusonge and Orwa (2015), Kang & Mitnik (2012), Vo & Phan (2013) and Wajiru (2013),Getahun (2013) and Dauda and Hawa (2016) who concluded that firms facing financial mayhem need CEOs who are well experienced and exposed for the positive variability to protect the value of the firm. In addition, adequate skills and wealth of knowledge can be garnered by long period of experience and exposure. Larcker and Tayan (2017) found out that individual and professional characteristics have association to firm performance suggesting that previous experience garnered and work styles are good predictors of future firm performances.

4.4.1.4 CEO Gender
The table 4.3 shows the frequency of male and female CEO in commercial banks in Kenya in the year under study (2016).
Table 4.3: CEO Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>31</td>
<td>91.2</td>
<td>91.2</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>8.8</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

In the year under study (2016), it was established that 91.2% of the CEOs were male while 8.8% were female from data drawn from 34 commercial banks. The results show male CEOs were majority in 2016.

4.4.1.5 CEO education level

Table 4.4 shows educational level of banks’ CEOs in 2016.

Table 4.4: CEO education

<table>
<thead>
<tr>
<th>Education type</th>
<th>Frequency</th>
<th>Percent %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Bachelors</td>
<td>7</td>
<td>20.6</td>
</tr>
<tr>
<td>Master</td>
<td>25</td>
<td>73.5</td>
</tr>
<tr>
<td>Doctorate</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

In the year under review 2016, 2.9% of the CEOs had attained tertiary certification, 20.6% has attained a bachelors qualification, 73.5% had attained a Masters qualification and 2.9% had attained a doctorate qualification. The results show that the CEOs were well educated and acquired training. The level of education is usually associated with open-mindedness and reflects cognitive complexity and ability to discern pattern. All CEOs had acquired training with varied level to equip them handle corporate demands.

4.4.2 Multi Discriminant Analysis of CEO attributes

Discriminant function analysis was performed in order to determine how CEO attributes influence financial distress in commercial banks. Cramer (2003) explains that discriminant analysis is used to obtain a model that can be employed to predict a single qualitative variable from one or more independent variables. Additionally, discriminant analysis helps to identify the independent variables that discriminate a nominally scaled dependent variable (Sekaran & Bougie, 2013). Further, discriminant analysis derives an equation as a linear combination factors of the independent variables that discriminate best between groups in the dependent variable component (Ramayah, Ahmad, Halim, Zainal, & Lo, 2010). The maximum number of functions is either the number of predictors or the number of groups less one whichever is smaller.

4.4.2.1 Wilks Lambda test

In discriminant analysis, the Wilks’ Lambda is used to test the significance of the discriminant functions and ranges between 0 to 1. When the resultant value of the lambda of a function is small, the function is considered to be significant. The Wilks’ lambda was used test the significance of the discriminant function.

Table 4.5: Wilks' Lambda
From Table 4.5, the first discriminant function was statistically significant. The findings imply that the variables applied in testing influence of CEO attributes on financial distress have significance and explain occurrence of financial distress in commercial banks.

4.4.2.2 Eigen value

Eigen value was used to explain the unexplained variation in the model. The Eigen value can be described as a ratio between the explained and the unexplained variation in a model. Eigen values are related to canonical correlations and helps in describing the best discriminating ability of a function.

Table 4.6: Eigen value

<table>
<thead>
<tr>
<th>Function</th>
<th>Eigen value</th>
<th>Variance %</th>
<th>Cumulative %</th>
<th>Canonical Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.363</td>
<td>71.2</td>
<td>71.2</td>
<td>.516</td>
</tr>
<tr>
<td>2</td>
<td>.147</td>
<td>28.8</td>
<td>100.0</td>
<td>.358</td>
</tr>
</tbody>
</table>

As displayed in Table 4.6 above, the model had a Canonical Correlation Coefficient value of 0.516 indicating an effect size of 26.6% (0.516²). Hence the model explains 26.6% of the variability in financial distress of commercial banks in Kenya. The findings imply that age, gender, tenure, experience and education explain 26.6% of the occurrence of financial distress among commercial banks.

4.4.2.3 Canonical Discriminant Function Coefficient

In order to establish the unique contribution of each of the variables to the classification of the groups in the dependent variable, canonical discriminant function coefficient was estimated. That means that a discriminant score that belongs to a latent variable can be obtained for each case by applying the coefficients to the values in the respective independent variable. Table 4.7 shows a summary of the Canonical Discriminant Function Coefficients.

Table 4.7: Canonical Discriminant Function Coefficients

<table>
<thead>
<tr>
<th>Function</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure</td>
<td>.181</td>
<td>-.023</td>
</tr>
<tr>
<td>Education</td>
<td>-.226</td>
<td>.170</td>
</tr>
<tr>
<td>Age</td>
<td>.006</td>
<td>.287</td>
</tr>
<tr>
<td>Gender</td>
<td>-2.763</td>
<td>2.308</td>
</tr>
<tr>
<td>Experience</td>
<td>.034</td>
<td>-.203</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.493</td>
<td>-12.148</td>
</tr>
</tbody>
</table>
Based on the first discriminant function, a bank’s financial distress status can be determined using the following formula:

\[
\text{Distress status} = 1.493 + 0.181\times\text{Tenure} -0.226\times\text{Education} + 0.006\times\text{age} -2.763\times\text{Gender} + 0.034\times\text{Experience} + \varepsilon_i
\]

Where:

- 1.493 = a constant value of financial distress when all independent variables are equal to zero.
- 0.181 = discriminant coefficient of tenure. For every increase in tenure, there is expected approximately 0.181-point increase in distress, holding all other variables constant.
- -0.226 = discriminant coefficient of education. For every increase in education, there is expected approximately 0.226-point decrease in distress, holding all other variables constant.
- 0.006 = discriminant coefficient of age. For every increase in age, there is expected approximately 0.006-point increase in distress, holding all other variables constant.
- -2.763 = discriminant coefficient of gender. For every change in gender, there is expected approximately 2.763-point decrease in distress, holding all other variables constant.
- 0.034 = discriminant coefficient of experience. For every increase in experience, there is expected approximately 0.034-point increase in distress, holding all other variables constant.
- \(\varepsilon_i\) = Error term in commercial bank \(i\)

4.4.2.4 Group membership classification

Additionally, group membership classification was predicted. Group membership shows the level of correct classification into either safe, grey or distress. The classification assists in understanding how well the different classifications (safe, grey, distress) were correctly classified.

Table 4.8: Predicted Group Membership

<table>
<thead>
<tr>
<th>Classification</th>
<th>Predicted Group Membership</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual (Count)</td>
<td>Distress Grey Safe</td>
<td></td>
</tr>
<tr>
<td>Distress</td>
<td>2 5 0</td>
<td>7</td>
</tr>
<tr>
<td>Grey</td>
<td>1 22 0</td>
<td>23</td>
</tr>
<tr>
<td>Safe</td>
<td>0 2 1</td>
<td>3</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>0 1 0</td>
<td>1</td>
</tr>
<tr>
<td>Actual (%)</td>
<td>Distress Grey Safe</td>
<td></td>
</tr>
<tr>
<td>Distress</td>
<td>28.6 71.4 0</td>
<td>100</td>
</tr>
<tr>
<td>Grey</td>
<td>4.3 95.7 0</td>
<td>100</td>
</tr>
<tr>
<td>Safe</td>
<td>0 66.7 33.3</td>
<td>100</td>
</tr>
<tr>
<td>Ungrouped cases</td>
<td>0 100 0</td>
<td>100</td>
</tr>
</tbody>
</table>

a. 75.8% of original grouped cases correctly classified.

As illustrated by the table 4.8, the multi discriminant function had correct classification of 75.8%, signifying that a majority of the banks were correctly classified by the function (Distress 28.6%, grey 95.7% and safe 33.3%). The findings imply that MDA correctly classified commercial banks by 75.8%. Sulub (2014) found a prediction classification accuracy of 70% while Muya (2017) found a predictive power of 71.2%.

4.4.3 Analysis of the relationship between CEO attributes and financial distress

Univariate analysis was performed to determine the variable significance and contribution to the model. The table 4.9 gives a summary of univariate analysis of the CEO attributes.
Table 4.9: Univariate analysis of the CEO attributes

<table>
<thead>
<tr>
<th></th>
<th>Wilks' Lambda</th>
<th>F</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
<th>Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.889</td>
<td>1.866</td>
<td>2</td>
<td>30</td>
<td>0.172</td>
<td>Reject</td>
</tr>
<tr>
<td>Gender</td>
<td>0.914</td>
<td>1.411</td>
<td>2</td>
<td>30</td>
<td>0.26</td>
<td>Reject</td>
</tr>
<tr>
<td>Education</td>
<td>0.97</td>
<td>0.46</td>
<td>2</td>
<td>30</td>
<td>0.635</td>
<td>Reject</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.469</td>
<td>2.631</td>
<td>2</td>
<td>30</td>
<td>0.049</td>
<td>Accept</td>
</tr>
<tr>
<td>Experience</td>
<td>0.908</td>
<td>1.516</td>
<td>2</td>
<td>30</td>
<td>0.236</td>
<td>Reject</td>
</tr>
</tbody>
</table>

H4: there is a significant and negative relationship between CEO tenure and financial distress

This research established that there exists a positive and statistically significant relationship between CEO tenure and financial distress in commercial banks in Kenya. Therefore, H4 was accept. The findings show that the longer the tenure the high the probability of occurrence of financial distress in commercial banks. The findings contradict Bhaiyat and Garrow (2015) who evaluated the effect of CEO and CFO attributes as TMT on the firm probability to default and concluded that as the tenure increases the probability of default decreases implying that long period of tenure contributes to stability and efficiency of the firm. The results may have been different since they were carried out in different geographical location and period.

4.5 Summary of results

To sum up the finding in objective one, there was presence of financial distress amongst commercial banks in Kenya in the year under review; 2016. The level of distress was computed using Z-score. The findings showed that 18% of commercial banks were financially distressed in 2016. The distressed commercial banks were in Tier II and Tier III. The occurrence suggested that close monitoring of commercial banks is necessary in order to minimize cases of financial distress (Whitaker, 1999; Ayayi & Sene, 2010; Mostafa, Rezina & Hasan, 2016). For objective two, the main CEO attributes that was found to influence financial distress occurrence was CEO tenure which had a significant and negative effect on financial distress in Kenyan commercial banks.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a comprehensive summary of the findings of both objective one and objective two of the study. In addition, the implications of the study drawn from the conclusions of the study. Lastly it explores the various limitations of the study and gives suggestions for further research. The main objective of this study was to assess the effects of CEO attributes on financial distress in commercial banks in Kenya. The specific objective one was to assess the extent of financial distress in the different bank tiers in commercial banks in Kenya while the second specific objective was to examine the significance of CEO attributes on financial distress in commercial banks in Kenya

5.2 Summary of findings

This section explains the major findings of the study according to the research objectives.

5.2.1 Extent of financial distress among bank tiers in commercial banks in Kenya

The research set out to determine the extent of financial distress among bank tiers in commercial banks in Kenya. The objective was addressed by analyzing the banks financials using Z Score
and grouping them into either distressed, grey or safe against bank tiers. None of tier one banks were distressed in the year of study; 2016. Three Tier II banks and four tier III banks were distressed contributing to a total of 18%. The cutoff points for the Z score were: < 3.25 meant that the bank was in distress; 3.25<Z<5.85 meant that the bank was in grey area while > 5.85 meant that the bank was safe (Aasen, 2011). The findings imply that there is presence of financial distress among commercial banks in Kenya. The regulating body, should monitor commercial banks and detect and correct causes of financial distress to safeguard the stakeholders (Whitaker, 1999; Ayayi & Sene, 2010; Mostafa, Rezina & Hasan, 2016).

5.2.2 Significance of CEO attributes on financial distress in commercial banks in Kenya.

The second objective was to examine the significance of the CEO attributes in relation to occurrence of financial distress. The findings from this study show that CEO age was positive but statistically insignificant in explaining the occurrence of financial distress; H1 was reject. The hypothesis stated that there is a significant relationship between CEO age and financial distress. The results from this study agree with Gorts (2016) study on effects of CEO characteristics on corporate financial strategy who found that age did not influence financial decision. The findings however contradict those of Barno (2017) who examined the age of managers in 39 companies listed at the NSE and established that it has a negative but significant effect on capital structure. Similarly, Kyenze (2014) examined 61 companies listed at the NSE for the period spanning 2008-2013 and concludes that there exist a significant association between the ages of the CEO and organizational performance. The findings may have differed due to period covered by the study, methodology used in analysis and nature of the study.

This thesis reports that there is a positive insignificant relationship between CEO gender and financial distress. The findings imply that gender did not explain the occurrence of financial distress although it is argued that demographic diversity of leadership is positively associated with diverse practices that impact organization performance (Nishii, Gotte, & Raver, 2007). The findings concur with research by Chan and Heang (2010) who opined that there was no significance influence between gender diversity and cost signifying that gender did not have influence on overall firm output. Similarly, Manini & Addillahi (2015) posit that gender diversity did not prove any significance to banks profitability, the findings imply that gender variance did not cause financial distress. Likewise, Harun (2017) findings indicate that gender diversity had no statistically significant influence on general financial performance of selected private commercial banks in Ethiopia. Additionally, Kirimi (2015) and Wairimu (2014) point that gender diversity was not statistically significant in determining financial performance. However, Barno (2017) established a negative but significant impact on capital structure indicating that gender has effect on decision making. Additionally, Gorts (2016) points that gender influence corporate financial strategy. Similarly, Vo and Phan (2013) propose involvement of female in corporate decision making since it positively effect on performance of the firms suggesting that inclusion of female in leadership positions influence decision making. Shungu, Ngirande, & Ndlovu (2014) correspondingly concludes that there exists a positive association between gender diversity and commercial bank performance proposing that gender influences firm performance. Therefore, H2 was reject. The hypothesis stated that there was a significant relationship between CEO gender and financial distress.

The thesis also shows that an insignificant positive relationship exists between CEO education and financial distress. This findings suggest that level of education did not explain the occurrence of financial distress; hence H3 was reject. The hypothesis read that there is a significant relationship between CEO education and financial distress. Education is usually associated with open-mindedness and ability to make decision. The research finding concur with Harun (2017) who concluded that education qualification was positive but insignificant related with the firm financial performance. However, Herri, Johan, Handika, & Yuliani (2017) established that education level has a negative impact on performance. Similarly, Ting, Azizan and Kweh (2015) found that both younger and longer serving CEOs are risk takers and aggressive regardless of their educational level pointing that education level do not influence firm performance. Further Ting, Azizan and Kweh add that the CEOs with higher levels of
education are susceptible increased debt of the organization implying that highly educated CEOs prefer debt financing as opposed to internal sourcing with an aim on rapid growth. Similarly, Ramezani, Khabiri, Alvani, & Tondnevis (2011) point that role performance improves with level of education claiming that education does not influence occurrence of financial distress.

This thesis also reports that there is a positive significant relationship between CEO tenure and financial distress. The finding imply that CEO tenure positively influences the occurrence of financial distress; H4 was accept. The hypothesis read that there is a significant relationship between CEO tenure and financial distress. The findings contend findings by Barno (2017) who points that managers need to have a long tenure so that they can offer deeper understanding of the company’s business. Similarly, Bhaiyat and Garrow (2015) propose that as the CEO office tenure increases the chances of default significantly declines implying that long tenure contributes to stability and efficiency of the firm. Equally, Herri, Johan, Handika and Yuliharsi (2017) concluded that there is a direct relationship between CEOs characteristics and performance. They concluded that tenure in position favors performance. Additionally, Kariuki, Namusonge and Orwa (2015) in their research concluded that CEO tenure statistically significantly influences organizational size, growth and future opportunities. The study supports the argument that short-term tenure influences occurrence of financial distress. Kyenze (2014) adds that office tenure of the CEO affects the performance of the firm asserting that tenure is key determinant for future opportunities. The findings from this research could be different due to the fact that the studies were conducted in different settings as well as the data was different in nature and method applied.

Based on the analysis, there was an insignificant positive relationship between CEO experience and financial distress. The hypothesis that was tested was that there is a significant relationship between CEO experience and financial distress; the hypothesis H5 was reject. The findings were not significant in explaining the occurrence of financial distress. However, Kariuki, Namusonge and Orwa (2015), found that CEOs who have extensive managerial experience in other industries significantly influence financial decisions implying that extensively exposed CEOs are more likely to remain steady, assertive in leadership even as they encounter problems. Therefore, firms that have volatile performance can benefit from well experienced and exposed leadership. Additionally, Vo & Phan (2013) and Wajiru (2013) equally add that working experience has a positive influence on performance of the firms asserting the need for experience in top management office in order to attain firm performance. Further, Getahun (2013) asserts that expertise is necessary to operate a firm so as to make informed decisions. Dauda and Hawa (2016) correspondingly reveal that skill influences performance. Dauda and Hawa emphasize that the top management office holders to possess adequate skills and wealth of knowledge of banking trend in order to provide leadership. Besides work experience, personal experience impact corporate financial decision making. According to Malmendier, Tate, & Yan (2011) the CEOs personal life experiences greatly influence decision making which ultimately is reflective of organizational performance. Further, Larcker and Tayan (2017) opine that previous work experience and style are good forecast that inform future performance.

From the multi discriminant analysis, the canonical correlation was 0.516 indicating an effect size of 26.6% (0.5162), implying that 26.6% of the variability of financial distress in commercial banks is determined by the changes in CEO age, gender, tenure, experience, and education. Additionally, the data was classified to either safe, grey or distress. The findings showed an overall classification of 75.8% by MDA, suggesting that a majority of the banks were correctly classified by the function (Distress 28.6%, grey 95.7% and safe 33.3%). The findings imply that MDA correctly classified data by 75.8%. Group centroids was also performed to establish the weight of each mean discriminant score for each group in the dependent variable for each of the discriminant function. The result show that most of the cases were classified based on their group centroids. However, only one case was not grouped by the function. The group centroids had a high mean discriminant score of 75.8% of the classification. The findings confirm MDA classification.
5.3 Conclusions

This research provides both academics and practitioners with a different perspective of the effect of CEO attributes on financial distress in commercial banks in Kenya. The findings should help develop discussions for policy makers around governance issues, more specifically the term. Various studies have indicated a correlation between CEO attributes and firm performance. None of the studies however specifically looked at the correlation between CEO attributes and financial distress in commercial banks in Kenya. The research objectives were developed to guide the study from which research questions and hypotheses were drawn. The first objective was to assess the extent of financial distress in bank tiers in commercial banks in Kenya. To achieve the objective, secondary data was collected from commercial bank annual reports and financial statements. The data was validated and analyzed using Altman Z score model in order to classify banks into the different classification; safe, grey or distress. The model was selected due to its ability to reliably predict financial distress. The results from the model show that there is presence of financial distress at 18% among the Tier II and Tier III commercial banks.

The second objective of the study was to examine the significance of CEO attributes on financial distress in commercial banks in Kenya. Multi discriminant analysis was performed in order to obtain a model that can be employed to predict a single qualitative variable from many variables. Further, the discriminant analysis derives an equation as a linear combination factors of the independent variables that discriminate best between groups in the dependent variable component. The findings from this research show that MDA had majority of the banks correctly classified at 75.8%. Further, CEO tenure was found to influence the occurrence of financial distress. From the empirical analysis, there was evidence of correlation between CEO attributes and financial distress in Tier II and Tier III commercial banks at 26.6%.

Conclusively, the result of the study shows that there was presence of financial distress amongst commercial banks in Kenya in the year under study; 2016. The main CEO attributes that influenced financial distress was tenure supporting the upper echelons theory and agency theory. Other attributes: age, experience, education and gender were not considered as the main factors that influence financial distress.

5.4 Implication of the study

The prime of this thesis is to advance the research on effects of CEO attributes on financial distress in the context of commercial banks. Essentially, this study offers suggestions that contribute to the existing literature on financial distress. This section attempts to discuss the implications of the main findings.

5.4.1 Implication for commercial bank regulator

The CBK as commercial bank regulator should regularly monitor commercial banks in order to detect financial distress. The aim of detection is to safeguard stakeholders against loss and to avoid financial systemic failure that could cause panic to the public. Understanding the causes of financial distress allows amendment and inclusion of new regulations in monitoring of financial institutions especially those under CBK.

5.4.2 Implication for financial institution

The board of directors are advised to be cautious when setting the tenure of the CEO in order to avert financial distress. CEO tenure was found to be positive and statistically significant in determining financial distress. The findings suggest that the CEO tenure should not be too long. The result suggest that long period could encourage laxity and accountability problems which may lead to financial distress.

5.5 Limitations of the study

The secondary data covered one year (2016) during which some banks had been put into receivership, liquidated or merged. Although the study used census approach some commercial
banks had to be excluded from the study due to incomplete data. Secondly, the study applied Altman Z-Score model to determine extent of financial distress, the findings were limited to this model.

5.6 Suggestions for further study
This research contributes to financial distress studies in Kenya. However, there are numerous areas that were not covered and form sources for further research. Some of the possible areas could include focus on other industry for example retail chains like supermarkets. Another study could focus on other models other than Altman Z-Score or combined in determining financial distress.

Another interesting area is having a longitudinal study rather than cross-sectional (one year). The study could help in understanding the trend of occurrence of financial distress. Additionally, financial and non-financial variables could be included in a study to determine their influence on financial distress.

REFERENCES


APPENDICES

Appendix II: List of Commercial banks

1. African Banking Corporation Limited
2. Bank of Africa Kenya Limited
3. Bank of Baroda (K) Limited
4. Bank of India
5. Barclays Bank of Kenya Limited
6. Stanbic Bank Kenya Limited
7. Charterhouse Bank Limited (Under - Statutory Management)
8. Chase Bank (K) Limited (in Receivership)
9. Citibank N. A Kenya
10. Commercial Bank of Africa Limited
11. Consolidated Bank Kenya Limited
13. Credit Bank Limited
15. Diamond Trust Kenya Limited
16. Eco Bank Kenya Limited
17. Spire Bank Limited (Formerly Equatorial Commercial Bank Limited)
18. Equity Bank Limited
19. Family Bank Limited
20. Fidelity Commercial Bank Limited
21. Guaranty Trust Bank (K) Ltd
22. First Community Bank Limited
23. Giro Commercial Bank Limited
24. Guardian Bank Limited
25. Gulf African Bank Limited
26. Habib Bank A. G. Zurich
27. Habib Bank Limited
28. Imperial Bank Limited (In - Receivership)
29. I & M Bank Limited
30. Jamii Bora Bank Limited
31. KCB Bank Kenya Limited
32. Sidian Bank Limited (Formerly K-Rep Bank)
33. Middle East Bank (K) Limited
34 National Bank of Kenya Limited
35 NIC Bank Limited
36 M-Oriental Commercial Bank Limited
37 Paramount Bank Limited
38 Prime Bank Limited
39 Standard Chartered Bank Kenya Limited
40 Transnational Bank Limited
41 UBA Kenya Bank Limited
42 Victoria Commercial Bank Limited
(Source: CBK, 2016)
ASSESSING DOMESTIC SYSTEMIC RISKS OF AFRICAN BANKING SYSTEMS

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The Basel Committee on Banking Supervision (2012) published a framework for identifying banks that have the potential to impact domestic financial systems and economies significantly negatively. A version of this framework that uses minimal data to estimate the extent of systemic risk that individual banks pose to Ghana is implemented and recommended for other African countries. One Pan-African Bank (PAB) and one Domestic Bank were found to be domestic systemically important banks. Not having enough data for same calculations for other African countries, data in IMF (2015) are exploited for insight to the extent to which banks are systemic to African economies. The study finds that PABs are domestic systemically important banks in 33 African countries, contributing from a low of 14% of industry systematic risk in one country, to as high as 85% at the other extreme.

Keywords: Africa, bank, domestic important systemic risk, Ghana, pan-African Bank.

Introduction

Financial institutions, especially banks, are regulated and supervised to reduce the chances of disruptions to the functioning of financial systems. Proper functioning of the financial system is a vital ingredient for economic growth in a modern economy. Instability of the financial system resulting, for example, from excessive exposures to risk, is likely to undermine economic growth and lead possibly to reduced incomes, reduced employment levels and possibly social unrest.

During the 2007-2009 global financial crisis, many of the developed economies suffered what was clearly systemic banking crises that emanated from the United States and spread to other countries. Banks based in one country but with the potential to infect banking systems of other countries came to be known as global systemically important banks (G-SIBs). In 2011, the Basel Committee on Banking Supervision (BCBS) published a framework for assessing G-SIBs. The framework required G-SIBs to pose higher loss absorbency (HLA) capital. The framework was amended later in 2013 and was to be reviewed every three years thereafter.

Soon after publishing the framework for assessing G-SIBs, it became clear that it was necessary to address similar negative externalities posed by banks that are not significant internationally, but have the potential to impact their domestic financial systems and economies significantly. The term domestic systemically important banks (D-SIBs) was coined to refer to such banks. BCBS (2012), was then published as a framework for assessing D-SIBs. The framework consisted of 12 principles. HLA capital was required of D-SIBs too.

The International Monetary Fund (IMF, 2015), reports that there has been a rapid expansion of pan-African banks (PABs) in recent years. PABs are banks which are head-quartered in an African country and have operations in a number of other African countries. The banks may not be big enough to be called global banks, but big enough in the African context. IMF (2015) reports that, overall, PABs now play more important roles in Africa than long-established European and American banks.
The growth of PABs comes with opportunities and benefits, but there are challenges too. PABs help increase economic integration within Africa, improve competition, support financial intermediation, financial inclusion, and give rise to greater economies of scale.

On the other hand, the rise of PABs pose regulatory and oversight challenges, which, if not addressed, may increase systemic risks. It is thus necessary to identify PABs that are domestic systemic important banks in either their home countries, or in other African countries in which they have operations. Frameworks for containing the potential for negative externalities, should they PABs become distressed, can then be put in place. Prompt disclosure of activities, transparency, good governance, strong prudential and good business conduct regimes backed by solid regulatory framework are necessary for effective and comprehensive supervision of PABs.

The purpose of this study is first to present a scientific approach that uses minimal data to estimate the extent of systemic risk that individual banks pose to an African economy. This approach would then suggest which banks, including PABs, are potential D-SIBs. Data not permitting for detailed calculations for other economies, the proposed approach is implemented for Ghana only, but recommended for all of sub-Saharan Africa. Researchers know about Africa’s data challenges. To analyse the risks posed by PABs for which detailed data were not available, data contained in IMF (2015) are exploited using that study’s rule of thumb which considers a bank to be systemic important if it controls at least 10% of the banking industry deposit in a country.

The next section reviews the literature on the subject of global and domestic systematically banks. This is followed by a presentation of the methodology adopted in this study. Findings are then presented and discussed. Then, the paper concludes.

2.0 Literature

2.1 Background

The banking landscape in Africa has been rocked by some disturbing news for some time now. For example, on January 4, 2019, the central bank of Ghana withdrew the banking licenses of two banks for not having adequate capital and at the same time announced that the they had proposed mergers of three pairs of banks, while at the same time accepting proposals from private pension funds to inject fresh equity capital into five other banks so that these banks will meet capital adequacy requirements. Earlier, in March 2018, the central bank of Ghana put one bank under the central bank’s administration for serious capital adequacy and other breaches. Before then, in August 2017, the central bank had withdrawn the banking licenses of two banks, again for breach of capital adequacy rules.3

Elsewhere, in May 2017, the central bank of Tanzania withdrew the banking licenses of five banks for breach of capital adequacy rules.4 In the preceding year, 2016, the central bank of Zambia took over a commercial bank for not coming up with enough capital to satisfy the new minimum capital rules. In that same year, the central bank of Mozambique cancelled the

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In an earlier work, Aboagye and Ahenkora (2017) had predicted that under negative stress a couple of Ghanaian banks would go under.

banking license of two banks on similar grounds. Still in 2016, the story was repeated for at least one bank in each of Uganda, Kenya, Tanzania, and the Democratic Republic of the Congo. These bank failures were contained with some relative ease, partly because the banks involved were not D-SIBs. Had they been D-SIBs, such failures could have had huge negative impact on the financial systems of these countries and possibly others. Much earlier in 2005, when the central bank of Nigeria increased the minimum capital required of banks steeply, the number of banks in that country tumbled from 89 to 25 and caused quite a scare.

2.2 Systemic risk in banking

Laeven and Valencia (2012) define systemic banking crisis as a situation in which “a country’s corporate and financial sectors experience a large number of defaults and financial institutions and corporations face great difficulties repaying contracts on time”. Failure of a G-SIB or a D-SIB could result in systemic banking crisis, not only for the economy in which such a bank failed, but possibly for other economies too. To help reduce the potential of such failures, the Basel Committee on Banking Supervision (2011, 2012) mandates that G-SIBs and D-SIBs post higher loss absorbency (HLA) capital alongside other possible measures. The capital requirements for such banks are above Basel III requirements.

The framework proposed by BCBS (2012) for assessing D-SIBs consisted of 12 principles and allow national discretion in deciding appropriate measures to accommodate structural characteristics of national banking systems. The rationale for the D-SIB framework, like that for G-SIBs, is that as banks seek to maximize their private benefits, they may choose outcomes that are system-wide sub-optimal. For they may not take into account system-wide negative externalities (adverse side effects). These negative externalities include the impact of the failure or impairment of large, interconnected financial institutions that can send shocks through the financial system which, in turn, can harm the real economy. Further, for systemically important banks, direct support and implicit government guarantees, should they run into trouble, may amplify risk-taking, reduce market discipline, create competitive distortions, and further increase the probability of distress in the future. These are moral hazard costs, which increase direct costs of support borne by taxpayers.

2.3 Assessing D-SIBs

BCBS (2012) states the following in principle five:

Principle 5: The impact of a D-SIB’s failure on the domestic economy should, in principle, be assessed having regard to bank-specific factors:

(a) Size;

(b) Interconnectedness;

(c) Substitutability/financial institution infrastructure (including considerations related to the concentrated nature of the banking sector); and

(d) Complexity (including the additional complexities from cross-border activity).

In addition, national authorities can consider other measures/data that would inform these bank-specific indicators within each of the above factors, such as size of the domestic economy.

BCBS rationalizes the proposed indicators as follows:

Size: is a key measure of systemic importance, for, “the larger a bank and its share of domestic activity, the higher the likelihood that its failure or distress will negatively affect the domestic economy.”

Interconnectedness: because financial institutions operate in a network of contractual obligations, financial distress at one institution can generate spillover effects and raise the likelihood of distress at other institutions. Banks which have large and numerous direct and indirect linkages within a financial system are therefore considered systemically important.

Substitutability: It is rationalized that “the larger the role a bank plays as a market participant and/or service provider, the greater the potential for widespread disruption if the bank’s services were to be interrupted. Finding a substitute bank that can provide the same service in a timely manner will also be more difficult and potentially costly. It is thus important to identify banks which provide key specialized services or infrastructure services as systemically important.”

Complexity: It is further rationalized that a bank’s business, structural and operational complexity could amplify its systemic importance. “More time and resources would be required to resolve a more complex bank under distress, potentially causing larger negative spillover effects.”

Many countries have tried to particularize BCBS (2012) for their own jurisdictions. The Singaporean authorities, Monetary Authorities of Singapore (MAS, 2014), proposed an indicator-based approach to assessing banks’ systemic importance using measures of size, interconnectedness, substitutability and complexity. MAS revised its proposals based on feedback it received from the public.

The Central Bank of Nigeria (2014) proposed a methodology for assessing D-SIBs using the same four measures - size, interconnectedness, substitutability and complexity. Weights of 30% were assigned to each of size and substitutability; complexity was assigned 25%, while interconnectedness was 15%. Results of actual implementation are yet to be publicly available.

Brämer and Gischer (2011) developed what they called a “practicable modification of the Basel approach and applied this technique to Australian banking system.” The Basel approach referred to here is BCBS (2011) for G-SIBs which were in the process of being adapted to help identify D-SIBs. They determined the domestic systemic risk of all licensed banks in Australia over the period 2002-2011. They found high levels of systemic risk for four major banks.

Brämer and Gischer focused on identifying readily available and well-understood measures to use in calculating domestic systemic risks and argued that their results were likely to mirror those that would be obtained using BCBS indicators. They argued that BCBS approach required extensive collection of data, most of which are only disclosed to regulatory authorities. They argued further that, in fact, it would be impossible for the public to verify D-SIBs classifications announced by regulators due to data requirements. It would also be difficult for the public to predict the systemic risk of banks.

For example, in place of the cross-jurisdictional activity indicator of G-SIBs proposed by BCBS (2011), Brämer and Gischer created an indicator that emphasizes the domestic relevance of banks. They called it domestic sentiment indicator. More recently, Ismael et al. (2015) found that supervisory authorities tend to prefer quantitative indicators that provide objective and consistent results, and that indicators that allow for easy and more frequent monitoring are preferred across different financial systems.

### 2.4 Pan-African banks

IMF (2015) reports that Pan-African banks have a systemic presence in about 36 countries. In almost all cases, the presence of PAB takes the form of locally incorporated subsidiaries. These subsidiaries tend to be large and powerful.

IMF (2015) also reports that there has been a rapid expansion of (PABs) in recent years. Seven major PABs have a presence in at least ten African countries: three of the PABs are headquartered in Morocco, two in Togo, and one each in Nigeria and South Africa. Further, additional banks, primarily from Kenya, Nigeria, and South Africa, have a regional presence with operations in at least five countries. Overall, the PABs are now much more important in Africa than the long-established European and American banks.
IMF (2015) continues that, the rapid expansion of PABs poses supervisory, transparency and disclosure, good governance, strong prudential oversight, and a legal and regulatory challenges to African economic managers. It notes that, in general, compliance by African countries to Basel Core Principles (BCP) on banking is generally lower than in the rest of the world, particularly in respect of home-host cross-border relationships principle. In fact, most of SSA still regulate banks under Basel I.

2.5 This study

IMF (2015) takes an off-the-cuff definition that a bank is considered domestic systemically important if it mobilizes more than 10% of industry deposits in an economy. This study considers this approach to identifying a D_SIB as rudimentary and inadequate. Case in point is South Africa’s Financial Sector Regulation Act of 2017. The Act stipulates an extensive approach to designating a bank as systemically important. To designate a bank as such, among other things, the Governor of the South African central bank is required to consider the size of the financial institution; the complexity of the financial institution and its business affairs; the interconnectedness of the institution with other financial institutions within or outside South Africa.

This study mimics Ismael et al. (2015) and Brämer and Gischer (2011) in proposing a simple method for assessing the domestic systemic risk of Ghanaian banks. Of particular concern to us is availability of data, transparency and ease with which the public can make predictions. Indicators used are size, interconnectedness, non-substitutability and domestic relevance. Size and interconnectedness have the meanings given in section 2.3. Substitutability in 2.3 is replaced in this study by non-substitutability, with the rational that a high score on this measure is interpreted as higher systemic risk as is the case for all other indicators. Finally, domestic relevance is used to capture the extent to which a bank “brings banking to the people” nationwide. A bank’s number of branches relative to the total of all bank branches in the economy is used to capture this. It is reasoned that much of Ghana is still rural, and use of internet banking is not very widespread. Most people go to bank branches to transact all their business. Thus, a bank with more branches is more relevant to the average Ghanaian than one with fewer branches even if the one with fewer branches it is more technologically advanced.

Complexity is not included. The BCBS G-SIB framework uses “notional amount of over-the-counter (“OTC”) derivatives”, “level 3 assets”, and “trading and available-for-sale securities” to assess complexity. None of these applies to the typical Ghanaian bank. In fact, when Ismael et al. (2015) constructed three indices to determine D_SIBs for Pakistan, none included a measure of complexity. They argued that indicators of all other dimensions are also indicators of complexity.

For banks in other African major economies, the author, who is based in Ghana, could not assess all pertinent data with which to assess their domestic systemic risk as he did for Ghana. Instead, a variation of the data contained in IMF (2015) was used as indicator of systemic risk posed by PABs that operate in those countries.

METHODOLOGY

3.1 The model applied to Ghana

The model for calculating each bank’s score of domestic systemic risk in Ghana was developed in Aboagye (2017). It is given as a function of four measures, namely, size, interconnectedness, non-substitutability and domestic relevance as:

\[
\text{Score} = 0.33 \left( \frac{\text{OP Assets}_{Industry}}{\text{OP Assets}_{Total}} \right) + 0.5 \left( \frac{\text{Loans}_{Industry}}{\text{Industry Loans}_{Total}} \right) + 0.5 \left( \frac{\text{Deposits}_{Industry}}{\text{Total Deposits}} \right) \left( i \right),
\]

where,
1) Size has three indicators:
OP-Assets = a bank’s operating assets;
Loans = a bank’s loan portfolio; and
Deposits = a bank’s deposits.
2) Interconnectedness has two indicators:
LoanFIN = loans to financial institutions; and
DepositFIN = a bank’s deposits with financial institutions.
3) Non-substitutability has one indicator:
Liquidity = a bank’s liquid assets. This is a good measure of non-substitutability because bank clients cannot go anywhere else but to the bank with which they lodged their deposits.
4) Domestic relevance is measured by:
Number of a bank’s branches as a ratio of total bank branches in the economy.

In this model, all four are equally weighted so no further information is required. Thus, the three measures of size in equation (1) are weighted one-third each, while the two measures of interconnectedness were weighed 0.5 each. For robustness check however, the weights were varied as follows: doubled the weight of size relative to the other indicators; double the weight of interconnectedness; and finally doubled the weight of domestic relevance over the other banks.

3.2 Estimating systemic risk of PABs in other African countries
IMF (2015), considered PAB subsidiaries in a country to be systemically important if deposits are larger than 10 percent of banking system deposits or if assets are larger than 7 percent of GDP of that country and reports both measures. Using deposits, PABs whose deposits are 10% or more of a country’s banking system deposits are countered as D-SIB for that country. Next, for the countries for which more than one PAB were D-SIBs, the sum of deposit shares of the D-SIBs was obtained as indicative of the extent of exposure to PABs.

3.2 Scope and limitations
For Ghana, data to operationalize model (1) were obtained from the central bank of Ghana and from bank financial statements for 26 banks. Data for 2013, 2014 and 2015 were used.

Unfortunately, this simple but more realistic approach to assessing the systemic risks of banks in countries other than Ghana could not be replicated for other African countries due to unavailability of data.

Therefore, for the rest of Africa, this study adopted the simplistic definition of systemic importance contained in IMF (2015) to study systemic importance of PABs in 45 countries. That is, the operations of a PAB in a country is considered to be D-SIB if the PAB’s shares of total banking deposits are 10% or more in that country. Most of the data are up to December 2013 only, which is a limitation.
Table 1: Systemic risk of banks, calculated using model (1), relative to industry total risk

<table>
<thead>
<tr>
<th>Banks</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>1st Bank</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>2nd Bank</td>
<td>11%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Top 4 Banks</td>
<td>38%</td>
<td>38%</td>
<td>39%</td>
</tr>
<tr>
<td>Top 6 Banks</td>
<td>53%</td>
<td>52%</td>
<td>51%</td>
</tr>
<tr>
<td>Top 8 Banks</td>
<td>65%</td>
<td>63%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations

4.0 RESULTS

4.1 Systemic risk of Ghanaian banks

The systemic risks of Ghanaian banks were estimated as indicated in model (1) for each of 2013, 2014 and 2015. Systemic risk scores with all four dimensions (size, interconnectedness, non-substitutability and domestic relevance) equally weighted are reported in Table 1. However, to check robustness of the model, systemic risk scores were also calculated with the four components not equally weighted (not reported here). In all cases, the main findings using model (1) with equal weighting hold true. That is, by and large, the rankings of the banks in respect of systemic risk remained the same. In the few cases where changes in rankings differed, the changes reflected an increase in the weight assigned to the dimension of model (1) by which that bank had more strength relative to others, for example, number of branches.

Table 1 summarised the calculated systemic risks (model 1) of Ghanaian banks. The bank with the most systemic risk had 14% of industry in each of 2013, 2014 and 2015. The next bank had 11% in each of 2013 and 2014 and 9% in 2015. The top four banks accounted for just under 40% of industry risk in each of the three years; the top six, just over 50% and the top eight about two-thirds.

The top bank is a PAB. It is the biggest bank in Ghana (by assets and deposits). The second is a domestic bank. Four of the top eight are local banks, two are PABs and two are European. Central bank regulators admit (not on record however) that these findings suggest domestic systemic importance. The two top PABs contributed 20% of industry systemic risks of 20% in 2013, 2014 and 21% in 2015. Together, the top two local banks contributed an average of 17% of industry systemic risk over the period. The two European banks with the most systemic risk contributed 12% of industry systemic risk in 2013 and 2014 and 13% in 2015. These figures are lower than the top two PABs and top two domestic banks.

4.2 Systemic risk posed by pan-African banks in the rest of Africa

Table 2 gives a picture of the proportion of country deposits that are held by PABs which qualify as D-SIBs according to the IMF (2015) definition (10% or more of industry deposits). This figure is obtained by adding up the proportions controlled by PABs judged to be D-SIB. As many as 33 African countries have D-SIBs. For South Africa, the three D-SIBs together control 67% of bank deposits in that country. One European bank, Barclays Bank, controls another 23% of deposits. Thus, these four banks control 90% of South African deposits. This is a staggering percentage. While not studied in this paper, it is reasonable to conjecture that the proportion of industry loans that is attributable to these four banks is in the neighbourhood of 90%. And that may be where financial distress might start from. That is, signs of financial distress (or worse) at any of the three banks is likely to reverberate across the entire South African economy. Other
countries with three D-SIBs are Ivory Coast, Cameroun, Mozambique, Namibia, Benin, and Swaziland. Mali and Madagascar have four D-SIBs. Also, a number of countries have more than one D-SIBs, 22 out of 33 countries (66.7%).

Table 2: Domestic deposits with Pan African Banks as proportion of industry deposits in 2013.

<table>
<thead>
<tr>
<th>Number</th>
<th>Country</th>
<th>Deposit Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mauritius</td>
<td>85</td>
</tr>
<tr>
<td>2</td>
<td>Mozambique</td>
<td>83</td>
</tr>
<tr>
<td>3</td>
<td>Madagascar</td>
<td>79</td>
</tr>
<tr>
<td>4</td>
<td>Gabon</td>
<td>76</td>
</tr>
<tr>
<td>5</td>
<td>Congo</td>
<td>74</td>
</tr>
<tr>
<td>6</td>
<td>Lesotho</td>
<td>72</td>
</tr>
<tr>
<td>7</td>
<td>Mali</td>
<td>68</td>
</tr>
<tr>
<td>8</td>
<td>South Africa</td>
<td>67</td>
</tr>
<tr>
<td>9</td>
<td>Chad</td>
<td>65</td>
</tr>
<tr>
<td>10</td>
<td>Swaziland</td>
<td>63</td>
</tr>
<tr>
<td>11</td>
<td>Benin</td>
<td>61</td>
</tr>
<tr>
<td>12</td>
<td>Namibia</td>
<td>58</td>
</tr>
<tr>
<td>13</td>
<td>Equitorial Guinea</td>
<td>57</td>
</tr>
<tr>
<td>14</td>
<td>Burkina Faso</td>
<td>50</td>
</tr>
<tr>
<td>15</td>
<td>Cameroon</td>
<td>48</td>
</tr>
<tr>
<td>16</td>
<td>Niger</td>
<td>41</td>
</tr>
<tr>
<td>17</td>
<td>Botswana</td>
<td>40</td>
</tr>
<tr>
<td>18</td>
<td>Togo</td>
<td>38</td>
</tr>
<tr>
<td>19</td>
<td>Senegal</td>
<td>37</td>
</tr>
<tr>
<td>20</td>
<td>Burundi</td>
<td>35</td>
</tr>
<tr>
<td>21</td>
<td>Cote d'Ivoire</td>
<td>32</td>
</tr>
<tr>
<td>22</td>
<td>South Sudan</td>
<td>31</td>
</tr>
<tr>
<td>23</td>
<td>Liberia</td>
<td>29</td>
</tr>
<tr>
<td>24</td>
<td>Sierre Leone</td>
<td>25</td>
</tr>
<tr>
<td>25</td>
<td>Rwanda</td>
<td>24</td>
</tr>
<tr>
<td>26</td>
<td>Morocco</td>
<td>23</td>
</tr>
<tr>
<td>27</td>
<td>Angola</td>
<td>22</td>
</tr>
<tr>
<td>28</td>
<td>Malawi</td>
<td>22</td>
</tr>
<tr>
<td>29</td>
<td>Guinea</td>
<td>21</td>
</tr>
<tr>
<td>30</td>
<td>Nigeria</td>
<td>17</td>
</tr>
<tr>
<td>31</td>
<td>Uganda</td>
<td>17</td>
</tr>
<tr>
<td>32</td>
<td>Kenya</td>
<td>13</td>
</tr>
<tr>
<td>33</td>
<td>Ghana</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Author’s summary from IMF (2015, Table 2).

In 14 out of the 33 countries (42.4%) studied, PABs that are D-SIBs control more than 50% of deposits. If one adds the number of European banks that are D-SIBs (10% deposit share or more), the number increases to 18 (i.e. 54.5%).
Discussion and Conclusion

Model (1) is simple to implement as it involves data that is readily available to the public. It is a more scientific approach to determining bank systemic risk than the 10% of deposits used in IMF (2015). Technically, there is not a benchmark figure of systematic risk above which a bank is described as D-SIB. The IMF 10% just alluded to is a case in point, while the central bank of Nigeria (2014) suggests 5% of industry deposits. With this in mind, this study considers a bank to be D-SIB if its operations account for more than 10% of industry systemic risk as calculated by Model (1). Thus, for Ghana, only one PAB and one domestic bank are D-SIBs.

That is, a negative shock to any of these banks has the potential to impact Ghana’s financial system and economy significantly negatively. For example, insolvency of one of them is likely to disrupt Ghana’s financial system and possibly cause untold hardship in the real economy and among economic agents. The probability of such a negative shock is not zero.

For the rest of Africa, Table 2 raises concerns that PABs are D-SIBs in many countries. Another remark is that, subsidiaries of a PAB in a number of countries can lead to contagion across countries if subsidiary operations across countries are not immunized against each other, should financial distress strikes in one country. For, subsidiaries of a PAB may have exposures to their parents or to other bank subsidiaries that supervisors in one country may not be aware of.

The benefits of PABs in enhancing economic activity across the continent has been noted. However, there are risks. IMF (2015) has noted that the key to minimizing banking risks in such situation lies in transparency of operations, disclosure, good corporate governance, strong prudential oversight, and a legal and regulatory framework that supports effective and comprehensive supervision and crisis management. To this we add, that a regulatory and supervisory platform that brings together regulators and supervisors across the continent African supervisors collaborate and co-ordinate regulation and supervision will go a long way to help collaborate and co-ordinate PAB regulation and supervision.

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Tanzania’s central bank withdraws license of community bank, https://www.reuters.com/article/tanzania-banking-idUSL8N1IE3GU
AN ANALYSIS OF AN EMERGING EQUITY MARKET USING COEFFICIENT OF ELASTICITY OF TRADING

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The financial economics literature indicates that the ability of a securities market to contribute to economic development depends on its level of sophistication. On the other hand, the sophistication of a market is keyed to market liquidity. A lack of liquidity can discourage investors from financing projects that can contribute to economic growth and development. Therefore, this paper explores the appropriateness of the coefficient of elasticity of trading (CET) as a measure of liquidity using Nigerian stock market data. An effort is also made to compare CET with the popular measure of liquidity, turnover ratio. The results show that CET is more consistent with historical development of the Nigerian stock market than the turnover ratio. Several policy recommendations are offered in order to make the Nigerian stock market become relevant in promoting economic growth and development.

Keywords: Liquidity, Nigeria, Microstructure, Stock market, Economic growth

Introduction

The challenge many developing countries of the world faced over the years is how to achieve economic growth necessary to reduce poverty. Dahou et al. (2009) hold the opinion that a vibrant financial market is an essential ingredient of macro-economic stability to channel resources into productive projects that are capable of fostering economic growth. Stiglitz (1989) concludes that the relevance of financial institutions to an economy’s development process is essentially to focus on the crucial role of capital accumulation. The author further argues that even though the socialist economies record very high rates of savings, they failed to record a robust rate of economic growth. Therefore, capital accumulation is a necessary but not sufficient condition for economic growth to take place. The capital markets are charged with aggregating and allocating funds in a way that results in a choice among competing sectors in any economy. Aside from allocating funds, financial markets ensure that funds extended to demanders are utilized in the best interest of the providers. Thus, financial markets help to create diversification opportunities and consequently reduce risk facing market participants. On this premise, many developing countries pursue the establishment of securities markets.

According to Osaze (2007), during the colonial era in Nigeria, the funding of local administration was from agriculture, produce marketing and solid mineral mining. The inadequacy of these funding sources led the colonial government to introduce revenue mobilization through the floatation of the first NGN 300,000, 3% Government Stock in 1946. The issue management was vested in the Accountant General. In 1958, the colonial government set up a committee (Barback Committee) to review the financial system. This led to the establishment of the Lagos Stock exchange. In 1976, another committee (Okigbo Committee) was established to review the Nigerian financial system. Based on the recommendations of the Okigbo Committee, the Lagos Stock Exchange was transformed into the Nigerian Stock Exchange with trading floors in Lagos, Kaduna and Port Harcourt. Okaro (2002) argues that the Nigerian stock market remains underdeveloped despite many spirited efforts at making the institution internationally competitive. Using several indicators of economic development, Ojo...
(2010) reports that Nigeria and other African countries with stock markets had not fared better than those without stock markets.

The objective of this paper is to examine the appropriateness of the coefficient of elasticity of trading (CET) as a measure of liquidity using Nigerian stock market data. An effort is also made to compare CET with the popular measure of liquidity, turnover ratio. The time series properties of the two measures are compared. This is done in order to identify a proper policy tool to use in an effort to improve liquidity on the Nigerian Stock Exchange.

**Liquidity and Coefficient of Elasticity of Trading (CET)**

Liquidity is a critical component which drives any market microstructure design. Unfortunately, the financial economics literature has not identified a generally-accepted definition of liquidity. Keynes (1930) views a liquid asset as one which is immediately realized without loss. O’Hara (2003) reflects the reality of the situation by saying: “liquidity is hard to define, but easy to feel it.” Market liquidity refers to the likelihood of trading adequate quantities of securities at reasonable prices over a reasonable period of time. While describing market microstructure, Glen (1994), draws out the four critical attributes of a market as liquidity, efficiency, volatility and transaction costs. These attributes are connected but can be different in some ways. They can be affected by microstructure, economic fundamentals and the regulatory environment. Glen (1994) concludes that the key to a successful security market is its ability to support buy and sell transactions quickly without a substantial movement in price. Gaston and He (2015) define liquidity as the market’s ability to quickly conclude large securities transactions within a framework of low transaction cost and with a minimal price impact. Investors are attracted to a market that provides liquidity with greater impact on the market’s ability to process information. Amihud and Mendelson (1991) conclude that required returns on financial assets are impacted by the level of liquidity. Gaston and He (2015) conclude that a relatively high level of liquidity is needed to aid an efficient transfer of funds from surplus-spending units to deficit-spending units in order to elevate economic growth. When market liquidity is low, market prices become less informative by creating a misalignment between securities prices and economic fundamentals.

An absence of liquidity can discourage investors from investing in projects which can support economic growth and development. Elliott (2015) connects liquidity to volatility by asserting that illiquid markets are more volatile. The author argues that at the extreme, volatility can trigger a financial crisis. Volatility is generally considered in the determination of rates return that investors demand and interest rates that borrowers pay. Elliott (2015) opines that a key determinant of fundamental value of securities is investors’ perception which can be affected by how rapidly prices change. With many market participants, transactions can be concluded quickly, easily and cheaply when prices move in a smoother way with no extreme volatility. Higher volatility is associated with uncertainty about the economic environment.

Liquidity is a multi-dimensional concept whose implication covers trading time and immediacy, tightness, depth and resiliency. According to Wyss (2004) and Minovic (2012), trading time refers to ability to execute transactions immediately at a prevailing market price. The waiting time between one trade and another as well as speed are critical. Tightness refers to the gap between bid and ask prices and consequently addresses transaction cost. The depth of the market focuses on the ability to execute large transactions without undue pressure on price. Finally, market resiliency is the speed at which underlying asset prices are restored after a disturbance. This take into account the elasticity of demand and supply. There are many measures introduced in the literature for evaluating liquidity. These include:

Volume-related measures

Time-related measures
Spread-related measures
Quote slope
Log quote slope
Adjusted log quote slope
Liquidity ratio

Many of the existing measures are one-dimensional measures. The financial economics literature on asset pricing had long relied on turnover or turnover ratio as a measure of liquidity or liquidity risk (Barinov, 2014). Dakar (2000) concludes that turnover ratio which is defined as turnover as a proportion of market capitalization displays wide variations. Moreover, the author argues that turnover ratio suffers from dimensional distortion because market capitalization is a stock measure while turnover is a flow measure.

Dakar (2000) introduced a measure of market immediacy referred to as Coefficient of Elasticity of Trading (CET). According to Dakar (2000) and Wanzala (2018), the CET relies on price elasticity measure which takes into account impact cost of trading. The CET is defined as:

\[
CET = \frac{\% \text{ Change in Trading Volume}}{\% \text{ Change in Price}}
\]

The calculated value of CET can vary between negative infinity to positive infinity. When the direction of changes in volume and price are the same, CET is positive. If CET is high, higher volume of transactions are associated with higher price changes. However, if large size transactions are associated with little or no price changes, CET will approach infinity indicating increased liquidity. Table 1 shows a schematic presentation of the possible values of CET.

<table>
<thead>
<tr>
<th>Price Change</th>
<th>CET &gt; 1</th>
<th>CET = 1</th>
<th>CET &lt; 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Increase</td>
<td>Price increases supported by more than proportionate change in volume. This a reflection of real good news.</td>
<td>Price increases matched by proportionate change in volume</td>
<td>Bull Run: Price goes up but buyers show no interest. Price increase is said to be speculative.</td>
</tr>
<tr>
<td>Price Decline</td>
<td>Price decreases supported by more than proportionate change in volume</td>
<td>Price decreases matched by proportionate change in volume</td>
<td>Bear Hug: Prices are going down but buyers are not interested in buying</td>
</tr>
</tbody>
</table>

Source: Dakar (2000)

An Analysis of the Nigerian Stock Market

The Nigerian Stock Exchange has witnessed several transformations since its inception. It currently operates an electronic platform, with a central order book for trading securities. The dealing members submit orders to the platform while market makers submit two-sided quotes into the electronic order book. Beside the Central Order Book (COB), the exchange also maintains an Off Market/Negotiated Deal Book for executing and reporting pre-negotiated deals and block trades among dealers (Nigerian Stock Exchange, 2018). All of the aforementioned transformations have not paid off significantly, in terms of the stock market’s
contribution to the Nigerian economy. Gwarzo (2016) identifies some Nigerian macroeconomic environmental factors as challenges. There is a general sense of uncertainty in the economy which creates a risk factor for the Nigerian capital market.

Marwa (2015), writes that the fragmented nature of financial markets in Africa as well as the risk level have limited the investment capacity of institutional investors. Moreover, the allocation mechanism inherent in many African financial markets is described as small, narrow and illiquid. While many African countries rely on the banking system, African banks mainly finance trade and other related activities with minimal role in intermediation involving the finance of manufacturing, infrastructure, agriculture and other related activities that are capable of reducing poverty. Marwa (2015) reports that banking services penetration in some Africa countries is as low as 10 percent. The author reports that Africa could only boast of a few stock exchanges in the 1970s but now with over thirty exchanges. Total market capitalization has grown by a multiple of ten in two decades. However, Marwa (2015) notes that African securities markets still lack liquidity with a thin turnover ratio pointing to a less than 0.05 percent of the global equity turnover. With a relatively low liquidity, Africa equity markets are finding it difficult to support local market participants. The poor nature of equity markets infrastructure creates an impediment to trading, clearing and the settlement process which can be very slow to the extent that some exchanges resort to manual operation.

The size of the stock market relative to the rest of the economy is reflected in the market capitalization to GDP ratio. Hearn (2009) notes that the average ratio in many OECD countries is in excess of 200 percent. Yartey (2007) also report a ratio of 135% for Malaysia, an emerging market. Figure 1 reveals the ratio of Nigerian stock market capitalization to GDP for 2001 through 2017. Throughout the period reviewed, Nigeria’s market contribution is much lower than peer countries indicating that more needs to be done to make the stock market to be relevant for contributing to economic growth in Nigeria.

Figure 2 shows the graphical representation of the time series behavior of CET as a measure of market liquidity between 1985 and 2017. CET variability is moderated between 1985 and 1996. However, from 1996 through 2000 there seems to be an increase in liquidity. In 1993, the Nigerian capital market was deregulated in terms of pricing of securities. At this time, trading brokers were given free hands to determine securities prices in the secondary market. This is a possible reason for the 1996 – 2000 change in CET. Nigeria returned to civilian administration in 1999. In the same year, the Nigerian stock market introduced Automated Trading System (ATS). Under the new system, traders could trade through a network of computers connected to a central server. The new system also allowed remote trading facilities. Therefore, from 2000 through 2017 the periodic change in CET shows some moderation relative to the previous period.

Figure 3 show a comparative analysis of CET and turnover ratio. As noted by Dakar (2000), the turnover ratio displays wide fluctuations. Unlike the turnover ratio, the CET distinguishes between different price trends. The positive/negative signs associated with CET values represent a way to distinguish between price increases and decreases. With the turnover ratio it is impossible to decipher between increase in turnover as a result of increased volume or increased price. The CET is adjudged to be a better measure of liquidity and can be targeted by policymakers in an attempt to improve the Nigerian stock market for its role in improving economic growth.

Conclusion and Policy Recommendations

The market institutional characteristics do influence trading and price behavior. Thus, the market microstructure plays a critical role in the market key attributes of liquidity, efficiency, volatility and transaction costs. More importantly, a well-structured equity market is needed to influence economic growth in any country. On the issue of liquidity, the Nigerian securities market should imbibe a culture of technological innovation which is common in many countries
of the world. Technology must be employed in electronic order books with an opening call auction to be followed by continuous trading sessions as practiced in many OECD countries. Management of stock exchanges should as a policy monitor liquidity on a regular basis.

There is ample evidence in the financial economics literature supporting an interplay between the banking sector and the stock market (Yartey, 2007). A well-developed banking sector contributes significantly to the development of the stock market. More specifically, Yartey (2007) concludes that liquid inter-bank markets which are a feature of a well-developed banking system are critical to the growth of stock markets. The Nigerian Central Bank should take into consideration the impact of its monetary policy initiatives on securities markets liquidity. Again, this underscores the need to correctly measure and monitor equity market liquidity on a regular basis.

This paper is in agreement with the proposal put forward by Dahou et al. (2009) to bring about more effective securities markets in Nigeria. There is need for regional integration in order to take advantage of economies of scale. Regional integration will bring several benefits in the area of increasing market size, reducing exposure to external shocks, attracting international investments, reducing regulatory burdens and integrating information systems to reduce screening and monitoring costs. A good example of integration on the continent is Bourse Regionale des Valeurs Mobiliieres (BRVM), which is an exchange catering to several Francophone African countries. Another notable program is the cooperation between the Nigerian Stock Exchange and the London Stock Exchange in the promotion of dual listing of securities. These endeavors represent potential sources of innovation.

The management of the Nigerian securities markets should strive to promote transparency and accountability. There are documented cases of listed firms failing to disclose information on a timely basis (Masry, 2015). Masry notes that inadequate provision of information is detrimental to the functioning of a stock market because it can lead to market responses that are considered irrational and thereby threatening economic efficiency. Moreover, a lack of information about available investment opportunities has consequences on risk and return evaluation. Therefore, it is critical for rules on information disclosure to be enacted and seriously enforced. In addition to this, the management of the stock market must promote post-trade transparency by quickly making available information about completed market transactions. Allied to this is the issue of investor education. There is a need to aggressively institute educational programs to motivate individuals to participate as investors. Finally, the federal government still owns shares in electric companies. There is no reason for government to be involved in such a business other than to create an enabling environment through regulation. Pension funds should be encouraged to expand their investment horizons in terms of more product choices including equities.
Figure 1: Stock Market Capitalization (% of GDP)

Figure 2: Coefficient of Elasticity of Trading 1985-2017
References


TRACK 2

International Aid, Economic Policies
REGIONAL AND DOMESTIC INDUSTRIALISATION POLICIES IN AFRICA: CASE STUDY OF TWO SADC STATES

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The growing dependence of economic growth on industrialisation has prompted the need for the development of industrialisation policies both at regional and national levels. The Southern African Development Community (SADC) bloc developed an industrial development framework for its member states with the aim of promoting industrial development. Botswana and Tanzania as member states of SADC have undertaken commitment under the framework and consequently recognised the need to align their own national industrial policy in order to achieve the desired outcomes. The study seeks to analyse the synergies created by adoption of both SADC policy framework and the domestic national policy. This is done through the general analysis of the overall policy environment for industrial development in both countries by highlighting reasons for success and failures as well as policy gaps to be addressed by governments. Suggestions for improvement on review and policy strategy are given based on identified success and failures. The recommendations will guide strategic policy formulation in dealing with prevailing national needs.

Keywords: domestic policies, industrialisation, regional policies

Introduction

Policies formulated by regional blocs provide a framework for development within bloc boundaries. As a bloc trading area, Southern African Development Community (SADC) initiated a policy towards industrialised Africa for the purpose of providing development opportunities to member states in April 2015 (Zarenda 2012; McCarthy 2014; SADC 2017). SADC industrialisation development is guided by the SADC industrialisation strategy and roadmap 2015-2063 which include plans for the manufacturing sector (SADC 2017). The SADC policy is geared towards shifting the member states to more industrialised economies. Industrial policies for regional blocs create opportunities and challenges particularly for the manufacturing sector. For example, SADC needs to increase manufacturing sector share of Gross Domestic Product (GDP) to above 25% to significantly transform the economic and social status of majority of citizens (Southern African Research and Documentation Centre 2015). Existing records from 2010 to 2017 as per World Bank Database (2017) indicate differences in growth of the manufacturing sector whereby Tanzania is performing relatively better than Botswana. Therefore, this study is interested in the comparative analysis of industrial
policies and manufacturing sector to establish the sources of comparative advantage between the two SADC member states towards industrialisation.

Prevalent literature on the manufacturing sector in Sub-Saharan Africa relates mostly to Small and Medium Enterprises (SMEs), banking, financial capital, shopping of industrial products, regional trade, ownership, strategic networks and milk societies (Chalu, King'ori and Shayo-Temu 2018; Muchingani, Monametsi and Parazda 2017; Mkwizu and Dominic 2018; Mkwizu and Matama 2018; Mkwizu, Wilbard, Mbilinyi and Maliva 2018; Swai, Ndanshau and Lwiza 2016; Swai, Monametsi and Mkwizu 2018; Wilbard, Mbilinyi, Maliva and Mkwizu 2018a 2018b). Therefore, updated analysis is needed on regional and domestic industrialisation policies with the focus on two SADC member states being Botswana and Tanzania. The motive for this study is the analysis of industrial development geared across countries under a similar regional bloc with varying potentials towards industrialisation agenda. This conceptual paper specifically examines industrial policy and manufacturing sector output by comparing Botswana and Tanzania guided by the comparative advantage theory.

Literature Review

Theoretical Framework

Smith's theory of absolute advantage developed in 1776 assumed general basis of international trade while Ricardo's theory of comparative advantage developed in 1817 is more powerful in indicating trade benefits even in the absence of absolute advantage (Watson, 2017). Comparative advantage theory asserts that countries have relative differences in productivity leading to international trade whereby the larger differences in comparative advantage then the larger the gains from trade (Svenson 2015). In the framework of comparative advantage, SADC as a regional bloc provide trade opportunities to its member states and hence, it is imperative to examine the comparative advantage in industrial policy and manufacturing sector output between Botswana and Tanzania as selected member states of SADC in this study.

Industrial Policy and Manufacturing Sector for SADC

The SADC Industrialisation Strategy and Roadmap 2015 – 2063 was adopted by member states in 2015 due to slow progress in the industrial sector particularly manufacturing (SADC 2017). The manufacturing sector contribution to GDP for SADC recorded 10.6% in 2015 compared to 14.1% in 2005 which indicates a declining trend of the manufacturing share to GDP (SADC 2015). As part of the industrial development framework, SADC has identified key areas that are necessary for the successful implementation of its framework (SADC 2017). The framework is a component of policies that either directly or indirectly affects industrial structure. SADC recognises that effective implementation of their framework hinges upon regional commitment and enhancement of tangential policies (SADC 2017). These key areas have been problematic in the SADC member states and the reason for low manufacturing outputs.

Industrial Policy and Manufacturing Sector for Botswana and Tanzania

Botswana’s first Industrial Development Policy (IDP I) was developed in 1984-1998 with the aim of promoting economic diversification, employment creation and private sector development through import substitution of locally produced goods. IDP II of 1998-2012 changed its emphasis to export led growth which reflected a desire for more sustainable and long term development of the economy (Botswana Government 2014; Rasebe and Molefhe 2018: 25-26). In order to achieve these objectives, a number of institutions were initiated to support the expected higher output of local manufactured outputs such as the Local Enterprise Authority (LEA), the Citizen Entrepreneurial Development Agency (CEDA) and the Botswana Export Development and Investment Authority (BEDIA) (Botswana Government 2014). The latest IDP III 2014-2028 still focuses on export led growth through strategic use of already established resources (Botswana Government 2014). For example, where IDP II emphasised on
human resources development, IDP III focuses on strengthening development of industry aligned skills. However, IDP III, unlike its predecessors hopes to look at other sectors with potential of driving industrial growth while still having manufacturing as the core sector. This intended to support the transitional stage of a factor driven economy to an efficiency driven economy that Botswana is currently.

The Tanzania government initiated a 25-year Sustainable Industrial Development Policy (SIDP) in 1996 with the aim of enhancing sustainable development of the industrial sector from 1996 to 2020 (SIDP 1996). SIDP accords priority to employment creation, economic transformation, equity development and a balance between import substitution and export orientation. Under SIDP, the private sector is recognised as the main vehicle for making direct investments in the sector while the government is tasked to provide an enabling environment for investment. Other initiatives include Tanzania Development Vision 2025, formulated in 1999 with an emphasis on the role of the industrial sector for development so as to ultimately make the nation semi-industrialised by 2025 (Tanzania Online 2008). It follows that Vision 2025 recognises the leading role of the industrial sector in transforming Tanzania’s economy. To augment the efforts to attain SIDP goals, the Export Processing Zones (EPZs) Act was passed in April 2002 and its implementation started effectively in March 2003 (Tanzania Online 2008). In 2011 the SIDP was reformulated to Integrated Industrial Development Strategy (IIDS) 2025 to match with the needs of the country’s vision 2025 (Policy Forum 2018). The focus of the IIDS was to respond to Kilimo Kwanza initiative to recognise the contribution of the agriculture sector in industrial development in Tanzania. IIDS aims to ensure that the manufacturing sector contributes 23% to GDP and grows at 15% by 2025. This was further emphasised in the Five Year Development Plan (FYDP) II 2016/17-2020/21 which fosters economic and industrialisation development (Policy Forum 2018).

The industrialisation policies for Botswana and Tanzania are in line with the SADC regional policy 2012-2063 for industrialisation. The industrial development goes hand in hand with the resources supporting its development including access to finance, investment, infrastructure development, macroeconomic stability, labour market and trade competitiveness. Such policies for both Botswana and Tanzania are indicated in Table 1 and Table 2.

Table 1: SADC Thematic Policies and Domestic Policies for Botswana and Tanzania

<table>
<thead>
<tr>
<th>SADC Thematic Policies</th>
<th>Botswana Domestic Policies</th>
<th>Tanzania Domestic Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Sector Development Strategy</td>
<td></td>
</tr>
<tr>
<td>Infrastructure, services, Macro-economic Frameworks</td>
<td>National Development Plan 10 Vision 2036</td>
<td>FYDP I 2011/12-2015/16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FYDP II 2016/17-2020/21</td>
</tr>
<tr>
<td>Politics and Governance</td>
<td>National Trade Policy 2009</td>
<td>Tanzania Mini-Tiger Plan 2020; Long Term Perspective Plan 2011/12-2025/26; Tanzania Development Vision 2025</td>
</tr>
</tbody>
</table>

Source: Compiled from Policy Forum (2018); Botswana Government (2014); Tanzania Online (2008)
Table 2: SADC Thematic Policy Areas and Related Domestic policies for Botswana and Tanzania

<table>
<thead>
<tr>
<th>SADC Thematic Policy Areas</th>
<th>Botswana Related Domestic Policies</th>
<th>Tanzania Related Domestic Policies</th>
</tr>
</thead>
</table>

Source: Compiled from Policy Forum (2018); Botswana Government (2014); Tanzania Online (2008)

Effectiveness of Domestic Policies for Botswana and Tanzania

This section establishes the impact of policies implemented in Botswana and Tanzania in Table 3 using global competitive index rankings by the World Economic Forum (2014 2015 2016 2017 2018) and global index on indicators of infrastructure, macro-economic development, technological readiness and market size ranks. Table 3 shows that Botswana scored higher in global index rank, infrastructure, macro-economic development and technological readiness ranks. On the other hand, Tanzania scored higher than Botswana in terms of market size. This suggests that Botswana's policies have been more effective than that of Tanzania. However, Tanzania has the advantage of a larger market size in comparison.

Table 3: Global Competitive Index for Botswana and Tanzania

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Tanzania</th>
<th>Botswana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>121</td>
<td>120</td>
</tr>
<tr>
<td>Global index (1-7 of the best)</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Macro Economic Development</td>
<td>4.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Technological Readiness</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Market Size</td>
<td>3.6</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Figure 1 below shows the percentage of manufacturing sector contribution to GDP and the manufacturing sector GDP annual growth rate for both countries from 2010 to 2017. There is a downward trend for Botswana whereas Tanzania reflects slight fluctuations of between 8% and 5%. Botswana has the lowest percentage contribution of all SADC countries despite the seemingly conducive policy environment as indicated by ranking from Table 3 and this is because the economy is still highly dependent on diamond mining even though manufacturing is the main focus area for IDP (Botswana Government 2014). Tanzania's manufacturing sector is still growing and the manufacturing establishments increased from 2005 to 2010 as a result of growth in the number of small enterprises which employ 5-49 workers (Kweka and Ugarte 2013; Page 2016). Of keen interest, is that Tanzania’s manufacturing sector growth is attributable to the subsectors of food processing, textiles, basic metals, machinery and equipment (Page 2016). Other reasons for manufacturing sector growth in Tanzania is related to continued improvements in infrastructure investment, stability of power supply, investments in provision of mobile and internet services, subdued global oil prices and manufacturing activities (Bank of Tanzania 2018; Lubawa and Van Auken 2018).

![Figure 1: Contribution to Manufacturing Sector to GDP](image)

**Source:** World Bank Database (2017)

**Note.** Bar Charts and Growth of the Manufacturing Sector (Line Graphs) for Botswana and Tanzania 2010 to 2017

**Methodology**

Documentary research methodology was adopted for purposes of examining industrial policy and manufacturing sector output for SADC by comparing Botswana and Tanzania. A similar study by Komba (2016) also adopted documentary research methodology to conduct research. The reason for selecting these two countries is the fact that their economies are shifting towards industrialisation. Another reason for the selection of Botswana and Tanzania in this study is because of their differences in manufacturing outputs which motivates this study to examine the related industrial policies and underlying reasons for output disparity hence establishing sources of comparative advantage for each country. The documentary research method involves a careful analysis of relevant policy documents, conference papers, reports and journals. The reviewed literature assists the comparative analysis on industrial policies adopted at regional and domestic levels for each country versus the manufacturing output.
Discussion

From the reviewed literature, it is evident that the sources of comparative advantage of industrial policy and the manufacturing sector can be summarised as administration challenges, energy supply, government role, inclusion of the informal sector and focus on innovation. These sources of comparative advantage between Botswana and Tanzania are discussed further in the next sub-sections.

Administration Challenges

Botswana's implementations of policies is largely uncoordinated hence ineffective (Venables 2010). This has lead in some instances to duplicated efforts and undermining of objectives due to sometimes competing objectives (Sekwati 2010). On the other hand, in Tanzania, Mwang'onda, Mwaseba and Juma (2018), recommended for the country to centrally coordinate all development policies to ensure connectivity and progressive monitoring of policies' implementation.

Energy Supply

Energy supply is a domestic and regional problem that exists in SADC member states. Essah and Ofetotse (2014) noted the Morupule B power plant project in Botswana faced many problems including missing of the project deadlines. Currently, Tanzania has prioritised the discovery of Gas in the Southern parts of Tanzania, development of natural gas pipelines and Stiegler’s Gorge electricity project is expected to add 2.1GW of power (Aly, Moner-Girona, Szabo, Pedersen and Jensen 2019).

Government Role

As can be deduced from Table 1, the government of Botswana has shown its commitment to industrialising the economy and seeks to correct market inefficiencies through strategic partnerships with the private sector that identify products/services with actual or potential domestic and/or international demand. However, the private sector of Botswana is not as strong as the government. Some argue that the government does the job so well that it even does the job of the private sector (Sheriff and Muffatto 2015). In fact, most of the vertical linkages of CEDA companies involve the public sector (Themba and Josiah 2015). The African Economic Outlook (2018) noted that PPPs in Botswana are not yet significant in the country. In Tanzania, the government's role through political priority provides opportunities for example, by expanding electrification in the country (Aly et al 2019).

Overall governance index for Botswana and Tanzania according to Ibrahim Index of African Governance (IIAG) showed that Botswana was ranked 5/54 countries while Tanzania is 14 out of 54 (IIAG 2018). Overall, Botswana seems to have made some strides as indicated by relatively high ranking in overall governance index. Although Tanzania is ranked 14th, the ranking indicates (+ 1.3) compared to Botswana (-3.7) and this is a positive sign for the overall governance of Tanzania. Furthermore, IIAG (2018) shows that Tanzania's overall governance is considered as bright green flag 2008-2017 with trends categorised to be "Increasing Improvement". Hence from a flagship perspective of ranking, Tanzania's overall governance is performing better than Botswana. The ranking and flagship systems approach by IIAG assists to shed light on governance effect on national industrial policies which compliment SADC policy areas in terms of governance.

Inclusion of the Informal Sector

Botswana’s and Tanzania’s informal sector had an average of 30.30% and 52.20% of GDP between 1991 and 2015 respectively (Medina and Schneider 2018). Hence exclusion of the informal sector may not be appropriate since the informal sector represents a significant portion of GDP. Hassan and Schneider (2016) highlighted that the drivers of increased informal sector such as weak law enforcement mechanism, high bureaucracy, deteriorating infrastructure, and high taxes have been identified as hindrances to industrial development. Therefore, Tanzania
and Botswana should concentrate on ensuring that policies also address the informal sector that exists due to the potential for increasing manufacturing output.

Focus on Innovation
The overall innovation ecosystem in Africa is inadequate and undeveloped. According to the World Intellectual Property (WIPO 2017), Africa filed the least number of patent applications compared to other regions (0.5%). Nandonde et al (2015) noted that there is less attention to organisational innovation for the manufacturing sector particularly for sunflower oil processors in Tanzania. Mwang’onda et al (2018) argued that emphasis should be on agro-allied resource-based industries that will ensure massive job opportunities. Therefore, in order to improve further in manufacturing, Tanzania can focus on innovation and agro-allied resource-based industries to sustain growth in the manufacturing sector.

Conclusions
There are differences in the manufacturing sector contribution to GDP and manufacturing sector growth between Botswana and Tanzania. Tanzania is performing better than Botswana and therefore, enjoys a comparative advantage over Botswana in terms of increasing manufacturing sector output and higher contribution of the manufacturing sector to GDP. The sources for the comparative advantage of better performance by Tanzania is reflected on the success of firms from food processing, textiles, basic metals, machinery and equipment as suggested by Page (2016) as well as engaging the private sector towards industrialisation. Botswana can learn from Tanzania particularly the aspect of private sector participation in the industrialisation process. In order to further increase the performance in the manufacturing sector, Tanzania can also learn from Botswana on the aspects of infrastructure, macro-economic development and technological readiness.

In addition, this study reveals that there are alignments between the SADC industrial regional policy and domestic policies for both Botswana and Tanzania. In particular, the SADC thematic policies were adopted at regional level and supported with the formulation of related domestic policies for the purpose of moving towards industrialised economies. However, this study reveals that a number of challenges exist in the implementation of policies in relation to the growth of the manufacturing sector for the SADC member states towards industrialisation and these include administration challenges, innovation and exclusion of the informal sector. The outcome of the reviewed literature in this study has implications in efforts towards industrialisation, and that in order for Botswana and Tanzania to realise full potential in the manufacturing sector, review of policies from time to time should be done to address shortcomings like administration challenges in implementing policies, provide training to build capacity of qualified local personnel in the energy sector responsible for supply of power to the manufacturing sector, prioritise innovation, improve PPPs as well as inclusion of the informal sector.

References


TRACK 3

Entrepreneurship, Small Business and the Informal Sector
COST-BENEFIT ANALYSIS OF FRUIT BLENDED YOGHURT IN MBeya CITY, TANZANIA

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Milk is among the livestock produce with higher post-harvest loss in Tanzania. However, value addition has a potential to reduce these through product development and innovation while accelerating entrepreneurship among women and youth including the university graduates. Yoghurt blended with mango pulp was developed and marketed in a community of Mbeya University of Science and Technology locality. The product was highly acceptable even outside the targeted market and which stimulated the development of more variety of fruit blended yoghurt including jackfruit and grapes. The cost benefit analysis for developing such products at micro-scale levels shown that about TZS 100,000/- can be used as an initial capital to start such an enterprise. However, the challenges experienced include and proposed shortage in supply and quality of raw milk in the market. The stakeholders who are involved in promoting youths and women enterprises should adopt such projects since the starting capital is small and can be repaid even if the targeted community are given as loans. This in turn will increase products variety in the market, reduce post-harvest loss especially in Mbeya where milk production is high as well as improving young people and women livelihoods.

Keywords: consumer, entrepreneurship, post-harvest loss, product development, value addition, yoghurt.

Introduction

World dairy production

The world share for cow and goat milk production is led by Asia (43.39%) followed by Europe (23.95%), America (15.69) Africa (14.73%) and Oceania (2.24%) (FAOSTAT, 2019). At an individual country level in 2013, India was a leading producer (18%) followed by the U.S. (12%), China (5%), Pakistan (5%), Brazil (4%) and Germany (4%) (FAOSTAT, 2015). In terms of milk processing, the Netherlands is a leading country whereby the dominant products being butter and cheese. The dairy industry being a key economic sector, The Netherlands has invested heavily in dairy sector while ensuring sustainability of quality and innovation focusing on local needs (CDI, 2015). Also, India is the largest milk processor and consumer. About 60 percent of milk produced in India is consumed in liquid form and the remaining is consumed in the form of butter, clarified butter (desi ghee), cheese, curd, paneer, ice cream, dairy whiteners and traditional sweets (Anonymous, 2016).
Table 1: World milk production per continent in 2017

<table>
<thead>
<tr>
<th>Continent</th>
<th>Cows</th>
<th>Goats</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>35,376,022</td>
<td>4,519,161</td>
<td>19,947,592</td>
</tr>
<tr>
<td>Asia</td>
<td>204,089,340</td>
<td>10,555,833</td>
<td>107,322,587</td>
</tr>
<tr>
<td>America</td>
<td>184,552,225</td>
<td>756,974</td>
<td>92,654,600</td>
</tr>
<tr>
<td>Oceania</td>
<td>30,241,371</td>
<td>44</td>
<td>15,120,708</td>
</tr>
<tr>
<td>Europe</td>
<td>221,362,061</td>
<td>2,824,715</td>
<td>112,093,388</td>
</tr>
<tr>
<td>Total</td>
<td>675,621,019</td>
<td>18,656,727</td>
<td>347,138,873</td>
</tr>
</tbody>
</table>

Source: FAOSTAT, 2019

On the other hand, the dairy sector is less developed in Africa despite the expected the annual demand increment between 3.2% and 3.5% annually in developing countries (Ihekwoaba, 2017). In Eastern Africa, the dairy sector has a potential to contribute to rural development and poverty reduction through improved nutrition, arising from consumption of milk and incomes raised from sale of milk and milk products (Bingi and Tondel, 2015; Njombe et al., 2011). However, the regional dairy trade in East Africa is far lower than the global average and only stands at below 1% of regional milk production (Abdulsamad and Gereffi, 2016). The most of dairy processing units are local and very few medium scale enterprises are available for domestic market (Abdulsamad and Gereffi, 2016).

Tanzania dairy industry

Tanzania ranks second after Ethiopia for livestock population in Africa (URT, 2015). The total annual milk yield increased from about 1.5 to 1.9 billion litres from 2009 to 2013 (NBS 2009; MLDF, 2013). Contrary to this pattern, recently it has decreased from 2.26 to 1.60 million tonnes from 2015 to 2017 (Figure 3). Despite of higher milk production, dairy industry is slowly developing in Tanzania. The bulk of the milk produced in the country is normally consumed at the household level and quite often a significant amount left is used for the calves due to limited market, remoteness and poor infrastructure (Njombe et al., 2011). This surplus of milk could then be substituted for imported milk products and used domestically for new or additional industrial uses (Mbwalumbo et al., 2017). The available milk products are fresh milk (20%); fermented milk (70%); ghee (7%); butter (2%); and cheese (1%) (TDB, 2013).
Contrary to being ranked as a second in livestock population, milk marketing is dominated by the informal sector especially individuals and women groups who only produce local cultured milk and cheese (Kurwijila and Boki, 2003). Thus, Tanzania is still among the net importer of milk and milk products mainly from Kenya, South Africa and the Netherlands. In 2006/2007, Tanzania imported about US$ 5.0million worth of milk products (TDB, 2013). This suggests that there is a shortage of value-added dairy products. Tanzania has a vision to increase the value addition of livestock sector by almost 190 percent by 2025 through its Tanzania Livestock Modernisation Initiative and hence increase food and nutrition security and food safety. Moreover, the vision focusses on creating the employment opportunities that will contribute to the national economy, social stability and sustainable environment (URT, 2015). This opens avenue to establish dairy processing plants with a diverse milk product that would substitute the importation and even starting to export to neighbouring countries (TDB, 2013).

**Conceptual and Empirical Review**

**Situation of post-harvest losses in dairy sub-sector**

The milk value chain consists of production, collection, primary storage, processing, secondary storage, distribution, marketing and consumption (Doughrante et al., 2013; Njombe et al., 2011). In most of developing countries, the dairy sector involves both informal actors, with the former representing the largest volume of activity (Bingi and Tondel, 2015). The informal chain is characterized with poor handling due to limited knowledge and facilities such as cold chain hence faces higher milk postharvest loss (Lore et al., 2015). The huge loss normally occurs at the farm level due to unhygienic milking, poor handling and lack of cooling facilities. In 2005, the estimation of annual milk loss in Eastern Africa and near East worth about US$90 million where out of that, US$56 was attributed from Kenya, Uganda and Tanzania (FAO, 2005). Cumulative losses in Tanzania amounted to about 59.5 million litres of milk in a year, with annual loss of around $14.3 million (FAO, 2004). The higher loss of produced milk is due limited knowledge and lack of industries to produce dairy products in large.

On the other hand, the products such as cheese, cultured milk and yoghurt, ice-cream and ice-cream mix, buttermilk powder, milk sugar, powdered milk and skim milk powder can be formulated from milk or milk base (ANZFA, 2008; Ledenbach and Marshall, 2013; Duboc and Mollet, 2001). However, yoghurt preparation could be the best option for the areas with limited infrastructures including electricity for easy storage. The dairy sector is one of the significant sectors in Tanzania; with high potential to contribute more to household incomes and food
security (Kurwijila and Boki, 2003). Consequently, the value addition of agricultural and agricultural products using available resources would accelerate the entrepreneurship while meeting the growing demand of consumers. As a result, this study started a fruit blended yoghurt business at Mbeya University of Science and Technology (MUST) community and analysed constraints, alternatives and production requirement costs and benefits.

**Concept of New product and development**

New product development plays important role in value addition and food business. It is a stepwise process starts from idea development, conception, product development, market testing until commercialization. Product development involves number of test batch with adjusted quantities prepared and revised until the correct proportions for satisfactory products are determined (Supekar, 2018; Morris and Brady, 2004). On the other hand, the food industry has been successful in formulating milk products that are nutritionally modified versions and highly acceptable (Ahmed and Bajwa, 2018). Consumer demand for such functional products is also increasing daily (Vocke et al., 2017; Okello et al., 2015).

**Cost benefit analysis**

The cost benefit analysis is aiming to can help young entrepreneurs to engage and continue with yoghurt business based on expected benefits. The Cost-Benefit Analysis (CBA) estimates and totals up the equivalent money value of the benefits and costs required to establish a project whether they are worthwhile or not (Watkins et al., nd; Kingston, 2011). Therefore, the CBA is a tool that inform youth and women how worthwhile is the business before they decide to invest. It also provides the basis for comparing the projects for different investment level. Increase in benefits results in increase of consumption and production at reduced or maintained cost. However, the entrepreneurs need to know the demand schedule and economies of scale before increasing production. The demand schedule provides the information about marginal benefit that is needed to place a money value on an increase in consumption (Watkins et al., nd). In addition, economies of scale can be used to determine reduced costs per unit that arise from increased total output of a product.

**Materials and Methods**

**Scope and objectives**

The present analysis based from the project which prepared fruit blended yoghurt for selling at Mbeya University of Science and Technology (MUST) community in Mbeya region, Tanzania. This cost benefit analysis provides a wise tool to the small-scale entrepreneurs to familiarize with the basic issues and making decision before investing in yoghurt business. The basic procedures for yoghurt preparation, constraints, alternatives and production requirement costs and benefits, and have been identified and considered for financial breakdown.

**Production**

The requirements for running the yoghurt production are shown in Table 2. The procedures for fruit pulp and yoghurt preparations are shown in Fig. 2 and 3, respectively.
Figure 3 (left) and 4 (right): Flow chart for preparation of mango pulp and yoghurt

Results and Discussion

Raw materials availability

One has an alternative to purchase the milk from Ministry of Agriculture Training Institute (MATI -Uyole), Kitulo farm (they have selling points within Mbeya), Tanzania prisons (Magereza) farms and small farmers available in several parts of Mbeya region. However, the quality, price per litter and transportation costs are differed. Fruits are available in number of local markets; one can preserve the pulp during the peak season and use it during the off-season of a particular fruit. The yoghurt starter cultures are either purchased from HEIFER or PROMACO suppliers in Mbeya or Dar es Salaam, respectively.

Challenges/constraints

In this project, there was a shortcoming of milk supply to meet the demand of the processing especially in dry season. This could be due to the fact that milk production and marketing is dominated by the small-informal sector. About 240 million litres and 22% of milk is annually transferred from producers to consumers and processors, respectively (Kurwijila and Boki, 2003). On the other hand, milk quality from farmers sometimes is not good due to contamination during milking and handling. Antibiotic residue in milk is also challenging to the yoghurt preparation as result in deactivating the culture, hence failure of milk fermentation or produce yoghurt with poor consistency, taste and flavour. Kurwijila and Boki (2003) reported the problems of milk adulteration in Mwanza, and the presence of antibiotic residues above the permissible limits in both Mwanza and Dar es Salaam. Long distances from producers to markets can result to increase in production cost and milk spoilage due to poor rood infrastructures and handling equipment. Management of the business can also be challenging as self-employed person normally play role of workers, managers, and entrepreneur thus is difficult to excel the business.
Alternatives/opportunities

To increase the profit, one can opt to produce plain yoghurt as there is market potential too. There is a need to develop secure supply of the raw materials when out of season. This could be achieved by preserving a particular fruit during its season in form of pulp and use it during the off-season. However, lack of appropriate knowledge and technology are the major cause of persistent losses in the fresh fruit during the season (Wakholi et al., 2015). Therefore, training focuses on simple technologies such as pulping would ensure availability of the fruit yoghurt even the off-season of particular fruit. In case of cutting the transportation costs and spoilage, it is recommended to set the processing unit near the production areas. This will reduce the transportation cost and reduce milk spoilage during transportation. Moreover, increasing the production volume will maximize the profit as the same facilities can be used during processing.

Investment costs

The cost benefit analysis for developing such products at micro-scale levels shown that about TZS 100,000/- can be used as an initial capital to start such an enterprise. This level of entry capital was considered as an opportunity for youths and women who are planning to establish such a business in a small scale. Small businesses contribution to poverty reduction and play an important role in income generation at household and national levels (Mwang’ombola, 1997). The dairy sector in Tanzania is informal and characterized with production of goods for sale by unincorporated enterprises owned by households that they may or may not employ labour (URT, 2012). In Tanzania, micro enterprises consist of either 1 to 4 employees or capital investment in machinery up to 5 million TSh. (URT, 2012). Small units mostly do milk processing; capacity ranging from 500 – 50,000 litter per day (TDB, 2013). Therefore, this analysis was based on processing of yoghurt at micro enterprise level. Depending upon processing space, capital, market and level of technology, the informal and formal micro enterprises, can process at household level starting from 10 to 100 and 100 to 500 litters, respectively. Small-scale Industries require less capital investment and shorter gestation periods and provide employment to a larger number of people for a given cost (Mwang’ombola, 1997). Table 2 and 3 presents the economics of scale and initial capital investment for yoghurt production at both informal and formal micro enterprises. The rated production capacity of the plant is to manufacture yoghurt range from 10 to 300 litters per day.

Cost and benefit analysis

The cost and benefit analysis of yoghurt preparation at micro enterprise level for three years was done using various inputs. All the costs involved in the production were considered after classifying them into fixed cost and variable cost. The fixed cost included utensils, moulds, refrigerator, rent, salary etc. The product cost per litter was calculated by considering 1 per cent loss during manufacturing and handling. The particulars of equipment capacity and their costs used for manufacturing and processing of fruit blended yoghurt are shown in Table 2 and 3. The economies of scale was analysed by increasing the output that will increase the variable costs but not/less increase in fixed cost per annum. However, one can increase the production once the demand increases.

Financial breakdown and economies of scale per annum

Economies of Scale refer to the cost advantage experienced by a firm when it increases its level of output (Corporate Finance Institute, 2019). This implies that the fixed cost for each yoghurt produced, is distributed over a greater number of total number of yoghurts cups. Therefore, the greater the quantity of output produced, the lower the per-unit fixed cost (Corporate Finance Institute, 2019). The assumptions for producing fruit blended yoghurt are:- the production will run for 336 days in a year and the operating capacity will double in a second year; the inflation is minimal /constant; less competitors; no drought that will affect availability and price of milk; milk quality is desirable and sustainable; processing unit is closer to the resources; the production is not full time; and the household refrigerator can be used to store the yoghurt waiting for market. Considering the greater the net benefit, the greater is the benefit produced by the measures (Brent 1996), the current analysis would provide the basic tool for small
entrepreneurs to invest in yoghurt business at lower capital cost which can be obtained without collateral

Table 2: Investment of capital for yoghurt production

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Informal Year 1</th>
<th>Formal Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas cooker</td>
<td>54,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Cooking pans</td>
<td>20,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Refrigerator/ice</td>
<td>200</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Rent</td>
<td>200</td>
<td>100,000</td>
</tr>
<tr>
<td>Lab Equipment</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Blender/grater</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>75,379</strong></td>
<td><strong>1,612,000</strong></td>
</tr>
</tbody>
</table>

**Variable cost (per annum in TZS)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Informal Year 1</th>
<th>Formal Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>10,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Culture</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Fruits</td>
<td>500</td>
<td>5,000</td>
</tr>
<tr>
<td>Sugar</td>
<td>1,440</td>
<td>14,400</td>
</tr>
<tr>
<td>Packaging materials</td>
<td>6,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Water</td>
<td>200</td>
<td>1,000</td>
</tr>
<tr>
<td>Energy (gas/electricity)</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Labour (*2)</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Sales &amp; promotion</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>500</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>20,840</strong></td>
<td><strong>403,400</strong></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>95,219</strong></td>
<td><strong>2,015,400</strong></td>
</tr>
</tbody>
</table>

**Breaking down economies of scale**

Bulk buying packaging materials from wholesalers would cut down the running cost. Also, deducted tax, licence fee, energy cost and allocating the processing unit near the milk producers would cut the production cost. In addition, increasing production as per demand will only increase the variable cost. Producing plain yoghurt without sugar to cut down the raw material costs as plain yoghurt is also having a market potential in Mbeya.
Table 3: Economies of production of yoghurt production per annum (*1000)

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Informal Year 1</th>
<th>Informal Year 2</th>
<th>Informal Year 3</th>
<th>Formal Year 1</th>
<th>Formal Year 2</th>
<th>Formal Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Cost (Per Annum in TShs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas cooker</td>
<td>54</td>
<td>54</td>
<td>-</td>
<td>300</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>Cooking pans</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>100</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>67.2</td>
<td>200</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>60</td>
<td>240</td>
<td>240</td>
<td>1,200</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Lab Equipment</td>
<td>0</td>
<td>50</td>
<td>-</td>
<td>100</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>Blender</td>
<td>2</td>
<td>50</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal</td>
<td>201.2</td>
<td>594</td>
<td>240</td>
<td>2,712</td>
<td>3,500</td>
<td>1,800</td>
</tr>
</tbody>
</table>

Variable Cost (Per Annum in TShs)

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Informal Year 1</th>
<th>Informal Year 2</th>
<th>Informal Year 3</th>
<th>Formal Year 1</th>
<th>Formal Year 2</th>
<th>Formal Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>3,300</td>
<td>6,720</td>
<td>10,080</td>
<td>33,600</td>
<td>67,200</td>
<td>100,800</td>
</tr>
<tr>
<td>Culture</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>336</td>
<td>672</td>
<td>672</td>
</tr>
<tr>
<td>Fruits</td>
<td>1,680</td>
<td>1,680</td>
<td>1,680</td>
<td>1,680</td>
<td>3,360</td>
<td>3,360</td>
</tr>
<tr>
<td>Sugar</td>
<td>483.84</td>
<td>907.68</td>
<td>1,451.52</td>
<td>4,838.4</td>
<td>9,798</td>
<td>14,515.2</td>
</tr>
<tr>
<td>Packaging materials</td>
<td>2,016</td>
<td>4,032</td>
<td>6,048</td>
<td>20,160</td>
<td>40,320</td>
<td>60,480</td>
</tr>
<tr>
<td>Water</td>
<td>67.2</td>
<td>134.4</td>
<td>134.4</td>
<td>226</td>
<td>504</td>
<td>504</td>
</tr>
<tr>
<td>Gas/electricity</td>
<td>396</td>
<td>403.2</td>
<td>403.2</td>
<td>672</td>
<td>806.4</td>
<td>806.4</td>
</tr>
<tr>
<td>Labour (2)</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>2,400</td>
<td>3,600</td>
<td>3,600</td>
</tr>
<tr>
<td>Sales &amp; promotion</td>
<td>504</td>
<td>672</td>
<td>3,360</td>
<td>5,040</td>
<td>6,720</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,680</td>
<td>336</td>
<td>504</td>
<td>3,360</td>
<td>6,720</td>
<td>10,080</td>
</tr>
<tr>
<td>Subtotal</td>
<td>6,935.04</td>
<td>14,369.28</td>
<td>20,133.12</td>
<td>70,742.42</td>
<td>137,659.2</td>
<td>201,537.6</td>
</tr>
<tr>
<td>Total Cost</td>
<td>7,136.24</td>
<td>14,993.28</td>
<td>20,973.12</td>
<td>75,984.42</td>
<td>140,559.2</td>
<td>203,337.6</td>
</tr>
<tr>
<td>Yield (no. of cups)</td>
<td>16.8</td>
<td>23.6</td>
<td>30.4</td>
<td>168</td>
<td>336</td>
<td>336</td>
</tr>
<tr>
<td>Unit price</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>8,400</td>
<td>16,800</td>
<td>25,200</td>
<td>84,000</td>
<td>168,000</td>
<td>252,000</td>
</tr>
<tr>
<td>0.5% production loss</td>
<td>42</td>
<td>84</td>
<td>126</td>
<td>420</td>
<td>840</td>
<td>1,260</td>
</tr>
<tr>
<td>0.5% storage loss</td>
<td>42</td>
<td>84</td>
<td>126</td>
<td>420</td>
<td>840</td>
<td>1,260</td>
</tr>
<tr>
<td>5% Other costs</td>
<td>210</td>
<td>404</td>
<td>1,260</td>
<td>4,200</td>
<td>8,400</td>
<td>12,600</td>
</tr>
<tr>
<td>Total</td>
<td>294</td>
<td>1,008</td>
<td>1,512</td>
<td>5,040</td>
<td>10,998</td>
<td>15,120</td>
</tr>
<tr>
<td>Net Profit per year</td>
<td>969.76</td>
<td>1,068</td>
<td>2,714.88</td>
<td>3,150.56</td>
<td>17,360.8</td>
<td>33,542.4</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>12</td>
<td>5</td>
<td>11</td>
<td>7</td>
<td>10</td>
<td>13</td>
</tr>
</tbody>
</table>

Market

Based on current analysis, there is market potential in Mbeya region. In addition, the annual demand for milk and milk products is expected to increase in developing include (Ihekwoaba, 2017). The proposed price of the final product was 500 TShs for 200ml pack as compared to available brands in the markets, which cost around 1000 to 1200 for 120ml pack. However, the price and package size can be compromised depending upon running costs and demand in the market.

Conclusion and Recommendations

It is therefore concluded that, the dairy sector through yoghurt production has potential to contribute to business and development of micro enterprises. It is therefore recommended that, stakeholders should adopt value addition of agricultural and agricultural products using available resources to accelerate entrepreneurship among women and youth while meeting the growing dynamic demand of consumers. It is also recommended that, the government or responsible institutions should disseminate information on value addition of agricultural and agricultural products in Tanzania and Africa at large to enhance the contribution of small businesses in income generation at household and national levels and consequently poverty reduction. Generally, stakeholders who are involved in promoting youths and women enterprises should adopt such projects in value addition of agricultural and livestock products using available resources such as fruits since the starting capital is small and can be repaid even if the targeted community are given as loans. This in turn will increase products variety in the market, reduce post-harvest loss especially in wet seasons when milk production is high as well as improving young people and women livelihoods.

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References


Construction industry is an integral part of national infrastructure and industrial development. However, it is a male dominated industry and presents a major challenge for equal opportunity for women. In developing countries like Uganda, women constitute more of unskilled workforce at sites and their presence in managerial positions is very minimal. Uganda is facing the global phenomenon of shortage of skilled workforce. To make up this shortage, it becomes imperative to convert semi-skilled or unskilled women workers into skilled workers at site and increase the number of women in managerial positions. This paper presents the study of status of women in construction industry, issues to be investigated to increase the number of women construction workforce and gives recommendations for the same.

Keywords: Women construction workforce, Uganda construction industry, challenges.

Introduction

Construction sector is the world's largest industrial employer with seven per cent of total world employment and 28 per cent of industrial employment (Barnabas et al., 2009) making it an integral part of a country's infrastructure and industrial development. Globally, the construction industry contributes about 1/3 of gross capital formation and is an important vehicle for economic development through construction of houses, roads, utility networks, schools and clinics (Kenny, 2007). However, globally construction industry is still primarily constituted of small and medium enterprises (SMEs), as 97% of the organisations employ less than 20 persons (Katranusckov, Scherer and Turk, 2001). The construction industry is typically a male dominated industry and presents a major challenge for equal opportunities for women. Among developed countries, UK construction sector has a particular low participation rate for women, both in industry and academics

Over 11 million women employed in the UK, accounting for almost about 50% of the workforce. However, despite increase in the number of women employed in the construction over the past decade, they will constitute only 9% of the work force (Amaratunga et al., 2006). The scenario in developing countries is equally or more dismal. It is a concern and studies in these areas have been invaluable in pinpointing the factors militating against the participation of more women in the construction have been made more prominent due to the potential skill shortage facing the industry. It has attracted government and industry wide attention with focus on studying the issues leading to less participation by women in the industry and in finding ways of resolving these challenges.

1. UGANDA CONSTRUCTION INDUSTRY

Uganda is a fast-growing economy in East and Central Africa. It is the second largest industry of the country after Agriculture and makes a significant contribution to the national economy by providing employment to large number of people. Use of various new technologies and deployment of project management strategies has made it possible for the industry to undertake
projects of mega scale. Still most of the organisations are SMEs and proprietary/individualistic in nature and on projects 90% of the total construction work is executed by them. One of the identified weaknesses of the Uganda construction industry is that it not seen as IT savvy sector. It is felt that information age has done little to transform the SMEs in the construction industry as IT benefits users in the automation of processes, systems, data collection - all of which are issues faced by the larger organisations.

However, the construction industry in Uganda is facing a huge shortage of workforce, especially those with skill-sets to sustain the rapid growth in infrastructure and housing sector. The strength of skilled workforce in construction dwindled substantially from 17% in 2006 to 10% in 2015 and it is clear indicator that there is a great demand for skilled workers in the construction sector. To make up for the shortage, it becomes imperative to convert semi-skilled or unskilled workers into skilled workers at sites as well as in offices.

II STATUS OF WOMEN IN THE CONSTRUCTION INDUSTRY

The status of women is an important factor affecting the overall development of any country. Thus, women's development is a global concern in this new millennium (Islam and sultana, 2006). In most of the developing countries and in Uganda as well, women challenges are in the forefront. The Government of Uganda has taken many initiatives including provisions for equal rights of men and women, but the impact is yet to be felt. Similarly, efforts are being made in other countries in this area.

Lindsay (2005) reports that "change the Face of Construction" is an independent project in the UK which encourages greater diversity across all sectors of the construction industry. It is a practical campaign to tackle issues highlighted in two of the definitive reports on construction performance. Sir Michael Lathan drew attention to the industry's poor equal opportunities record, and Sir John Egan ("Rethinking Construction") drew attention to the need for greater respect for the workforce. It is felt that there is a clear need to foster greater awareness among those in the industry and to promote various initiatives in order to attract more women so that skills shortage can be countered.

Women in the construction industry could be categorised in three groups;

Women in professional technical positions like Architects, Engineers
Women in administrative positions like Finance, Human resource
Women as construction labour/workforce at site

The distribution of women workforce under these three groups differs between developed and developing countries. For example, in UK, 84% of women in construction hold secretarial posts, whereas only 10% are employed in professional capacity and the remaining 6% are craft and trade level employees at site (Amaratunga et al., 2010). Where, as in Uganda, women construction workers constitute 15% of the construction work force in Uganda. Thus, in Uganda studies are primarily conducted pertaining to the women of the third group which are large in number.

Challenges faced by the women of three groups are in certain aspects similar as well as diverse. Women of the first group can join the construction industry after their education but find it difficult to be retained in the industry. Construction industry has long working hours and requires the staff to travel frequently to the construction sites. After initial years of working, due to family commitments women staff find it difficult to continue with this routine. However, the nature of this industry is such that it does not promote flexible working hours as required by women in later years. Also, they are not able to avail the options of work from home through virtual working environment as construction industry has been slow in embracing IT tools and techniques as compared to other sectors, available and often easily accessible technology is not being utilised to the full. This is reflected both, in the literature and in practice (Love et al., 2004). Due to such circumstances many women have to take a sabbatical of few years due to family commitments. In construction industry, for higher skill levels and to keep updated with
the changing technology, staff must attend institutional training programmes, but still such acquired knowledge must be combined with on the job exposure. Women may even find it difficult to go to specific locations to attend such training programmes. Thus, after the sabbatical period, re-absorption into the industry, especially at senior positions becomes even more difficult as during this time women lag behind in on-job skills upgradation. Thus, although women in senior positions are known in industries like IT, retail, pharmaceuticals and banking, but apart from some Architects and designers, it is difficult to hear about women in senior positions in construction companies.

The situation is not so dismal for the women of second group as they are not required to travel to construction sites and may have an option to work in flexible working hours.

In Uganda, urban as well as rural population faces extreme poverty conditions and single and destitute women who must support their children need some avenue for earning regular income. In agriculture sector there is a seasoned demand for labour, thus majority of such women are forced to work at construction sites. It has also been reported that women belonging to poor and depressed castes like Schedule caste or Backward Caste are pushed into construction jobs for making their livelihood (Madhok, 2005 as quoted in Barbanas et al., 2009). All such women constitute the third group.

Though, women are employed in semi-skilled and sometimes in skilled jobs in other industries, in the construction industry women are employed mostly as unskilled labourers (Baruah, 2010). They are involved mostly in works which involve physical labour like carrying material even to higher floors, cleaning etc., and to move up in the hierarchical systems at sites. In a study conducted assessed four countries, India, Mexico, Uganda and Jamaica, it was found that sharpest differentiation of tasks on gender lies occurs in Uganda (Habitat, 2004 as quoted in Barnabas et al., 2009).

Challenges found relevant for the topic of study with respect to Uganda construction industry are summarised below;

**Gender discrimination**
The term Gender discrimination applies whenever anyone is treated differently in the course of employment due to their gender. Gender discrimination is a civil rights violation.

Stereotyping, although not a federal offence on its own, can fall under the umbrella of gender discrimination. Often at times women feel as though they need to adopt a stereotypically “male” attitude towards business; competitive, aggressive and sometimes overly critical.

**Dual career – family pressure and work life balance**
Work life balance is a goal of many entrepreneurs regardless of their gender, but mothers in construction must simultaneously take care of their families and companies. Each woman must find out what works for her way to schedule and split her time. Finding ways to devote time for both family and business is key to truly achieving work.

**Lack of equal opportunities in the construction industry**
Lack of equal opportunities ties in stereotyping which can ultimately lead to gender discrimination. In the construction industry, women are paid less and are offered fewer opportunities. Most doors are closed to them entirely because of their gender such as heavy construction or engineering jobs. Construction business around flipping women of child bearing age simply because they don’t want to deal with challenges of maternity leave.

**Limited Access to funding**
The pitching process can be very stressful and raising capital can be even more difficult for firms owned by women. Venture capitalists often tend to invest in start-ups by people with similar backgrounds/experiences and education as them. Likewise, venture capitalists’ firms with female partners are more likely to invest in women – owned start-ups. A way to overcome the challenges of critical access to funding is to inspire and encourage more female contractors to
support each other, particularly through collaboration, funding and strategic educational workshops.

Training of Women executive staff
As discussed above, women in technical or professional positions lag in institutional trainings organised at remote locations as well as in on job trainings as they tend to take a break or sabbatical from work due to family commitments.

Conflict in work and family commitments
Construction industry globally does not appreciate some of the challenges associated with combining work and family commitments (Fielden et al., 2000 as quoted in Amaratunga et al., 2006). Thus, women in construction industry tend to adopt either or approach to career and family (lingard and Lin, 2004 as quoted in Amaratunga et al 2006).

Site conditions not conducive for women
If women staff is deputed at site, contractors have to invest extra finances in organising basic facilities like toilets and guest houses specifically for them. Also, sometimes it is considered difficult to maintain discipline at site with male and female staff working together (Chittibabu, 2007). Such challenges are faced by women executives as well as labour at site. In a survey of Ugandan construction industry, it was found that at many sites, duty to provide basic sanitation, first aid facilities and child care facilities are completely ignored. Amongst the surveyed sites, 75% had no toilet facilities and 80% did not even provide drinking water.

Disparity in wages of male and female construction workers.
It has been found that male workers are paid one and half times of the female workers and many women get wages even below the minimum wage set by the government.

Disparity in promotions for women construction workers.
Though women are seen to be doing more physical labour at sites and carrying material to higher floors, it is believed that women cannot do exhaustive hours of physical labour. Also, since the construction sites are male dominated, the male construction workers do not like to work under female supervisors. Thus, women are not promoted up the hierarchical structure at site (Barnabas et al., 2009). Same study has reported that similar situation is existing in other countries, like Hodgkinson (2006) found that in New Zealand 46% contractors say women lack physical strength and men workers feel that women are not physically fit for the industry.

Training in construction site workers
Majority of the male workers at sites are provided informal on-job trainings for learning different skills. But, opportunities for such trainings are not given to female workers and it is difficult for them to leave their families and go for institutional trainings

Injuries and other medical conditions
In a study of construction site workers, it was found that 12% of the surveyed men had sustained physical injuries, compared with 52% of women. Also, a higher percentage of women (89%) than men (74%) said that they had physical problems associated with their work. For example, 70% of women reported chronic backache. This is due to the heavy loads carried by them (Banah, 2010). Since construction labour is hired on contract, maternity benefits are generally not provided to women workers.

Lack of knowledge of their rights
In a study it was found that only one third of women construction workers are aware of union activities and only one out of the ten of these women had become members in the union. The women who have got union benefits are negligible and only a considerable number of women join union to get the welfare support. This is due to absence of the knowledge of the role of unions for the advancement of the welfare of the working-class people. (Barnabas et al., 2009)

Initiatives have been taken by the Government of India as well as relevant bodies and NGO to look into the above challenges, but the efforts have not brought enough changes in the system. Some of these initiatives are listed below.
The International Labour Organisation (ILO) through its convention nos. 100, 111, 142, 3, 156, 168 and 158 formulated the following seven basic rights of women:

The Right to equal pay
The Right to equal treatment
The Right to Equal Training and Career Opportunities
The Right to Maternity Protection
The Right to combine Work and Domestic Responsibilities
The Right to Paid Work
The Right to safety & Health Work Environment free from sexual harassment

III Recommendations

Studying the challenges and resulting initiatives taken by different bodies, following recommendations are put forward:

It is reported that in UK, one of the measures adopted by the government is to dispute women in construction committees and portray women in construction as role models. Similarly, Government of Uganda should also investigate deputing women in construction bodies and portray them as role models. This would encourage female students to take up a career in the construction industry.

Since majority of construction organisations are SMEs, industry level initiatives by government bodies or large organisation are required.

Women should be involved in decisions making and they should handle departments that handle work of women staff and workers. Once they are in responsible positions their authority, responsibility or accountability should not be diluted (Chittibabu, 2007). Women can understand issues faced by other women better and can devise strategies for the same.

Construction industry needs to change its working methodology so that flexible working hours could be implemented. This can be brought about by increasing computerisation within the industry, reengineering the conventional method of working in managerial and senior positions.

Building centres and similar grass level training agencies may appoint women organisers who could network with local communities in the catchment areas and educate families to encourage girls to go for training. Such trainings should be offered free of charge (Chittibabu, 2007). Contractors and Building- materials-Enterprises could be given incentives and administrative directives to give jobs to trained and skilled women (Chittibabu 2007)

Conclusions

Study reveals that globally representation of women workforce in the construction industry is minimal. At sites the representation is more of unskilled workforce and in offices women are more administrative positions as compared to professional technical positions. There is substantial disparity between their employment status, pay and professional up gradation opportunities as compared to men in the industry. These are challenges specific to construction industry. Lessons need to be learnt from industries like IT and banking to study how these industries have increased women workforce in the industries. Challenges also vary for women executives and women labour at site. Entry into the industry is not difficult but being retained in the industry and going up the professional ladder becomes difficult as women need to look into their family commitments and require flexible working conditions. However, this is not supported by the working nature of the construction industry.

To solve these issues and for a greater number of women to be included and retained in the construction industry, they need to be supported and properly trained through legal as well as...
social interventions so that associated social customs are also addressed. Thus, the solution shall include interventions by all components of the industry including NGOs, state and central governments, domestic and multinational construction companies, as well as national and global labour laws.

If the recommendations are considered and adopted, in coming years we shall see more women in senior executive positions as well as at supervisory positions at site, forming a major component of the skilled workforce of the construction industry.

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THE INFLUENCE OF ENTREPRENEUR’S CHARACTERISTICS ON BUSINESS GROWTH IN TANZANIA: THE CASE OF HAIRDRESSING AND BARBERING SHOPS

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Rose B. Mongo
Dev Jani
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This study explored the influence of entrepreneur’s characteristics on the growth of SMEs by focusing on hairdressing and barbering shops in Kinondoni Municipality. A survey approach was applied for data collection and linear regression analysis was used for data analysis. The study results indicate business management experience, level of education and innovation to be the variables that influence the growth of hairdressing and barbering shops, whereas gender and partly of business management experience have no significant influence on growth of Hair Dressing Salons and Barbering Shops. The findings however recommend that female owner-managers should try and put more efforts in innovation like men so as to be able to run their hair salons business profitably and competitively by delivering and advising customers. Moreover, learning institutions are advised to take this as an opportunity to provide business education (seminars) to owner-managers. Furthermore, this is the perfect time for government to make amendment of its policies. Therefore, it’s recommended that government should put in place favourable environment for entrepreneurs as indicated in SMEs development policy of 2003.

Keywords: entrepreneurship, business growth, gender, Tanzania

Introduction

Small and medium enterprises (SMEs) play an important role in market growth locally and overseas, running sustainable growth in the service sectors, production and trading sections by attracting new entrepreneurs. SMEs worldwide have impacts on the provision of goods and services to the society. Without SMEs, large companies may not be able to meet the demand for goods and services in the competitive business environment. According to IFC (2013), SMEs constitute about 90% of businesses and more than 50% of employment worldwide. Also, SMEs contribute 33% to the GDP of developing countries (World Bank, 2010). This implies that it is not surprising to label SMEs as bloodline and backbone of an economy (Ahinful, 2012; Kira, 2013; Nguyen & Luu, 2013) as they are particularly important for bringing innovative products/services and techniques to the market (OECD, 2006).

In Tanzania, it is estimated that about 2.75 million SMEs owners own and manage about 3.16 million of SMEs and the sector is estimated to contribute TZS 6.9 Trillion or about 27% of the country’s GDP (REPOA, 2008, URT, 2012). Tanzania SMEs sector has been recognized as a substantial sector in creating employment, house hold income generation and poverty alleviation among the society (URT, 2003). As a result of the contributions made by the SMEs sector in the economy, Tanzania like other developing countries in the world, has taken a number of measures to promote business growth of private sectors and SMEs (Mungaya et al., 2012). As indicated by Rutashoby and Olomi (1999), SMEs are increasingly important actors in the struggle for development in developing countries, including Tanzania.
Literature indicates that the growth of SMEs is influenced by a number of factors that are divided into three groups namely; entrepreneur’s characteristics (i.e. entrepreneur’s education level, managerial experience, gender, and innovation); firm’s characteristics such as age, size, location, capital, etc; and firm’s strategies (i.e., market access strategy, availability of the relevant information, support from the stakeholders, customer care orientation, networking, etc) (URT, 2003; Storey, 1994). In this study however, the focus is only on the influence of the entrepreneur’s characteristics on the growth of SMEs in Tanzania. Empirical findings indicate that entrepreneur’s characteristics such as business management experience, level of education, gender and innovation play a significant role on business growth. According to Onsongo and Muturi (2015), management experience contributes positively in influencing growth of businesses. Education is another factor that helps to enhance the exploratory skills, improves communication abilities and foresight towards success (Dobbs & Hamilton, 2007). Innovation is also found to be positively correlated to the performance of SMEs (Low et al., 2007; Rosenbusch et al., 2011).

Despite most studies on the influence of entrepreneur’s characteristics on SMEs growth being conducted in both developed and developing countries, yet there are relatively fewer studies that have systematically investigated this phenomenon in Tanzania. Furthermore, there is no study conducted to investigate the influence of entrepreneur’s characteristics on growth of SMEs in barbering and hairdressing shops subsector in Tanzania context, which is the focus of this study. The hairdressing and barbering shops are becoming increasingly significant in the socio-economic development of both developed and developing economies as they contribute to the national economies through job creations, business management experiences and innovative activities required for wealth creation both at family and national levels (Onsongo & Muturi, 2015; United Nations, 2006).

A study focusing on barbering and hairdressing shops bring new knowledge from a subsector which has been overlooked by many researchers is of great importance. The study intends to inform about the influence of the specific items of entrepreneur’s characteristics such as managerial experiences, level of education, gender, and innovation on growth of SMEs in Tanzania context. As provided in the literatures, a lack of consistency about the findings on the influence of the entrepreneur’s characteristics on the growth of firms is another reason that makes this study of great interests. For example, Friar and Meyer (2003) indicates that previous experience and growth were not correlated while a study by Bosma et al. (2004) reported a positive relationship between owner-manager’s previous work experience and growth. Other researchers have found that owner–managers’ level of education is not significantly related to business growth (Barkham et al., 1996; Olomi, 2001). Meanwhile, Onsongo and Muturi (2015) in their research found that owner-managers’ previous business experiences and level of education positively influence growth of SMEs. Also, owner-managers’ innovation has an influence on growth of SMEs as previous studies (Ledwith & O’Dewyer, 2009; Mahmoud, 2011) shown that there is positive relationship between innovation and growth of SMEs. The inconsistencies in empirical findings on the topic of study are an alarm that more researches need to be undertaken on the subject. This study therefore, is addressing that gap by investigated on the influence of entrepreneur’s business experiences, level of education, gender and innovation on growth of SMEs of selected hairdressing and barbering salons in Kinondoni Municipality, Dar es Salaam Tanzania.

Literature Review and Hypotheses Development

The relationship between business success and entrepreneurs’ characteristics abound. For instance, Onsongo and Muturi (2015) established a strong correlation between the three factors of entrepreneur’s characteristics (i.e., experiences, education and trainings) with the growth of SMEs in Kenya. Nkonoki (2010) focusing on Tanzanian SMEs found strong relationship between the previous business experiences and the growth of SMEs. Similar findings are echoed by Mmari (2014), Tundui (2012), Woldie et al. (2008), Tuan (2012). Despite having consistent findings on relationship between business success and entrepreneur characteristics, such results cannot be generalized to all SMEs sectors like saloon that appears to be under represented.
**Business Management Experiences and Firm Growth**

Managerial experience is expected to give the owner-managers some particular knowledge and managerial capabilities, which can support in developing more successful strategies important to higher growth rates (Onsongo & Muturi, 2015). Though, empirical evidence on this issue remains vague, a study by Friar and Meyer (2003) presented that former experience and growth were negatively correlated. Nevertheless, a study by Bosma et al. (2004) found a positive relationship between former work experience as an employee and firm growth. SMEs owner-managers with more managerial, sector experience or prior SMEs experience as owner-manager tend to correlate with greater growth (Storey, 1994). A study carried out by Hall (2000) found that SMEs owner-managers in the UK with little experience at the start-up phase could have problems remaining solvent with an increase in expenditure in relation to their earnings. Kalleberg and Leicht (1991) in their study found no relationship between prior SME experience and firm growth. Storey (1994) found reasonable evidence indicating a negative relationship between being unemployed before starting a business and subsequent business growth.

Onsongo and Muturi (2015) in their studies found that the owner-manager who has an experience can be able to expand the capabilities through the acquisition of knowledge and skills that enable him/her to identify the available opportunities and put them into action so that it can contribute to the growth of the business and also to be able to manage/deal with challenges that may erupt on the business such as customers complaints. According to Staw (1991), experience is the best predictor of business success especially when the new business is related with vast experiences. As a result of a lack of consistency on the effects of business management experience on the growth of SMEs, this research intends to inform about the influence of business management experience obtained from school/training on the growth of hair salon business in Tanzania. This is because the management experience provides an entrepreneur with skills and experience to analyze the challenges faced in the businesses and find solutions to enhance growth of such businesses. Based on the effects of business management experience on growth of firms, we hypothesize and tested that:

H1: Business experience has significant influence on the growth of hairdressing and barbering shops.

**Level of Education and Firm Growth**

Empirical studies in the area of the influence of level of education on the growth of SMEs have indicated a positive relationship between the two variables (Bowen et al., 2009). Entrepreneurs with larger stocks of human capital in terms of education and vocational training are better placed to position on the influence of business performance (King & McGrath, 2002; Bowen et al., 2009). According to Carter and Jones-Evans (2000) Kangasharju (2000) Storey (1994) Barkham (1994) and Cooper et al. (1994), there is no doubt that basic education enhances the overall quality of owner-manager by providing him/her with basic numeric and literacy skills, thus increasing the chance on growth and survival. Woldie et al. (2008) in their study also found that firms that are run by owner-managers with secondary level of education have great influence on the growth of SMEs.

Brijal et al. (2013) is another study that indicates a positive relationship between the level of education of owners and business growth. Firm growth increases strongly with manager education with more educated manager experience a sharp increase in growth (Queiro, 2016). High level of education is important for firm growth and performance (Ungerer et al., 2015). However, other researchers argue that; entrepreneurs/owner-managers of SMEs don’t necessarily need to go to school to acquire education in order to run their business successfully. For example, Fischer et al. (1993), Barkham et al., (1996), Olomi (2001), and Woldie et al.(2008) in their studies found that entrepreneur’s/owner-managers’ education is not significantly related to the growth of SMEs. Minniti and Bygrave (2006) also found that entrepreneurs/owner-managers with higher education are not necessarily related to the growth of SMEs they operate. Since the level of education is likely to reflect the intensity of knowledge, skills, discipline and self-confidence to the entrepreneurs/owner-managers of businesses which
are important factors in determining the growth of SMEs, thus, in this study we hypothesized that;

H2: Level of education has significant influence on the growth of hairdressing and barbering shops.

Gender and Firm Growth

Gender has been noted to relate with business growth (Fischer, 1992; Rosa et al., 1996; Anna et al., 1999); particularly male-owned business has been noted to perform better than female owned business (Tuan, 2012; Eikhof et al., 2013; Gottschalk & Niefert, 2012). Within the African context, Mba (2006) using evidence from Nigeria observed women-owned firms to underperform due to lack of business-related experience. Contrary evidence is provided by Amobi (2006) indicates female entrepreneurs having similar and sometimes more business-related experience than male entrepreneurs. Shava and Runghi (2016) also demonstrated the influence of gender on SME performance in emerging economies by indicating that gender plays no role in the performance of SMEs as there was no significant difference in the performance of male and female-owned entities. However, they further revealed that the level of business-related experience the owner holds, regardless of gender, influences the entity’s performance.

According to Brush (1997) and Carter & Allen (1997), the liberal feminism theory suggests that men and women begin with equal potential and that differences manifest because of systematic inequalities in education, employment opportunities, and experience. Women entrepreneurs, in developed countries with higher education, show a larger interest in growing their own enterprises (Welter, 2006). Isaksen and Kolvreid (2005) found that women business founders have lower growth ambitions than do those started by men. Women had lower total assets and lower levels of equity than men. Women-owned businesses obtained lower sales levels than those of men.

In general, the performance and growth of female-owned businesses, in terms of turnover, profit realization, and employment growth, are weaker than those found in male-owned businesses (Rosa et al., 1996; Carter, 2000). Brush et al. (2004) initial findings confirmed that women often lacked the economic power and the social and family-support structure to grow their ventures, and the lack of adequate childcare might have forced them to keep their businesses smaller and more manageable (Brush et al., 2004). They also found that one of the most important reasons for the slower growth of women-owned businesses was that women encounter social structures in work, family, and social life that influence the development of human and social capital different from their male counterparts. Fischer et al. (1993) in their findings confirm that differences exist (male and female) but do not have strong impact on business performance. Cooper et al., (1994) and Cliff, (1998) in their studies conclude that there is no significant link between gender and business growth. According to Malaya (2006) there were no connections attributed to gender as a core indicator of the business owned by women and men. Woldie et al. (2008) in their research found that there is no significant difference between the growth of the firms run by men and women. They also added that both men and women have the ability to run business and experience growth at the same level. A study by Brijal et al. (2013) also demonstrated no significance difference between men and women in relation to business growth. The ideas raised by these scholars discussed above challenged the researchers to investigate if whether or not the gender of the entrepreneurs has any significant influence on the growth of hairdressing and barbering shops in Kinondoni Municipality. Therefore, the following hypothesis was developed and tested;

H3: Gender has significant influence on the growth of hairdressing and barbering shops.

Innovation and Firm Growth

Rosli and Sidek (2013) showed how innovation is a critical factor in today’s entrepreneurial activities as both product and process innovations influence performance of firms significantly. Roberts and Amit (2003) also indicate that innovation provides a firm with a competitive advantage.
advantage and superior profitability over rivals. Innovation and firm growth have a positive relationship as it facilitates performance of a firm through different ways on how business activities are undertaken by the firm (Capon et al., 1990; Zahra & Das, 1993; Calantone et al., 1995; Han et al., 1998; Braunerhjelm et al., 2016). Goedhuys (2007), Coad and Rao (2007) are the other studies that indicated how innovation is crucial for growth of firms and it is important in explaining growth differences among firms. Innovation in products, marketing, and organizational are statistically significant affects the performance of SMEs.

Literatures further indicate that owner-managers/entrepreneurs’ innovation are of great importance. According to Mahemba and De Bruijn, (2003) SMEs owners can have the positive attitude that makes them to interpret difficulties as learning opportunities rather than only as problems. (In current years it has been thoroughly studied that due to strong interest shown from both owner-managers and policy makers for increasing SMEs competitiveness and their estimated impression on economic development, there has been much effort for innovation so as to remain strong and steadfast in the business (Mazzarol, 2002 & Rosenbusch, 2011). The positive association between economic success and innovation in SMEs has been emphasized in former studies (O’Dwyer, Gilmore & Carson, 2011). Innovation which involves new ideas and methods of delivering services to customers can facilitate the growth of businesses including hairdressing and barbering shops businesses. As a result, the researchers hypothesized that;

H4: Innovation has positive and significant influence on the growth of hairdressing and barbering shops.

**METHODODOLOGY**

A survey method using structured questionnaire was used in this study. In capturing the required information from the respondents (entrepreneurs) in the study area, the researchers used systematic sampling approach. The researchers developed a source list from which owner-managers were randomly picked using systematic sampling. In getting the required samples, a sampling starting point is formed by folding N papers as per the population in every category (Mugenda & Mugenda, 2003; Kothari, 2004). In this research, sampling interval (K) was formed by dividing the population and the sample. The researchers selected random group of 100 owner-managers from a population of 1000. Once the list is formed, every 10th person on the list starting the count at selected starting point was chosen as a participant, since 1000/100=10. The selected starting point was the 8th person in the list followed by the 18th, 28th and so on until 100th owner-manager was reached as required. Therefore, this research used a sample size of 100 respondents (50 hairdressing and other 50 barbering shops), with the respondents were asked to measure on a five likert Scale. Respondents rated all questions with anchor points from 1 to 5 as: 1- strongly disagree, 2-disagree, 3-neutral, 4- agree and 5-strongly agree. The firm growth in this study was measured by using the changes in number of employees and size of business. This is because a change in number of employees and size of business offer standardized comparable data about the rate, size and directions in which an enterprise has been expanding. The Statistical Package of Social Science (SPSS) was then applied to analyze the data collected.

**RESULTS**

The researchers applied a linear regression analysis in testing the relationship between variables (dependent and independent). Table 1 presents the influence of level of owner-managers’ business management experience and innovation on growth of hairdressing and barbering shops in Tanzania.
Table 1: Regression Results of Business Management Experience and Innovation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.335</td>
<td>.661</td>
<td>507</td>
<td>.613</td>
</tr>
<tr>
<td>Experience in salon is the reason for growth</td>
<td>.111</td>
<td>.077</td>
<td>1.439</td>
<td>.155</td>
</tr>
<tr>
<td>Experience in doing other work</td>
<td>.029</td>
<td>.061</td>
<td>485</td>
<td>.629</td>
</tr>
<tr>
<td>Experience in doing the same salon business</td>
<td>.121</td>
<td>.067</td>
<td>1.799</td>
<td>.075</td>
</tr>
<tr>
<td>Experience got in school/college/training</td>
<td>.164</td>
<td>.066</td>
<td>2.495</td>
<td>.014</td>
</tr>
<tr>
<td>Innovation</td>
<td>.273</td>
<td>.157</td>
<td>1.743</td>
<td>.085</td>
</tr>
</tbody>
</table>

Table 1 indicates that there is a significant relationship between these factors and their influence on growth of hairdressing and barbering shops ($R= 0.473$, $R^2 =0.223$, $F= 4.955$; $p<0.000$). These two independent variables (innovation and four statements of business management experiences) together are able to explain 47.3% of the influence of growth of hairdressing and barbering shops. This result points out that innovation and partial business management experiences do actually have an influence on growth of hairdressing and barbering shops. Though, there should be other effective factors that could be able to describe additional factors that were not included in the time of this study.

These results indicate that innovation has influence on the growth of hairdressing and barbering shops. Meaning innovation is supported by the results (B, 0.179, p, 0.085). Moreover, the result shown that the hypothesis has not been rejected, thus the independent variable has significant influence on growth as the t-value (1.743) was significant at p value 0.10. Correspondingly, the analysis informs that, business management experiences have partly influence on growth of hairdressing and barbering shops. Meaning that two statements of business experience has not been rejected (previous experiences doing the same salon business and experiences got in schools as supported by the results (B, 0.181, p, 0.075 and B, 0.234, p, 0.014 respectively). Consequently, the partly two statements have rejected (experience in salons and previous experience doing other work) and not supported by results the (B, 0.140, p, 0.153 and B, 0.048, p, 0.629 respectively), meaning they have a significant negative relation.

Effects of gender

Coefficient Determination of Regression on Gender

In order to determine the effect of gender on business management experience and innovation activities on the growth of hairdressing and barbering shops, analysis was carried out. The results of the regression analysis on gender-male is depicted in Table 2 and Table 3 regression analysis on gender-female.

Table 2: Regression Results of Gender-Male

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-.121</td>
<td>.687</td>
<td>-.176</td>
<td>.861</td>
</tr>
<tr>
<td>Innovation</td>
<td>.404</td>
<td>.154</td>
<td>2.460</td>
<td>.018</td>
</tr>
<tr>
<td>Experience got in schools</td>
<td>.193</td>
<td>.008</td>
<td>.335</td>
<td>2.811</td>
</tr>
<tr>
<td>Experience in hair salon business</td>
<td>.187</td>
<td>.086</td>
<td>.279</td>
<td>2.166</td>
</tr>
<tr>
<td>Experience in doing other work</td>
<td>-.009</td>
<td>.069</td>
<td>-.135</td>
<td>.894</td>
</tr>
<tr>
<td>Experience in doing salon business</td>
<td>.010</td>
<td>.073</td>
<td>.017</td>
<td>.133</td>
</tr>
</tbody>
</table>

According to Table 2 the results show males’ innovation, experiences got in school/college/training and experiences in hair salons as (B, 0.331, p, 0.018, B, 0.335, p, 0.007 and B, 0.279, p, 0.036 respectively). This implies that innovation and partly statements of business management experience (experience got in schools and experience in hair salon business) are significantly related positively at p level 0.10. Therefore, male owner-managers’ innovation and partly of business management experience have influence on the growth of HDS

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and BS. Meanwhile, the other two statements of business management experience (previous experience in doing other work and previous experience doing the same salon business) are significantly related negatively by male owner-managers as the influence on growth of hairdressing and barbering shops.

**Table 3: Regression Results of Gender-Female**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.940</td>
<td>1.340</td>
<td>.761</td>
<td>.487</td>
</tr>
<tr>
<td>Innovation</td>
<td>.126</td>
<td>.323</td>
<td>.390</td>
<td>.699</td>
</tr>
<tr>
<td>experience got in school/college</td>
<td>.128</td>
<td>.129</td>
<td>.996</td>
<td>.325</td>
</tr>
<tr>
<td>experience in salon is the reason for growth</td>
<td>.049</td>
<td>.138</td>
<td>.359</td>
<td>.721</td>
</tr>
<tr>
<td>previous experience in doing other work</td>
<td>.042</td>
<td>.109</td>
<td>.382</td>
<td>.704</td>
</tr>
<tr>
<td>previous experience doing same business</td>
<td>.239</td>
<td>.121</td>
<td>1.986</td>
<td>.054</td>
</tr>
</tbody>
</table>

From the findings in Table 3, the results show that females’ previous experience doing the same salon business ($\beta = 0.312$, $p = 0.054$), were statistically significant at $p$ level 0.1. Though female were not significantly related (innovation, experiences got in school/college/training and previous experience doing other work), hence has not supported the influence on the growth of hairdressing and barbering shops.

**DISCUSSIONS**

From the findings results presented, there are both positive and negative relationships between variables studied. This implies that the independent variables studied have influence on the growth of (SMEs), which in this study are hairdressing and barbering shops. On the influence of entrepreneurs’ business management experience on the growth of hairdressing and barbering shops, the hypothesis has been partly supported and partly being rejected. This is contrary with some of the previous studies. For example, Friar and Meyer (2003) demonstrated that previous experience was significantly related to growth of SMEs negatively. Whereas the other previous studies (Bosma et al. 2004; Nkonoki, 2010; Onsongo & Muturi 2015) exhibited that previous experiences from doing other work has significance and strong relationship with the growth of SMEs. This implies that, some of the owner-managers of both hairdressing and barbering shops in Kinondoni Municipality considered business experience as an advantage to their current hair salons business while others don’t.

On the entrepreneurs’ level of education, the hypothesis has been supported that the level of education is influencing growth of hairdressing and barbering shops. The findings of this study are consistency with the findings from some of the previous studies (King & McGrath, 2002; Bowen et al., 2009) where the entrepreneur’s level of education measured positive and significance influence on the growth of SMEs. This implies that the owner-managers need to have at least vocational education from Small Industries Development Organization (SIDO), Vocational Education and Training Authority (VETA) and other learning institutions in order to have capacity of growing their businesses.

The results on the influence of entrepreneurs’ gender on the influence of HDS and BS show that males’ innovation, experiences got in schools and from hair salons businesses indicate that gender (males) has significant influence on growth of HDS and BS through their innovation and experiences compared to female owner-managers whose results indicate a negative significant influence on growth of HDS and BS. This means that female owner-managers of hair salons business in Kinondoni Municipality are not innovative and having enough experience as males. These findings are consistency with the findings from the previous studies by Tuan (2012) which indicated that male entrepreneurs performed better than female entrepreneurs in Vietnam SMEs. Therefore, female entrepreneurs are encouraged to be motivated like male and work on these so that they would be creative in running their business successfully.
On the influence of entrepreneurs’ innovation, the findings exhibited a significant relationship between innovation and growth of HDS and S. The findings are consistency with other empirical findings (Ledwith & O’Dowyer 2009; Mahmoud, 2011; Ngugi et al., 2013) where the results showed that entrepreneurs’ innovation is strongly positive and has influence on growth of SMEs. This explains that, entrepreneurs of HDS and BS in Kinondoni Municipality are more innovative in running their business in terms of new ideas, methods on delivering services, searching for new markets (customers) for the aim of contributing to the success of hair salons business.

CONCLUSIONS

The research objective was to determine the influence of entrepreneur’s characteristics on growth of SMEs. The findings indicated that the all independent variables tested (i.e., management experience, level of education, gender and innovation) do have significant influence on growth of hairdressing and barbering shops studied. This study demonstrated that some of the specific aspects of the business management experience (i.e., experiences got in school/college/training and previous experience by doing the same hair salon business) and innovation have influence on growth of HDS and BS. Similarly, gender, and level of education have also indicated a significant influence on the growth of hairdressing and barbering shops in Kinondoni Municipality.

As a result of this study, it is therefore concluded that, the teaming/Training institutions such as University of Dar es Salaam Entrepreneurship and Innovation Centre (UDEIC), SIDO, and VETA should take concern in training the entrepreneurs of hair salons so that they can run their business professionally and competitively. This will help the owners of HDS and BS to increase the number of customers and ensure growth of their hairdressing and barbering shops. However the trainers are advised to explore which kind of training is needed and also the trainees (entrepreneurs) should be ready to receive what they are taught for their own benefits in order to be helped see the opportunities available and to run hair salon business competitively in this world of competition.

References


Poor service delivery in municipalities raises the question of whether the incorporation of an intrapreneurial spirit might improve service delivery in municipalities. The research aimed to examine whether intrapreneurship, if implemented within the O.R. Tambo District Municipality, can improve service delivery. The primary objective was to explore the intrapreneurship practices that can improve service delivery within the municipalities. A qualitative approach was used in the research. Twelve in-depth, semi-structured interviews were conducted with middle and top managers of the focal municipality. Municipal documents were collected and analysed for triangulation purposes. Intrapreneurship, if established as a positive culture, could be adopted by municipalities to foster innovation and enable efficient and effective service delivery.

The results of the research showed that, while there is a general appreciation for intrapreneurship, there are many factors that are working against the success of intrapreneurship in the municipality. These factors need to be addressed if an innovation and intrapreneurial environment is to be fostered in O.R. Tambo Municipalities.

Keywords: Intrapreneurship, service delivery, innovation, municipalities, policies, flexibility

Introduction

Municipalities are facing challenges in the delivery of the basic and core services, and this has resulted in a number of violent service delivery protests by citizens who are complaining about the poor quality of services delivered by their municipalities. These protests are coupled with diminishing financial resources, massive infrastructural backlogs, legacy systems and increased informal settlement growth, all factors which impact negatively on already constrained municipalities (National Treasury, 2012).

Local municipalities are thus a cardinal facet of the developmental state, since they are designed to provide services to the local population (Kearney & Berman, 2018). The quality of service delivered by the municipalities has a profound impact on social stability, so it is critical that municipalities provide leadership in refining the quality of services that are delivered. However, local municipalities in South Africa are known for poor service delivery (Kanjere, 2016). The dominant perception about municipalities in South Africa is that they are ineffective because they do not meet the socio-economic requirements and needs of local communities (Mulu & Pineteh, 2016).

There is an assumption that intrapreneurship can only occur in an enabling environment. Nieuwenhuizen (2014) defines intrapreneurship as the creation of new business within an existing business. Mishra and Zachary (2015) emphasise the creation of new ideas by employees within an organisation to create value. It is therefore clear that definitions of intrapreneurship relate to innovative and creative skills being utilised by employees to leverage innovative opportunities internally as a means to accentuate the quality of service. Adapting and encouraging intrapreneurship in municipalities could therefore bring about numerous benefits, including improved and satisfactory service delivery to communities, better internal
processes, more appropriate reward systems to municipal staff, improved communication and better management-employee relationships (Roche, 2007).

Purpose of the research

The research explored the intrapreneurship practices that can improve service delivery within the O.R Tambo District Municipality in the Eastern Cape region in South Africa. The research sought to cast more light on the effectiveness of intrapreneurial approaches in enhancing the performance of the local municipalities. Effectiveness in this respect refers to the municipalities’ ability to offer services at optimal levels to all the citizens within the municipalities (Govender, 2017). Service delivery coverage and timeliness would thus be an apt indicator of effectiveness.

Literature Review

This research views intrapreneurship as the entrepreneurial behaviour by employees within an organisation in order to improve processes and output (Pinchot, 1985). Intrapreneurship is entrepreneurial behaviour inside an organisation (Carland & Carland, 2007). The similarity in the terms intrapreneurship and entrepreneurship is best expressed by Westrup (2013), who replaces the term intrapreneurship with the phrase ‘internal entrepreneurship’. This implies therefore that one who practices entrepreneurial roles within the ambit of an organisation is an intrapreneur. Molina and Callahan (2009) add that entrepreneurship is dependent on resources and opportunities in order to thrive, while intrapreneurship is dependent on organisational structures and resources. In a prevailing system of administration, notwithstanding its size, an intrapreneur ought to exhibit innovative activities with orientations towards new organisational products and services development, improving technologies, enhancing administrative techniques, strategies and sustainable competitive postures (Morris, Kuratko & Covin, 2010).

Both intrapreneurship and entrepreneurship include innovation by introducing novel products and services to market environments, strategic regeneration by renewing key strategies and structural changes and corporate venturing, which include ground-breaking determinations that prime the conception of, and compelling responsibility for new business units within the organisation (Kuratko, Morris & Covin, 2011; Burns, 2010). Intrapreneurship is also concerned with gathering resources that are needed to exploit opportunities and turning ideas into profitable organisations (Schachtebeck & Niewenhuizen, 2013). Molina and Callahan (2009) argue that intrapreneurship demands a dedicated workforce that is not only able to learn quickly in a shifting environment but is also able to use novel concepts and ideas in new and thought-provoking situations. Franco and Pinto (2016) state that the development of new products and services can be considered as critical success factors that differentiate successful and unsuccessful organisations.

Intrapreneurship in public sector

Morris et al. (2010) indicate that intrapreneurship can be fostered in organisations of all sizes and types, including non-profit and governmental organisations. To add to this, they state that many private sector is supported by Wickham (2004) who argues that intrapreneurial efficacy helps to break down bureaucratic inertia and releases a climate of enterprise building. It is therefore clear that there is credence in the notion that intrapreneurship could be a viable theoretical premise to consider ameliorative interventions for the OR Tambo District municipalities. At an organisational level, intrapreneurship can offer direction to the enterprise’s operations, as well as improving business excellence (Urban, 2012). For intrapreneurship to be effective, the cultures of the municipalities have to be properly adjusted to foster intrapreneurship. Culture may influence the trajectory of public institutions (Cummings & Worley, 2006; Timmons & Spinoli, 2007). This is also supported by Bessant and Tidd (2007) who maintain that the patterns of behaviour are critical to influencing change and growth in public institutions.

To promote intrapreneurial behaviour it becomes necessary to be cognisant of strategies that promote the desired behaviours. Public sector intrapreneurship cannot develop oblivious to the
environment in which the municipalities operate, so there is need to influence the cultural atmosphere.

Creating an enabling environment for intrapreneurship

The deliberate actions by organisational leadership to create an enabling environment for intrapreneurship gives credence to the assertion by Mair (2005) who claims that people can learn to develop their awareness of self-sufficiency and that platforms aimed at altering behaviour may be an excellent tool for top management to enhance the level of intrapreneurship in their organisation. Self-efficacy, consequently, appears to be an imperatively instructive variable when it comes to understanding the connection between preparation and employee entrepreneurial conduct (Wakkee, Elfring & Monaghan, 2010). It therefore becomes pertinent for managers to foster a sense of self-efficacy and adequacy in their employees to empower them to become innovative.

While the process of intrapreneurship requires employees to become flexible, this also enables them to achieve multiple points of excellence in operations, which increases the overall organisational performance (Zahra, Filatotchev, & Wright, 2009). Reed and DeFillipi (1990) define sustainable competitive advantage as the unique position that an organisation develops in relation to its competitors through the way it deploys its resources. The argument is that the O.R. Tambo District Municipality may gain a sustained competitive advantage if it uses intrapreneurship as the cornerstone and invests in its employees as a resource, while at the same time judiciously deploying them. When the municipality leverages the knowledge, skills and abilities of individuals, it can easily enable intrapreneurship (Srivastava & Agrawal, 2010).

Rewards enhance the motivation of individuals to engage in intrapreneurial behaviour. Rewarding employees for success goes beyond the financial returns, and includes recognition, feedback, and meaningful work (Roche, 2007). Management may investigate methods to improve and support extrinsic job satisfaction and formalise flexibility policies and market orientation strategies to meet the demands of organisation intrapreneurial activities (Urban, 2012). Rundh (2011) defines flexibility as the ability of an organisation to respond to and introduce change. There is a need for greater flexibility and decentralised in public sector decision-making (Roche, 2007). When employees are empowered to influence their own work spaces, they become more amenable to accept change as they will be given the power to decide how to implement the changes. This will require an organisational structure that is structured to accommodate flexibility.

Research Methodology

A qualitative approach was selected for the research, and the specific research design employed was phenomenological research. The approach was designed to determine the levels of intrapreneurship within the O.R. Tambo District Municipality. The O.R. Tambo District was selected because it exhibits service delivery problems that are representative of many other municipalities in South Africa. The research population consisted of all top managers and middle managers employed at the O.R. Tambo District Municipalities. Lower management and workers were excluded because they did not fit into the knowledge and expertise levels determined by the researcher as essential for the research. The researcher applied convenience sampling in the research.

Primary data was collected by means of semi-structured interviews with participants that were identified to form part of the sample for this research. The 12 interviews were conducted with representatives from all the municipalities in the O.R. Tambo District. Interview questions were developed by the researcher after the literature review had been completed. Atlas.ti coding function was used to identify keywords and to tag the data with initial codes, after which meanings were attached to the codes. For triangulation purposes, municipal documents were collected from participants and were analysed and compared with the findings of the literature and interview data. The documents were freely available and not of a confidential nature. Document analysis of the documents was done to corroborate the research findings.
Ethical consideration

Ethical clearance to undertake this research was sought and obtained from the University of South Africa. All the interviewees were requested to sign and retain a portion of the informed consent letter no participants were coerced into taking part in the research. The researcher ensured that the participants’ names were not used in any documents in the research, and no information about the participants’ responses would be shared with anyone. The research did not in any way jeopardise the rights of the participants to privacy, dignity and protection from embarrassment.

Findings

Participants were asked if entrepreneurship was in existence and applied in the municipalities. Seven of the research participants were of the view that intrapreneurship was being applied. The central viewpoint was that conditions exist in the municipality that essentially amount to intrapreneurship, although those may not be formally referred to as such in everyday discourse. Participants mentioned a process of being given the opportunity to make decisions related to their work as an enabler of intrapreneurship.

The point was made that the standard organisational practice of creating and assigning roles and responsibilities to staff was also at the foundation of intrapreneurial behaviour. These practices ensured that employees focused on tasks for which they were ultimately accountable. Having defined roles and responsibilities, employees were challenged to deliver services to the best of their ability, and this spurred innovative behaviours, as employees sought to deliver efficiently and optimally on functions for which their performance would be assessed and for which they could potentially be rewarded. In municipalities, given the remuneration structures and systems, it is not possible to reward employees directly for being innovative. However, indirect rewards in the form of best employee awards are present.

“We participate by nominating the best employee. So that means that the politicians or the management has put up a structure of making people to deliver and, when you deliver to the best of your ability, there is a reward at the end of the day. So that means that they’ve created this space for intrapreneurship.” – Marcus

A consultative approach was also said to exist within the O.R. Tambo District municipalities, and this was intrapreneurial, as it allowed for the generation and sharing of ideas. The approach referred to existing platforms for the gathering of input from both internal and external stakeholders.

“Currently, we do sit in departmental meetings. That’s where we can have our agenda but, at some stage, we do have an item where we say: Is there anyone who wants to propose change...so that we can actually improve the municipality? We do see people wide-open thinking and all that. So, it’s something that we are actually doing.” – Samson

Although these conditions may not have been understood by all participants as intrapreneurial, the responses provided evidence that there was enough scope for the enablers of intrapreneurship in the municipality and its functions. The fact that the employees could identify the existence of intrapreneurial scope, as well as interactive policies to allow them to express themselves in their functional roles is a positive sign.

Innovation

Nine of the participants said that the municipality needs to pursue a service delivery model that is premised on an intrapreneurial environment which is innovative, efficient and quality-driven. Among other things, such an approach attracts skilled people to the municipality, while also challenging and motivating those already in the institution to come up with innovative solutions. Consequently, there will be less reliance on external contractors, and this would help to reduce costs. Relying less on contractors is critical, as it will help the municipality to come up with innovative solutions to community issues as they are identified.
“You’ve got to look at innovative ways of providing good-quality roads without necessarily doing your black surface as we know it, which is expensive. We need to find other ways and other materials that we can use to develop more roads”. – Hamilton

Intrapreneurship involves embracing new technologies and ways of doing things. Embracing new technologies results in improvements in local government systems and enhanced efficiency by ensuring “things were done right the first time”. In the process, this creates useful service quality benchmarks.

“We have an app which says in our communities, if there is a leakage, the people just go on an app and they just SMS [...] that is intrapreneurship (through) which we are managing to improve on the service delivery”. – Peter

“Creativity also had the effect of helping conserve vital resources”. – Samson

“We have had backlogs for years. Initially, it was a little bit of capacity problem, but we don’t have that problem anymore. Now it’s the political side”. – Isaac

The sum effect of the above and other influences of intrapreneurship was to “close gaps in service delivery” and ensure delivery on set targets. Moreover, this was achieved by focusing on the quantity, in addition to the quality of services that are delivered by the municipality.

“As one of the critical elements of intrapreneurship, innovation is key to infusing an intrapreneurial spirit in the municipality. The participants were unanimous in underlining the importance of technological innovations, as well as applauding instances where the municipality has shown an innovative streak, such as in developing cell phone applications to report power failures and pipe leakages in the municipalities. The technology that has been introduced is not merely limited to a website but involves systems and processes as part of ordinary and daily activities executed by municipal staff as well. Of importance is the fact that participants acknowledge the importance of innovation in enhancing service delivery at the O. R. Tambo District Municipalities.

Skilled labour

Three participants mentioned the importance of employing skilled personnel who can introduce new initiatives and promote intrapreneurship.

“It means we must commit resources and we must appoint people that have relevant skills, who can drive these new initiatives”. – Promise

“Need to have people that have capacity. For instance, the management, you need to have good leaders, people that have leadership skills that would actually talk or be able to promote this intrapreneurship”. – John

“We have had backlogs for years. Initially, it was a little bit of capacity problem, but we don’t have that problem anymore. Now it’s the political side”. – Isaac

A skilled labour force enables confidence in the use of intrapreneurship. The indication by the participants is that there is a need to align skills with municipal tasks to enhance intrapreneurship. If the employees are appropriately skilled then they can apply those skills to solving service delivery issues, which will in turn allow the municipality to more effectively fulfil its service delivery mandate.

Motivation and rewards

Eight participants were of the opinion that motivation and rewards are drivers of innovation. Some participants mentioned that since rewards and incentives are only awarded to the top-level managers in the district municipality, this has the overall effect of reducing innovation. Their argument was that if these rewards and incentives could be cascaded to lower-level
employees, there would be an increase in innovation as the rewards will be acting as extrinsic motivators.

“We try to motivate them but, going forward, we might have to cascade the performance management system so that we can give rewards in any form”. – Samson

“For the municipality to achieve the IDP goals, they need motivated staff, they need innovation from staff, self-renewal of course, proactiveness”. – Richard

“Benefits are only at the level of section fifty-six managers, which is directors and the MM, those that are at the highest level, directors that are reporting to the MM as well as MM who is reporting to the mayor. A thirteenth cheque is for everybody, whether you performed or not […]. At lower level, it’s just the pat on the shoulder. There are no rewards whatsoever.” – Samson

“There is no policy that speaks to rewarding people with innovation in certain sectors. So there’s no policy to that effect”. – Peter

It would seem that the belief by the majority (8) of the participants that rewards and benefits as drivers of innovation may be misplaced. The intrapreneurial spirit thrives mostly, through an intrinsic and individual decision to invest selfless commitment to the prerogatives of an organisation.

Policies

No formal policies that promote intrapreneurship exist. Eight participants mentioned that there are gaps in the municipal policies.

“There is no formal policy in the municipality that meets at intrapreneurship. It becomes an initiative of the individual to do such things around your area of responsibilities. And I think a bad thing is that, because it’s not a policy of the municipality, it doesn’t come with resources, so you’ve got to go out and look for resources as an individual”. – Peter

“Look at various policies, your HR-related policies, your economic development, funding, LED (local economic development) strategies. Those are the policies that should be talking specifically to intrapreneurship”. – Richard

“As the municipality, we need […] to scan our policies and see if, really, they do favour concept, because one would say some of them do favour but some really do not favour […] this is where we identify policy gaps, then we fill those gaps during the processes of policy development and policy review.” – Hamilton

From the responses regarding to matters of policy, it was made clear that policy formulation and implementation should be aligned to the prerogative of the municipality to become intrapreneurial. Participants mentioned the fact that there was no stipulation in policy that tacitly or explicitly promotes intrapreneurship.

Discussion of findings and implications

The findings show that intrapreneurship is not consistently applied in a focused approached in the O. R Tambo District Municipality. The municipal environment is too restrictive, making it a constraint to foster intrapreneurship. The restrictive environment encouraged a rigid and mechanical approach to the discharge of duties, contrary to intrapreneurial tenets. There was also a broad acknowledgement that the local municipalities were not fully flexible enough to adopt intrapreneurship. Hornsby, Kuratko, Shepherd & Bott (2009) suggest that to improve the flow of innovative ideas in an organisation flexibility is inevitable to stimulate intrapreneurship. There are up to 10 different statutes listed as providing the legislative framework for the Human Resource Development Policy (O. R Tambo Municipality Policy) and this points at the existence of significant constraints on the flexibility required for the entrepreneurial spirit to take root. With so much rigid environment to navigate, it is less likely for employees to think freely and
creatively. Therefore, a flexible municipal structure is an enabler to foster intrapreneurial practices leading to improved service delivery.

Over regulated policies, laws and regulatory aspects are a hindrance to the development of intrapreneural practices in the O.R. Tambo District Municipality. The unintended consequence of this over-regulation is that innovation, and by extension, intrapreneurship is stifled because people are often too cautious. A review of the documents and policies collected from the municipalities showed that there was no policy that could be identified that indicated an agenda by the municipalities to empower employees to practise intrapreneurship. The existing policies were poorly researched and therefore failed to address existing challenges. Therefore, the municipalities need to incorporate flexible policies in the implementation plans for intrapreneurship, while leveraging existing legislation to support the intrapreneurial drive.

The lack of skilled labour and advance technology in the municipality is an impediment in innovation and the development of intrapreneurship in the O.R. Tambo District Municipality. Despite good intentions by the government in place, the municipalities are still lagging behind in terms of innovation because of reasons such as fragmented government service, poor turnaround times, and shortages of skilled people in the municipalities, and issues of access and frequent power outages. The alignment of skills with the municipality’s tasks was identified as a positive enabler towards intrapreneurship. Therefore, municipalities need to timeously recruit skilled personnel to fill the gaps that have been created by resource shortages, as well as train personnel to be on par with current technological advancements. Rewards and motivation were identified as employee stimuli and enablers of intrapreneurial practices. As suggested by Urban (2012) rewards and motivation enhances individual intrapreneurial behaviour. It is therefore suggested that municipalities incorporate employee rewards and incentive policies to enhance intrapreneurial practices that would improve the effectiveness of service delivery.

Conclusions

This paper explored the intrapreneurial enablers to improve service delivery in O.R. Tambo District Municipalities. The literature reviewed also indicated that there are benefits to implementing intrapreneurial practices in public sector institutions.

The data showed that most participants had an understanding of the concept of intrapreneurship. The majority of the participants pointed out that intrapreneurship is generally an individual phenomenon but may be influenced by the municipality in a number of ways. It was noted that employees operate in a rigid operational environment, and this has a negative impact on innovation and creativity. Intrapreneurial enablers identified were, skilled labour, motivation and rewards, flexible environment and policies. This research therefore concluded that the level of knowledge exhibited by the managers indicates that there is potential for the development of an intrapreneurial approach in the municipality. It was also clear that for intrapreneurship to take root there is a need for rewards to act as extrinsic motivators to the individual employee to foster innovation. The restrictive environment would thus need to be altered or navigated to allow the necessary mind-set adjustment if intrapreneurship should be given a chance to thrive and improve service delivery in O.R Tambo District Municipality.

Limitations

Limitation of this research was the small sample size of managers due to the cost and time implications of conducting a research by using the entire population of employees in the O.R. Tambo District Municipality. The research was also limited to the O.R. District Municipality and no other districts have been explored in this research. The findings are therefore not transferable to other municipalities in South Africa.
References


ENTREPRENEURSHIP IN DEVELOPING MARKETS: AN EMPIRICAL EXAMINATION OF THE ROLE OF SOCIOCULTURAL AND ENVIRONMENTAL HOSTILITIES

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This paper examines environmental hostilities and entrepreneurship in emerging markets. An empirical examination is provided of the influence of sociocultural factors and environmental hostilities on entrepreneurship issues in emerging markets. Recent findings have implied that entrepreneurial businesses in emerging markets are not as proactive and dynamic as their Western peers when facing intense competition (Bruton, Ahlstrom, and Obloj 2008; Tang et al. 2008) and are less likely to invest heavily in research and development (R&D) or in building up a strong brand name when the environment is hostile and competitive (Tsang 1996). The findings of a qualitative study with financial services firm relationship managers and their microenterprises customers demonstrate the dual impact that sociocultural factors and environmental hostilities have on entrepreneurship; that is, each of these influences co-creation by enhancing or limiting firm-customer collaboration, dialogical interactions, learning and creativity. While the negative implications of environmental hostilities on entrepreneurship are perhaps more obvious, the data also illustrate how operating in economies constrained by market and institutional failures stimulates creativity and learning between firms and customers as they attempt to manage these issues. Taken together, the study findings extend theories on entrepreneurship by incorporating emerging markets perspectives and by illustrating the importance of leveraging entrepreneurial resources when developing innovative solutions and product-services for emerging markets.

Key Words: emerging markets, entrepreneurship, environmental hostilities, financial services firms, microenterprises, sociocultural factors.

Introduction

Recent findings have implied that entrepreneurial businesses in emerging markets are not as proactive and dynamic as their Western peers when facing intense competition (Bruton, Ahlstrom, and Obloj 2008; Tang et al. 2008) and are less likely to invest heavily in research and development (R&D) or in building up a strong brand name when the environment is hostile and competitive (Tsang 1996). For emerging markets such as Ghana, this is attributable in part to seeming absence of supporting platforms for entrepreneurship. There are also socio-cultural factors and environmental hostilities peculiar to emerging markets with weak business infrastructures, such as subsistence markets which could hinder the entrepreneurship process. Developing countries, also known as “base-of-the-pyramid” markets, are characterized by
widespread poverty, weak infrastructure, and environmental (economic, political, and climatic) uncertainty (Maranz 2001). Sociocultural factors reflect traditional and social systems, including values, norms, and activities.

Theoretical Foundations
The literature review is interdisciplinary, drawing on studies from entrepreneurship and studies related to environmental hostilities and socio-cultural factors in developing countries. Each discipline brings different organizing questions and perspectives. This literature review integrates them to shed more light on the research question. The literature on environmental hostilities and socio-cultural factors and how these factors affect entrepreneurial business (subsistence markets) in Ghana has not been extensively investigated to determine how to improve entrepreneurial business and participation in global markets. A study of these factors will help in identifying how they advance or hinder the entrepreneurship process. This study explores how environmental hostilities and socio-cultural factors in entrepreneurial business (subsistence markets) influence the entrepreneurship process for internationalisation. Case examples are used to support the arguments.

Environmental hostilities
Participants of this study reveal that environmental hostilities such as marketplace illiteracy and resource constraints also limit learning and creativity and subsequently hinder entrepreneurship. To financial service providers (FSPs) marketplace illiteracy is interpreted as insensitivity to microenterprise needs. Failure to demonstrate a solid understanding of the market dynamics with which the customer microenterprises (CMEs) deals, limits learning and creativity of the FSP and results in CME frustration.

Socio-cultural factors
Socio-cultural factors refer to traditional and social systems including values, norms and activities. The findings of the study demonstrate two important aspects of socio-cultural factors that impact the entrepreneurship process between the firm-service provider and the customer-ME. These are: firstly the interplay between horizontal collectivism and vertical collectivism referred to in this study as cross-collectivism. Vertical collectivism refers to the perception of the self as a part of a collective and accepting the inequalities within the collective. Horizontal collectivism entails perceiving the self as a part of a collective group and regarding all members of the group as equal (Singelis et al., 2009). The second socio-cultural factor observed to impact entrepreneurship was familism with associated deferred gratification. Familism describes a social organization in which values are determined by reference to the preservation and effectiveness of the family group (Kuada, 2010). Deferred gratification is the deference of one’s needs to family members’ needs in order to gain family approval (Pye, 2000).

Methodology

Research Design
A qualitative approach was used to investigate the research questions. A qualitative approach was considered ideal for this study because, in contrast with quantitative approaches, this approach enables the researcher to unveil what people say and do as a result of how they interpret the world. Furthermore, the qualitative method of phenomenological interviews, which is interpretative was considered ideal to capture the social realities that are relative to interactions between people in moments of time and space. This especially applies to a context of networked participants, who are embedded in an intricate flow of complexly entwined relationally-responsive activities (Shotter, 2008).

Compared with other forms of qualitative research methods, phenomenological interviews were also considered best suited to answer the research questions for two reasons. First, phenomenological interviews are “the most powerful means of attaining an in-depth understanding of another person’s experience” (Thompson, Locander, and Pollio 1989, p. 138).
This characteristic of phenomenological interviews facilitates the investigation of entrepreneurship from both the firm-provider and customers’ perspectives. Ultimately, this method facilitates the exploration of the influence of socio-cultural factors and environmental hostilities on entrepreneurship for international services in subsistence markets.

This study employs the qualitative approach, in the form of phenomenological interviews and observations, to investigate the research questions. Visual data (photographs) further complements the interview and observation data. This investigation is conducted in the context of relationship managers of multinational and local FSPs and their CMEs in Ghana. The findings from this study expose the fact that whilst socio-cultural factors and environmental hostilities may hinder the entrepreneurship process, they also have the potential to advance the entrepreneurship process. We therefore extend theories of entrepreneurship by incorporating these perspectives of subsistence markets.

Research Context

The study context is financial services firms and microenterprises operating in Ghana, located in Sub-Saharan Africa. Sub-Saharan Africa was chosen because it has a substantial population (more than 600 million people) living at a subsistence level of less than $2 per day (Tiffen, 2003). However, services marketing developments, especially in the fields of e-commerce and mobile banking, are booming in Africa and thus highlight the potential for entrepreneurship for international services in these markets. Ghana is one of the fastest-growing economies in Sub-Saharan Africa (World Bank Global Economic Prospects 2010). Furthermore, the liberalized economy of Ghana has helped improve relationships between financial services firms and microenterprises (Acquaah, 2008). Informants were identified by purposive and snowball sampling. Purposive sampling is frequently used to investigate information-rich cases (Patton, 2002). The snowball technique begins with a single participant who, in turn, refers the researcher to his or her network of contacts. This type of referral facilitates the building of trust and rapport within a short time (McCracken, 1988).

Overall, 15 FSPs were interviewed. Sample representation of 15 associated CME participants were obtained from referrals from the relationship managers. The CME participants were operating in various industries and had various lengths of relationships with the FSPs. The CME participants were mostly retailers or wholesalers, with one contractor, one manufacturer, and one farmer. These CME participants operate in both the formal and informal sector. The ages of participants ranged from 27 to 50 years.

Data Collection

Data were collected over an eight-month period, with one month of intensive face-to-face interviewing and observations preceded by four months of telephone interviews and followed by two months of more telephone interviews. The qualitative telephone interviews provided flexibility in both data collection and data analysis (Yeung, 1995). Data were collected from multiple sources at several points in time, guided by a protocol developed according to recommendations for qualitative studies and grounded theory (e.g., Corbin and Strauss, 2008; Eisenhardt, 1989). Specifically, 10 customer relationship managers (CRMs) and 10 of their associated CMEs were interviewed individually on multiple occasions. The lengthy and repetitive phenomenological interviews were conducted to uncover the perspectives, meanings and behaviours that participants brought to bear on the entrepreneurship of services. Dyadic interpersonal communications were also recorded during meetings with the dyad. Overall, 30 participants were interviewed, with 72 interviews in total, lasting from 45 to 75 minutes.

Data Analysis

Data analysis and data collection was a simultaneous process. The data analysis followed the categorization of data into themes and subthemes, a procedure for classifying the qualitative information contained in oral and written materials. This method was considered appropriate for the data analysis because it is generally used with a study design that describes a
phenomenon, especially when research literature on the phenomenon is limited (Kondracki, Wellman, and Amundson 2002).

Analysis was a multi-layered process using the Atlas Ti software for open and axial coding, that is, the record and cross-referencing of codes that emerged from the data. In the initial rounds of interviews, each interview was coded separately on the basis of words, phrases, terms, or labels offered by the participants; that is, we distinguished the first-order codes (cf. Van Maanen, 1979). We then reread each interview several times to distinguish the similarities and differences among informants. We depended on constant comparison of the multiple participants over time to detect conceptual patterns (Glaser & Strauss, 1967). To systematize the data, we then combined codes into first-order categories, employing language used by the informants that expressed similar ideas. We continued coding interviews in this way until we could not ascertain any more distinct conceptual patterns shared by the participants. Along with developing first-order categories, we started discerning connections among these categories. We then clustered these connected categories into theoretically distinct groupings, or second-order themes. These were researcher-induced concepts, cast at a more abstract level, providing overarching dimensions that integrated into a rich description of enabled us to finalize a theoretical framework of how socio-cultural factors and environmental hostilities impacted the entrepreneurship process for services in subsistence markets.

**Findings**

1. **Influence of Socio-cultural Factors on Entrepreneurship**

The findings of the study demonstrate that socio-cultural factors either hinder or advance entrepreneurship between the FSP and CME. Socio-cultural factors refer to traditional and social systems including values, norms and activities. Two important aspects of socio-cultural factors exposed in the study that either hinder or advance the entrepreneurship process between the FSP and the CME are: Firstly the interplay between horizontal collectivism and vertical collectivism referred to in this study as cross-collectivism. Vertical collectivism refers to the perception of the self as a part of a collective and accepting the inequalities within the collective. Horizontal collectivism entails perceiving the self as a part of a collective group and regarding all members of the group as equal (Singelis at al., 2009). Cross-collectivism was observed to advance entrepreneurship between the FSP and CME by enhancing dialogical interactions. The second socio-cultural factor observed to impact entrepreneurship was familism with associated deferred gratification. Familism describes a social organization in which values are determined by reference to the preservation and effectiveness of the family group (Kuada, 2010). Deferred gratification is the deference of one’s needs to family members’ needs in order to gain family approval (Pye, 2000). Familism and deferred gratification were observed to hinder entrepreneurship between the FSP and CME by limiting collaboration and learning.

Familism has been discovered to influence attitudes to knowledge acquisition and character development (Kuada, 2010). The study demonstrates that familism hinders entrepreneurship between the FSP and CME by limiting the proactiveness and risk-taking that facilitate collaboration. This is in line with Assimeng’s (1981) argument that the collectivist social structure encourages the maintenance of status quo and avoidance of serious disruption of the specific social order. In the context of this study familism also negatively impacts resource allocation and management, and hence limited collaboration with the FSP. CME1 explains:

> With family, I do have several problems. You know, the business started from the family level…We are three people - my junior brother, myself and my sister. With the help of Unibank, we have been able to divide the business into three and now everybody is operating on their own… So it is family work and because of that we find it difficult to handle our finances. It was not until we divided it that we can manage it well. So now with the help of Unibank, we can put our ideas together…(CME1)
Familism as explained by CME1 leads to a situation where he has to defer to family members in order to preserve the interests of the whole group. However, this happens at the expense of the business. He indicated that it was not until they changed their orientations away from familism that the family could successfully combine ideas to advance the entrepreneurship with the FSP. Implied in this definition of familism is the concept of deferred gratification where one is obliged to place the needs of family members before his needs. In CME1’s situation, deferred gratification made it difficult to handle the finances of the family business. However, when the business was divided, decisions could be autonomously made. This points to the fact that collateral learning and therefore entrepreneurship is hindered with deferred gratification. CRM3 and CRM12 provide further insight:

Today someone comes to sell something and they dip their hands into the sales and buy it without keeping any records. She has to stamp her authority. You see you have to also play their part for the bank to give you money. Ghanaians like the concept of “Give it to God” instead of doing the right thing…(CRM3)

With deferred gratification, family members are seen to satisfy their needs at the expense of the business by taking out funds to spend on themselves. This made it difficult for CMEs to keep records. In such a situation, collateral learning is limited because information on sales and business performance is distorted. Familism and deferred gratification also adversely influences decision-making and the openness of the CME to disclose information or to receive feedback from the FSP so that collateral learning is further limited:

They set up the business and they include their wives and their children who are underage as shareholders and directors… So that key man risk is there so whatever decision he has taken, whether it is the right decision, whether it is the wrong decision …And disclosure of information. They think that when they disclose information you are going to use it against them…(CRM12)

Familism in this situation plays out as the inclusion of all family members regardless of their qualifications in the operations of the family business. Familism therefore creates a situation where there is the risk of an individual making all the key decisions without checks and balances. The CMEs as key men in this context find it difficult to share information with the FSP because they want to maintain the status quo. When strategic decisions remain in family hands, FSPs would find it difficult to make changes in decision structures. Familism and deferred gratification have far-reaching consequences that have the potential to further hinder the entrepreneurship process between the FSP and CME. In the first place, demands by extended family on working capital lead to the need to maintain high inventory levels to hedge supply. In the second place, as CRM12 explains, succession problems occur which threaten the survival of the business. Thirdly, due to the tight control over the affairs of the business, there is likely to be a shortage of managerial talent across the firm. Collateral learning is enhanced when there is the willingness of both parties to share important, even proprietary, information. This might include involving the FSP in opening books and sharing cost information, discussing future market development plans, or sharing supply and demand forecasts. If the CME is reluctant to disclose this kind of information in the bid to maintain the status quo, entrepreneurship would be hindered.

To conclude, socio-cultural factors both hinder and advance entrepreneurship between the FSP and CME in subsistence markets through familism and deferred gratification. The idiosyncratic nature of the marketplace with diverse social and cultural groupings makes cross-collectivism more pertinent and essential to the entrepreneurship process as demonstrated in this study. The involvement and interaction of these multiple actors advance the entrepreneurship process by providing highly valuable operant resources. However, the extreme involvement and deference
to the needs of family members were observed from the findings to hinder the entrepreneurship process by creating disinterest in collateral learning in a bid to maintain the status quo.

2. Influence of Environmental Hostilities on Entrepreneurship

Three dimensions of environmental hostilities that either hinder or advance entrepreneurship were discovered in the study: market failures, institutional failures and marketplace illiteracy. Market failures are defined as the lack of facilitating structures and key exchange mechanisms that cause business malfunction (Fligstein, 2001). These include costs of doing business (business costs), lack of market information and market uncertainties. Institutional failures are policies that hinder the effective operations of MEs (Aidis, 2002). Marketplace illiteracy is the absence of conceptual/strategic knowledge grounded in an understanding of marketplace exchanges (Viswanathan et al., 2008). Market failures and institutional failures were observed from the findings of this study to both hinder and advance the entrepreneurship process between the FSP and the CME and marketplace illiteracy was observed to hinder the entrepreneurship process as discussed below.

a. Market Failures

The findings of the study demonstrate that market failures both hinder and advance entrepreneurship between the FSP and CME by limiting relational-based creativity but advance entrepreneurship by enhancing collateral learning and relational-based creativity. The business costs dimension of market failures includes problems relating to the rising cost in the process of conducting business; namely, interest rates, taxes and cost related to the strength of the currency. Market uncertainty includes concerns about changes in the marketplace such as declining demand in the local market and low profit margins. These factors are elucidated in the narration of CME15.

Our system is designed not to help anybody who is willing to do long-term businesses… Businesses cannot develop based on the current interest rates in the market- if you are borrowing over 35% and more to pay taxes… The economies of scale are not there… the intention is to take taxes then you are opening up the economy and businesses cannot compete… The banks are not social engineers because if they are they can also go out of business…(CME15)

CME15 shows how sustainable resource management becomes difficult for MEs because of the high interest rates and taxes in the markets. In such situations, it is difficult for MEs to compete effectively since emphasis on product quality may be compromised due to high costs. CME15 further indicates that the FSP in this case cannot become social engineers. Social engineers seek to promote the welfare of others without regard for profit. In such a situation the FSP may not be motivated to engage in entrepreneurship with the CME, jeopardizing profit when applying collaboration, dialogical interactions, relational-based creativity and collateral learning. However, CRM12 elucidates how such market failures can also advance entrepreneurship between the FSP and CME by enhancing collateral learning:

You can have your own strategies and you can keep them to your chest but there are some you need to divulge to people to help you and for you to get results… Maybe there may be an issue with quality and maybe there may be an issue with customers, okay… Most of the time also the customers also actually do not understand what they do so when you get closer to the customer then the customer can actually come out and tell you problems that he is facing in the business and you the relationship manager with the knowledge and skills tell him that it is better you do A, B or C…(CRM12)

From this exposition, FSPs are motivated to engage in entrepreneurship to assist the CMEs to overcome the market failures through collateral learning. CMEs are in these conditions of market failures assisted by FSPs to reduce their transactions costs and risks by learning simultaneously with them about the market failures. After learning from the customer to gain a solid understanding of these market failures, the firm service provider can provide advise on how to handle costs, and address problems relating to demand, supply and access to ensure business performance enhancement and overall profitability.
b. Institutional failures
Institutional failures were shown from the findings to be environmental hostilities that hindered entrepreneurship between the firm service-provider and CME by limiting collateral learning. Institutional failures were also shown to advance entrepreneurship by enhancing relational-based creativity. These institutional failures centered on the substandard organizational capability of the government institutions and low effectiveness of political and civil society organizations.

…but the problem also is with the government - Lands department, service department; If I have a property and trying to register the property. It is not like the United States where you can get your deed registered within three days. Over here, you have to go through this person, that person and you may wind up spending about fifty million on the side. Even with that you still won’t have your deed registered…(CME7)

Governmental institutions such as the lands department play a key role in the entrepreneurship between CMEs and FSPs. This is because they have to register the deeds of properties before CMEs can use these to secure facilities. As indicated by CME7, it takes a very long time and is also very costly to have the government lands department register the deeds of these properties due to extensive bureaucracy. As a result, CMEs cannot patronize the loan products of the FSPs, which negates the basis for collaboration. In the subsistence markets contexts, institutional failures are also inextricably linked with market failures caused by corrupt practices. The corrupt practices of the government exacerbates the inefficiencies in the market system:

…Therefore, the economy is not skewed in any way to help microenterprises…People are just paying bribes left and right…More efforts are being made by community banks. Rural banks are very much engaged in communities in which they are situated. (CME15)

In the subsistence markets contexts, institutional failures are also inextricably linked with market failures as depicted in the narration of CME15. He indicates that bribes are being paid in a rampant manner for people to go behind official market channels to manipulate the system and therefore worsening the problem of institutional ineffectiveness. Bribery increases the risks and costs of innovation to such an extent as to make it unfeasible (Berdegue, 2005). However, CME15 also indicates how institutional failures advances entrepreneurship between CMEs and FSPs in various communities. He refers to how community and rural banks have taken up the challenge to compensate for the institutional failures by engaging in entrepreneurship with the CME communities. The engagements with the CME communities by certain FSPs were exposed earlier on in the findings as relational-based techniques such as community animation.

c. Marketplace Illiteracy
Marketplace illiteracy was exposed in the study as both hindering and advancing entrepreneurship by limiting and enhancing collateral learning. The marketplace illiteracy played out in various ways: The CME not having the inclination and knowledge to conduct market research, misunderstandings about business performance indicators and difficulties in using the e-commerce products of the FSP. CRM12 refers to how marketplace illiteracy in the form of not knowing how to conduct business research and misunderstanding the business performance indicators make CMEs grossly inefficient.

…You have to look at the kinds of categories of people would be buying my product. We do not do that…There are other things you have to think about before going into manufacturing. Do you even have a power source? How reliable is your power? If you depend solely on hydro, can you have a thermal plant? Can you even buy a generator, would this affect your profit margin?…Most of Ghanaians especially traders, they want to stock. They go to the warehouse and [he] sees his stock then he thinks he is making money…His interest costs are so high… but now we want to partner with [X Company] to introduce a capacity building program…(CRM12)

CRM12 emphasizes the various elements that CMEs may need to consider before entering into particular businesses especially in the subsistence context with weak business infrastructures.
According to CRM12’s discourse, these considerations are often ignored by CMEs. Viswanathan et al. (2008) refer to such a situation as the absence of ‘know-why’, that is a deeper understanding of marketplace exchanges. This lack of understanding about the marketplace hinders entrepreneurship by limiting relational-based creativity because customer-MR are not open to new solutions. Additionally, other aspects of marketplace illiteracy exposed by CRM12 are the misunderstanding of business performance measure. An example provided by CRM12 is the misunderstanding of the CME who perceives the level of stock and not the profit he is making as a indicator of his business performance. Marketplace illiteracy in these situations could also advance entrepreneurship with the FSP. CRM12 exposes the fact that the lack of ‘know-why’ had led the Sunny International Bank to decide to partner with an entrepreneurial training firm to provide training for the CMEs. This demonstrates that marketplace illiteracy advances entrepreneurship between the FSP and CME by enhancing collateral learning. Viswanathan et al. (2008) also expose another aspect of marketplace literacy that is essential to the CME: ‘Know-how’ or strategic knowledge relating to how to be informed as a seller and consumer. This aspect of marketplace literacy is also found lacking in several ways with the CMEs as explained by CRM6:

But most of the time because these customers are not very sophisticated … Most of them are not computer literate. They can’t even do any internet banking... This year we have introduced what we call the Pay’s accounts and that one it is a bit more general so anybody can use this…They think the money is for the governments…They take the money and the next time you go the shop is locked. …They are not organized. They would go to the ‘Susu’ companies which charges them exorbitant rates…and then they would start playing with the bank… The amount of money that these banks are making, they can actually do these things for free but they won’t do it…If I have my money and you don’t pay me, I won’t give you my money again…(CRM6)

CRM6 exposes three key aspects of the marketplace illiteracy that hinder entrepreneurship with the CME. These are firstly, the inability to make effective use of the FSP’s e-commerce products. As stated by CRM6, this situation of CMEs not being internet savvy was observed to advance entrepreneurship by leading the FSP to introduce e-banking products that are easy for the CME to use. Secondly CRM6 indicates that the marketplace illiterate customers have a wrong misconception that funds provided by the FSP belongs to the government and so they are reluctant to pay back debts to a faceless government. CRM6 explicates that such a mentality hinders entrepreneurship by limiting collaboration and relational-based creativity as the FSPs shy away from the relationship.

In conclusion, while environmental hostilities adversely impact entrepreneurship, it also may productively advance the entrepreneurship process as the FSPs and CMEs react to and cope with environmental uncertainty in various ways such as collateral learning and relational-based creativity. This is in line with Moran and Ghoshal’s (1999) assertion that "it is not resources per se, but the ability to access, deploy, exchange, and combine them that lies at the heart of value creation" (p. 409). Furthermore, as rightly stated by Vaessen and Keeble (1995), a more hostile business environment may have the effect of encouraging firms to become more, rather than less, innovative in order to try to overcome the constraints they are facing. Although operating in subsistence markets may mean that firms-service providers and their CMEs face several environmental hostilities, relational-based creativity and collateral learning serves as a strategy to overcome some of these hostilities during entrepreneurship.

In this excerpt the MEC remarks that FSPs do not fully appreciate microenterprise businesses, including what it takes to run and grow them. Clearly FSPs are not wholly without business acumen, yet a detailed understanding of inner market workings is often missing. This is captured in CME3’s comments regarding the structure and content of FSP sponsored forums. While the CME views these forums as platforms for discussing and developing strategies to address microenterprise issues, they unfortunately take on the feeling of an unproductive meeting for “shop talk” or idle talk. Missed learning opportunities such as these contribute to
FSP marketplace illiteracy and limit the potential for shared creativity and entrepreneurship. Additionally, they promote negative perceptions of firms service providers.

Resource scarcity is shown to hinder entrepreneurship by limiting learning and creativity. The realities of resource scarcity due to underdeveloped capital markets and monetary systems such as in high interest rates and high operating and administrative costs remain very serious issues for companies operating in subsistence markets. To meet profitability targets, local branches try to make up for budget deficits by passing on high operating costs in the form of significant customer fees and charges. CMEs, who do not perceive the direct benefits of firm investments are suspicious of the large spread between savings and lending rates. Wary of high bank fees and the burdensome cost implications these have on MEC operations, the microenterprise owner becomes apprehensive about FSP advice and recommendation, thus stifling joint learning and creativity. CME3 narrates:

The neglect of the FSP is there because we [microbusinesses] do not have much capital, unlike the large corporates [i.e. large business customers]. Always we are cash strapped. The bank becomes just like a conduit. If you want to buy your cement [for your business], the bank issues bank checks and takes charges. Basically, we are working for the bank because there is no real benefit and that is why we are also not keen to grow the business so much and pass everything to the bank.

This excerpt illustrates how CME perceptions of the financial service firm may depreciate to a point where the firm is viewed as a “conduit” or simply a means to channel money. It also demonstrates that the MEC may become less interested in accruing significant financial growth, believing monies gained will be immediately lost in bank charges. Together these perceptions find the resource constrained or “cash strapped” microbusiness demotivated to work with the FSP, believing that every time the bank is involved, large fees and charges follow. Because entrepreneurship and associated learning and creativity require motivation and engagement by the co-creating actors, this lack of motivation can be ruinous. Instead, efforts must be made to keep the customer actively interested in the entrepreneurship process and aware of the benefits associated with sharing knowledge and skills.

**Conclusion and Discussion**

In conclusion, while environmental hostilities adversely impact entrepreneurship, it also may productively advance the entrepreneurship process as the FSPs and CMEs react to and cope with environmental uncertainty in various ways such as collateral learning and relational-based creativity. This is in line with Moran and Ghoshal’s (1999) assertion that "it is not resources per se, but the ability to access, deploy, exchange, and combine them that lies at the heart of value creation" (p. 409). Furthermore, as rightly stated by Vaessen and Keeble (1995), a more hostile business environment may have the effect of encouraging firms to become more, rather than less, innovative in order to try to overcome the constraints they are facing. Although operating in subsistence markets may mean that FSPs and their CMEs face several environmental hostilities, relational-based creativity and collateral learning serves as a strategy to overcome some of these hostilities during entrepreneurship.

CMEs may succeed or thrive in adverse environmental conditions because these conditions oblige them to innovate, take risks and be entrepreneurial in a way that promotes profitability and growth. Zahra and Neubaum (1998).

The concept of relational-based creativity that emerges from the data involves the utilization of a variety of creativity techniques during entrepreneurship. The structural aspects of the creative techniques influence the quantity and quality of the ideas produced and encourages divergent thinking. What makes creativity techniques such as improvisational bricolage appropriate, or the context, is the routes, twists, and, surprises that this technique navigates in complex interactions conditioned by the environmental hostilities. Such a technique enables a number of smart responses to be made, adapted to the infinite number of possible situations in the
environment of uncertainty. Creative techniques such as shared synergistic motivation, art of challenging and community animation facilitates the re-framing of problems and discovery of new ways to act, new patterns of thought, practices and structures. The informants in the study show that these creativity techniques are strategic in that they assist in compensating for resource constraints. The strategic role that these creativity techniques play is to help to discover new meaningful opportunities and challenges as well as to generate various ideas, which explore and exploit these opportunities.

Relational-based creativity embodies a strong sense of collective social citizenship that impacts the emotions, create motivational synergies and excite the imagination to move away from the status quo and transcend formidable barriers. Whilst embodying a logical movement towards novelty, it also embodies improvisations and consensual ideologies to create an atmosphere in which creativity thrives.

REFERENCES


Despite the vital roles played by family-owned enterprises in Nigeria, they are still faced with the problem of succession as about 95% of family businesses do not survive the third generation of ownership. This study therefore examines strategic planning and business succession in selected family owned businesses in Anambra state using frequency, percentage, mean, standard deviation and t-test statistics. Findings revealed that there is no adequate application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. There is also no significant difference in the application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. Family Owned Businesses face significant challenges in the application of strategic planning in both management and ownership succession in their businesses. Based on the analysis and findings of this study, it is therefore recommended that family owned businesses in Anambra state should embark on adequate application of strategic planning in the management succession of Family Owned Businesses (FOB) by developing and focusing on long range objectives and short term priorities through the adoption of various business analytic techniques. The ministry of commerce and industry should develop capacity training for the awareness and adoption of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. This will enable Family Owned Businesses (FOB) in Anambra state survive their first, second, third generation and so on.

Key words: Strategic Planning, Family Owned Businesses (FOB), Ownership Succession, Management Succession

INTRODUCTION

Extant literature holds that in most countries of the world, including Nigeria, that Family Owned Businesses (FOB) have remained the oldest and most dominant form of business ownership in the global economic landscape (Ogbechie and Anetor, 2015; Sharma, 2004). The Family Owned Businesses (FOB) in Nigeria are mostly Small and Medium Enterprises (SMEs) (Onuoha, 2013; Obadan and Ohiorenaya, 2013). They create employment opportunities, have the capacity to reduce poverty, inequality and social vices and are catalysts of innovations, inventions and creativity; stimulate indigenous entrepreneurship; link up the various sectors and sub-sectors of the economy; stem rural – urban migration; maintain competition, pay taxes which enable governments to provide basic amenities; and contribute to regional activities and cooperation (Onuoha, 2013). Family Owned Businesses (FOB) account for about 70% to 95% of all business entities in most countries around the world and also create between 50 and 80% employment (Ogbechie and Anetor, 2015; European Family Business, 2012: 2; Abouzaid, 2008: 11). Accordingly, Ogbechie and Anetor (2015) stated that the contribution of family
owned enterprises to the economies of nations around the world in terms of employment and GDP cannot be over-emphasized. For instance, family businesses generate about 79% jobs and account for two-third of GDP in India (Bernard, 2013). They also create about 85% employment and account for about 50% of the GDP in Brazil (Family Firm Institute). In the same vein, family businesses in Nigeria contribute 46.54% to GDP (SMEDAN, 2012).

Despite the plethora and novel benefits accruable from Family Owned Businesses (FOB) to the development of the nation, the mortality rate of Family Owned Businesses (FOB) in Nigeria continues to increase (Onuoha, 2013). According to Onuoha (2013), The Ibos of South-East Nigeria are renowned for their zeal and tenacity in business; spanning decades, yet there are no corporations that are in their third or fourth generation. This is as a result of poor attitude to succession planning. As cited by Ogbechie and Anetor (2015), the lack of succession planning in Nigeria is a serious problem militating against the survival of family-owned businesses as 94.2% of entrepreneurs do not have a succession plan. Despite the challenge, posed by a lack of succession planning, most studies failed to examine succession planning and its effects on the continuity of family-owned enterprises in Nigeria. Consequently, this study focuses on strategic planning and business succession nexus particularly in the Family Owned Businesses (FOB). Strategic planning is the core of the work of an organisation. Without a strategic framework you don’t know where you are going or why you are going there (Shapiro, 2001). According to Foundation for Community Association Research (2014), strategic planning is more than ensuring your association will remain financially sound and be able to maintain its reserves—it’s projecting where your association expects to be in five, ten, or fifteen years—and how your association will get there. It is a systematic planning process involving a number of steps that identify the current status of an association, including its mission, vision for the future, operating values, needs (strengths, weaknesses, opportunities, and threats), goals, prioritized actions and strategies, action plans, and monitoring plans. The application of strategic planning in business succession has been touted in this study as a sinquanon to the survival of family owned business in Nigeria.

Management and ownership succession are two critical factors on which all other business activities revolve (Onuoha, 2013). The application of strategic planning in business succession will help in the management and ownership succession of Family Owned Businesses (FOB) by making provisions for the development, replacement and strategic application of key personnel or owner(s) over time, and this requires the identification of the organization's core values, vision, mission, strategic plans, etc. This entails ensuring continuous corporate leadership.

Statement of the Problem
A careful review of the literature on family owned business revealed that more than half of the businesses worldwide are owned by families (Adams, 2009; Timmons & Spinelli: 2007). That notwithstanding, Family Owned Businesses (FOB) are still on the increase thus suggesting there unique role in the global economy. Supporting this assertion are some research in Family Owned Businesses (FOB) that emphasized on the roles of Family Owned Businesses (FOB) to the global economy (Esuh, Mohd, and Adebayo, 2011; Ogundele, Idris, and Ahmed-ogundipe, n.d.;). According to Ogbechie and Anetor (2015) & Morris, Williams & Allen (1997), some of the roles include creation of employment opportunities, maintenance of competition, stimulation of indigenous entrepreneurship, wealth creation, innovations and creativity, foreign exchange earnings, mobilization of savings, and contribution to the GDP. Despite these vital roles, family-owned enterprises in Nigeria are faced with the problem of succession as about 95% of family businesses do not survive the third generation of ownership. This study was therefore informed by the poor business succession in Family Owned Businesses (FOB) in Nigeria (Onuoha, 2013). These businesses are unique and valuable and therefore deserve to be studied in more detail by investigating the application of strategic planning in business succession in the management and ownership succession of Family Owned Businesses (FOB) particularly in Anambra state, Nigeria.
Objectives of the Study
The main objective of this study is to examine the application of strategic planning in business succession of selected Family Owned Businesses (FOB) in Anambra state, Nigeria. Specifically, the objective of the study is to:

Ascertain the extent of application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

Examine the extent of application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

Determine the extent of challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria.

Research Questions
What is the extent of application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria?

What is the extent of application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria?

What is the extent of challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria?

Statement of Hypotheses
Ho1: There is no significant difference in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

Ho2: There is no significant challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria.

REVIEW OF RELATED LITERATURE

Strategic Planning
Strategy is designed to help an organization gain competitive advantage over its rivals. Gaining advantage however involves articulated planning (Alaka, Tijani & Abass, 2011). Over time the concept and practice of strategic planning has been embraced worldwide and across sectors because of its perceived contribution to organizational effectiveness. Today organizations from both the private and public sectors have taken the practice of strategic planning seriously as a tool that can be utilized to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management (Arasa and K’Obonyo, 2012). Strategic planning therefore focuses on long range objectives and short term priorities through the adoption of various business analytic techniques (Alaka, Tijani & Abass, 2011). According to Shapiro (2001), strategic planning is the overall planning that facilitates the good management of a process. Strategic planning takes you outside the day-to-day activities of your organisation or project. It provides you with the big picture of what you are doing and where you are going. Strategic planning gives you clarity about what you actually want to achieve and how to go about achieving it, rather than a plan of action for day-to-day operations. Obasan, Ogunkoya and Olufemi (2013) argued for the importance of strategic planning, providing keen insight into overcoming the barriers and biases associated with planning failures. But the debates rages on in the literature as to the critical importance of strategic planning.

Business Succession
In the literature of business succession, management and ownership succession remain a central focus on which all other business activities revolve. According to Ogundele, Idris, and Ahmed-ogundipe (n.d) and Animashaun & Oyeneeyin (2002), succession in legal parlance is the passing of “property to persons upon the death of the owner of the property”. As stated by by Ogundele, Idris, and Ahmed-ogundipe (n.d), the simple law of nature, states that everyone must eventually die. However, human beings acquire properties during their lifetime and many successful
Entrepreneurs have the business or enterprise as one of such assets. After the demise of the entrepreneur, the assets will have to be distributed to their living relations. The law of succession regulates the transmission of the rights and obligations of the deceased individual with respect to his estate to his successors and heirs.

**Family Owned Businesses (FOB)**

Extant literature is replete with the definition or what constitute family owned business. Scholars have however viewed it from different stand point. For some, Family Owned Businesses (FOB) is determined by the distribution of ownership in other words it is a family business or a company in which the members of a family have the legal control over ownership (Lansberg, Perrow, & Rogolsky, 1988). For others (Palacios, Martínez & Jiménez, 2013; Ruiz, Sessarego & Guzman-Sanza, 2010), Family Owned Businesses (FOB) has two key feature which are ownership and control. In this case, the family participates in the ownership and management of the company. Two pictures of Family Owned Businesses (FOB) have been created here, one is that of control over the ownership of the company and not the operational management of the company and the other is that of control over ownership and also influence the making of strategic decisions such as operational management of the company, succession planning, vision creation, long-term values, and so on (Palacios, Martínez & Jiménez, 2013; Chittoor and Das, 2007). The picture of Family Owned Businesses (FOB) portrayed in this study is the later which is typical of the African context and South-East Nigeria in particular.

**Related Empirical Studies**

Onuoha (2013) examined the challenges and problems of professionalizing family businesses in South-East, Nigeria. The survey covered the commercial cities of the region. The study revealed that family businesses are not professionalized because of the following challenges and problems – unincorporated enterprises, lack of succession plan, unawareness of government policies on entrepreneurship development, high operational costs, financial constraints, poor infrastructures, competition, multiple taxes, etc. Esuh, Mohd, and Adebayo (2011) explores and examines succession in relation to family business continuity. Their study proposed an integrative conceptual model on how true succession could ensure family business continuity.

Using discriminant analysis as an appropriate statistical tool, Palacios et al (2013) examined family growth versus family firm growth: professional management and succession process. Data were obtained from a total of 180 family businesses. Results of the study show that significant differences exist between family firms where the family grows more than the company and those where the company grows more than the family. Each group has a different vision. The former is more oriented towards meeting their family needs through the company, whereas the latter is more oriented towards business and professional efficiency. Wallace (2010) examined factors associated with family owned businesses that lead to business success and profitability. The panel data used in this study came from the 1997 and 2000 waves of the National Family Business Study (NFBS). Many independent variables from the 1997 wave (e.g., age, gender, managerial activities, business size, home-based, business problems) were tested to predict business success and profitability (dependent variables), which were variables from the 2000 wave. Some of the descriptive analyses indicated that, compared to female managers, male managers perceived less business success, participated more in managerial activities, managed older businesses, experienced more business problems, and experienced fewer business cash-flow problems. Compared to businesses that are not home-based, home-based businesses reported less perceived business success, less business profitability, were smaller businesses, experienced fewer business problems, had fewer business liabilities, and had managers with poorer health and less education. Overall, the ordinary least squares regression analyses yielded results indicating that managerial activities, home-based businesses, business age, business problems, and business cash-flow problems were all statistically significantly associated with perceived business success. Business size was shown to be significantly associated with business profitability.

From the literature reviewed there seems to be a paucity of literature on the application of strategic planning in business succession of Family Owned Businesses (FOB) in Nigeria. Most
of the literature reviewed was drawn from the western context of Europe and America. This therefore creates a literature and knowledge gap to be filled by this study. This study will be beneficial to researchers, academics and policy makers. For researcher, the study will provide them with disparate strands of thought and authoritative educational material for further research on the application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB). For academics, it will contribute to knowledge by supplementing existing literature on strategic planning and business succession nexus debate. For policy makers and development officials, the work will provide them empirical results and scholarly directions for the application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) particularly in Anambra state.

METHODOLOGY

Research Design
This study adopts a quantitative survey research design. The study is a quantitative descriptive survey research design that involves asking questions, collecting and analyzing data from a supposedly representative members of the population at a single point in time with a view to determine the current situation of that population with respect to one or more variable under investigation (Okeke, Olise and Eze, 2008; Chukwuemeka, 2002; Chukwuemeka and Oji, 1999). The questions asked are to elicit responses that will answer the research questions and address the objectives of the research. This work is concerned with the collection of data for the purpose of examining the implication of strategic planning on the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria. It involved sampling by using structured questionnaire to generate data that will be analyzed so as to gain insight into the topic under study.

Population of the Study
The population of the study consists of Four Hundred and Sixty-Eight (468) Family Owned Businesses (FOB) that made their annual returns in 2017 with the corporate affairs commission in Anambra state as at the time of this study.

Sample Size and Sampling Technique
In order to determine the sample size for the purpose of questionnaire distribution the Taro Yamani formula was used to obtain a sample of 215 Family Owned Businesses. The formula is stated thus:
Method of Data collection

The questionnaire was used in collecting data for this study. It was divided into two sections: The first section of the questionnaire contained information about the demographic characteristics of the respondents. The second section was designed to collect information about strategic planning on the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria. All items included in the questionnaire from literature and initial pilot survey of twenty (20) Family Owned Businesses (FOB) in Onisha, Anambra state. Four trained research assistants were used for the administration of the questionnaire. They assisted the respondents to complete the questionnaire through an interactive process; thus, making sure the questionnaire was completed on the spot. On the whole, a total of 215 return rate was achieved which was a hundred percent 100% return rate.

The reliability of the instrument was established using test-re-test method. Copies of the questionnaire for the study were administered to twenty (20) Family Owned Businesses (FOB) in an initial pilot survey of twenty (20) Family Owned Businesses (FOB) in Onisha, Anambra state. The same instrument was administered to the same respondents after two weeks. The coefficient of reliability for their responses of 0.811 was established using cronbach alpha. Cronbach’s alpha is a measure of internal consistency, that is, how closely related a set of items are as a group (Hair, Black, Barbin and Anderson, 2006). This was done using SPSS version 23.

Method of Data Analysis

The simple percentage, mean, standard deviation and t-test statistics were used to conduct the various analysis of this study. Descriptive statistics like frequencies and percentages were used to elicit information on the demographic profile of the respondents. The mean, standard deviation and t-test statistics were used to evaluate the implication of strategic planning on the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

\[
n = \frac{N}{1 + N \epsilon^2}
\]

Where: \( n \) = sample size
\( N \) = population
\( \epsilon \) = Margin of error (5% or 0.05)
\( 1 \) = Constant

Substituting in the above formula:

\[
n = \frac{468}{1 + 468 (0.05)^2}
\]

\[
= \frac{468}{1 + 468 (0.0025)}
\]

\[
= \frac{468}{1 + 468 (0.0025)}
\]

\[
n \approx 215
\]
DATA PRESENTATION AND ANALYSIS

Table 1: Distribution according to the demographic profile and business characteristics of Family Owned Businesses (FOB) in Anambra state, Nigeria.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Options</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
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<td>91.2</td>
<td>91.2</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>19</td>
<td>8.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
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<tr>
<td>Age</td>
<td>≤ 20</td>
<td>1</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>21 – 30</td>
<td>23</td>
<td>10.7</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td>31 – 40</td>
<td>42</td>
<td>19.5</td>
<td>30.7</td>
</tr>
<tr>
<td></td>
<td>41 – 50</td>
<td>46</td>
<td>21.4</td>
<td>51.1</td>
</tr>
<tr>
<td></td>
<td>51 – 60</td>
<td>33</td>
<td>15.3</td>
<td>66.4</td>
</tr>
<tr>
<td></td>
<td>≥ 60</td>
<td>70</td>
<td>32.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edu. Qualification</td>
<td>Primary</td>
<td>32</td>
<td>14.9</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>118</td>
<td>54.9</td>
<td>69.8</td>
</tr>
<tr>
<td></td>
<td>Tertiary</td>
<td>65</td>
<td>30.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business experience</td>
<td>1 – 5</td>
<td>11</td>
<td>5.11</td>
<td>5.11</td>
</tr>
<tr>
<td></td>
<td>6 – 10</td>
<td>26</td>
<td>12.1</td>
<td>17.2</td>
</tr>
<tr>
<td></td>
<td>11 – 15</td>
<td>46</td>
<td>61.4</td>
<td>88.6</td>
</tr>
<tr>
<td></td>
<td>15 and above</td>
<td>132</td>
<td>17.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital status</td>
<td>Married</td>
<td>166</td>
<td>77.2</td>
<td>77.2</td>
</tr>
<tr>
<td></td>
<td>Single</td>
<td>23</td>
<td>10.7</td>
<td>87.9</td>
</tr>
<tr>
<td></td>
<td>Widow/widower</td>
<td>26</td>
<td>12.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent’s position</td>
<td>Owner/CEO</td>
<td>179</td>
<td>83.3</td>
<td>83.3</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>36</td>
<td>16.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


With respect to the gender of the respondents as shown in table 1, 91.2% of the respondents are males while 8.8% are females thus, suggesting the enterprising nature of the males from the state in developing family businesses. With respect to age, majority of the respondents are above 70 years of age. This accounts for about 32.6% of the responses. All the respondents have formal education. However, majority of the respondents had secondary education which account for about 54.9%. The least educated has a minimum of 6 years of education which translates into primary school education while the most educated has a maximum of 16 years of education. With respect to business experience, about 61.4% had over 15 years of business experience. The marital status shows that majority of them 77.2% are married, 10.7% are single while 26% are Widow/widower. Owner/CEOs and Managers of the selected firms responded to the questionnaires administered. As shown in table 1, 83.3% of the respondents are Owner/CEOs of the selected firms, 16.7% are managers of the selected firms.
Table 2: Distribution according to the extent of application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria

<table>
<thead>
<tr>
<th>S/N</th>
<th>ITEMS</th>
<th>MEAN</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Our company has a strategic planning programme for management succession</td>
<td>2.60</td>
<td>0.678</td>
</tr>
<tr>
<td>2</td>
<td>Our company has a well-thought-out vision for management succession</td>
<td>2.79</td>
<td>0.450</td>
</tr>
<tr>
<td>3</td>
<td>Our company has a well-thought-out mission, activities and values for management succession</td>
<td>2.78</td>
<td>0.624</td>
</tr>
<tr>
<td>4</td>
<td>Our company has a well-thought-out activities and values for management succession</td>
<td>2.80</td>
<td>0.600</td>
</tr>
<tr>
<td>5</td>
<td>Our company has a well-thought-out programme of Environmental Scan or SWOT Analysis for management succession</td>
<td>2.61</td>
<td>0.677</td>
</tr>
<tr>
<td>6</td>
<td>Our company has a well-thought-out programme for Identifying Strategic Issues for management succession</td>
<td>2.60</td>
<td>0.678</td>
</tr>
<tr>
<td>7</td>
<td>Our company has a well-Developed Strategic Goals and Objectives for management succession</td>
<td>1.34</td>
<td>1.910</td>
</tr>
<tr>
<td>8</td>
<td>Our company has created implementation plans to achieve goals and carry out objectives for management succession</td>
<td>2.72</td>
<td>0.620</td>
</tr>
<tr>
<td>9</td>
<td>Our company has a well thought out programme for periodically monitoring and Evaluating management succession and adjust if necessary</td>
<td>2.41</td>
<td>1.022</td>
</tr>
</tbody>
</table>


As shown in Table 2, with respect to the extent of application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state, Nigeria. All the items of the template do not meet the theoretical mean threshold of 3.0, thus indicating that there is no adequate application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state.
Table 3: Distribution according to the level application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria

<table>
<thead>
<tr>
<th>S/N</th>
<th>ITEMS</th>
<th>MEAN</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Our company has a strategic planning programme for ownership succession</td>
<td>3.00</td>
<td>0.769</td>
</tr>
<tr>
<td>2</td>
<td>Our company has a well-thought-out vision for ownership succession</td>
<td>2.00</td>
<td>1.110</td>
</tr>
<tr>
<td>3</td>
<td>Our company has a well-thought-out mission, activities and values for ownership succession</td>
<td>2.91</td>
<td>0.288</td>
</tr>
<tr>
<td>4</td>
<td>Our company has a well-thought-out activities and values for ownership succession</td>
<td>2.78</td>
<td>0.997</td>
</tr>
<tr>
<td>5</td>
<td>Our company has a well-thought-out programme of Environmental Scan or SWOT Analysis for ownership succession</td>
<td>2.66</td>
<td>0.811</td>
</tr>
<tr>
<td>6</td>
<td>Our company has a well-thought-out programme for Identifying Strategic issues for ownership succession</td>
<td>2.78</td>
<td>0.938</td>
</tr>
<tr>
<td>7</td>
<td>Our company has a well-Developed Strategic Goals and Objectives for ownership succession</td>
<td>2.35</td>
<td>1.067</td>
</tr>
<tr>
<td>8</td>
<td>Our company has created implementation plans to achieve goals and carry out objectives for ownership succession</td>
<td>3.33</td>
<td>0.770</td>
</tr>
<tr>
<td>9</td>
<td>Our company has a well thought out programme for periodically monitoring and Evaluating ownership succession and adjust if necessary</td>
<td>2.87</td>
<td>0.343</td>
</tr>
</tbody>
</table>


As shown in Table 3, with respect to the extent of application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria. Only two (2) items [ i.e. item 1 & 8] out of the nine (9) items in the template met the theoretical mean threshold of 3.0, it also shows that there is no adequate application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state.
Table 4: Distribution according to the extent of challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria

<table>
<thead>
<tr>
<th>S/N</th>
<th>ITEMS</th>
<th>MEAN</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Conflicting personalities</td>
<td>3.00</td>
<td>.769</td>
</tr>
<tr>
<td>2</td>
<td>Lack of shared goals</td>
<td>4.00</td>
<td>.000</td>
</tr>
<tr>
<td>3</td>
<td>Failure of leadership</td>
<td>3.91</td>
<td>.288</td>
</tr>
<tr>
<td>4</td>
<td>Work Ethic</td>
<td>2.78</td>
<td>.997</td>
</tr>
<tr>
<td>5</td>
<td>Compensation</td>
<td>2.66</td>
<td>.811</td>
</tr>
<tr>
<td>6</td>
<td>Expectations</td>
<td>3.78</td>
<td>.938</td>
</tr>
<tr>
<td>7</td>
<td>Family participation in the family business and under what circumstances</td>
<td>3.35</td>
<td>1.067</td>
</tr>
<tr>
<td>8</td>
<td>Leadership and ownership in preparing the next generation to assume responsibility for the business</td>
<td>3.53</td>
<td>.770</td>
</tr>
<tr>
<td>9</td>
<td>Incumbent’s willingness to let go of the family business</td>
<td>3.87</td>
<td>.343</td>
</tr>
<tr>
<td>10</td>
<td>Attracting and retaining non-family executives</td>
<td>3.00</td>
<td>.769</td>
</tr>
<tr>
<td>11</td>
<td>Choice of successors and how to choose among multiple successors</td>
<td>4.00</td>
<td>.000</td>
</tr>
</tbody>
</table>


As shown in table 4, with respect to the extent of challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria. With the exception of items 4&5, every other item in the template pose a challenge to the application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state.

Hypothesis Testing

Ho1: There is no significant difference in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

Table 5: T-test statistics on significant difference in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria

<table>
<thead>
<tr>
<th>Items</th>
<th>Mean (x)</th>
<th>Std deviation</th>
<th>Std. Error mean</th>
<th>t</th>
<th>df</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and ownership succession</td>
<td>2.862</td>
<td>0.653</td>
<td>1.432</td>
<td>1.499</td>
<td>214</td>
<td>0.120</td>
</tr>
</tbody>
</table>


Hypothesis one states that there is no significant difference in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria. To test the hypothesis the t-test statistics was employed. Table 5 is a summary of the t-test values in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. The result of the test shows that the t-calculated value was not significant at 0.120 significant levels. We therefore fail to reject the null hypothesis and conclude that There is no significant difference in application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.
Ho2: There is no significant challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria.

Table 6: T-test statistics on significant challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria.

<table>
<thead>
<tr>
<th>Variables</th>
<th>t</th>
<th>df</th>
<th>Sig</th>
<th>Mean diff.</th>
<th>Std. Error</th>
<th>95% confidence interval of the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflicting personalities</td>
<td>5.005</td>
<td>214</td>
<td>0.000</td>
<td>3.00</td>
<td>0.064</td>
<td>3.48 - 3.73</td>
</tr>
<tr>
<td>Lack of shared goals</td>
<td>88.880</td>
<td>214</td>
<td>0.000</td>
<td>4.00</td>
<td>0.043</td>
<td>3.71 - 3.88</td>
</tr>
<tr>
<td>Failure of leadership</td>
<td>63.901</td>
<td>214</td>
<td>0.000</td>
<td>3.91</td>
<td>0.059</td>
<td>3.67 - 3.90</td>
</tr>
<tr>
<td>Work Ethic</td>
<td>66.724</td>
<td>214</td>
<td>0.000</td>
<td>2.78</td>
<td>0.057</td>
<td>3.69 - 3.91</td>
</tr>
<tr>
<td>Compensation</td>
<td>56.262</td>
<td>214</td>
<td>0.000</td>
<td>2.66</td>
<td>0.064</td>
<td>3.49 - 3.74</td>
</tr>
<tr>
<td>Expectations</td>
<td>56.001</td>
<td>214</td>
<td>0.000</td>
<td>3.78</td>
<td>0.054</td>
<td>3.48 - 3.73</td>
</tr>
<tr>
<td>Family participation in the family business and under what circumstances</td>
<td>15.530</td>
<td>214</td>
<td>0.000</td>
<td>3.35</td>
<td>0.086</td>
<td>1.17 - 5.51</td>
</tr>
<tr>
<td>Leadership and ownership in preparing the next generation to assume responsibility for the business</td>
<td>63.183</td>
<td>214</td>
<td>0.000</td>
<td>3.33</td>
<td>0.059</td>
<td>3.60 - 3.84</td>
</tr>
<tr>
<td>Incumbent’s willingness to let go of the family business</td>
<td>35.192</td>
<td>214</td>
<td>0.000</td>
<td>3.87</td>
<td>0.097</td>
<td>3.22 - 3.61</td>
</tr>
<tr>
<td>Attracting and retaining non-family executives</td>
<td>41.595</td>
<td>214</td>
<td>0.000</td>
<td>3.00</td>
<td>0.086</td>
<td>3.59 - 3.73</td>
</tr>
<tr>
<td>Choice of successors and how to choose among multiple successors</td>
<td>27.389</td>
<td>214</td>
<td>0.000</td>
<td>4.00</td>
<td>0.041</td>
<td>1.65 - 2.22</td>
</tr>
</tbody>
</table>


Hypothesis two states that there are no significant challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria. To test the hypothesis the t-test statistics was employed. Table 6 is a summary of the t-test values in challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state. The result of the test shows that the t-calculated values were all significant at 0.000 significant levels. We therefore reject the null hypothesis and conclude that there are no significant challenges faced by Family Owned Businesses (FOB) in the application strategic planning in their management and ownership succession in Anambra state, Nigeria.

Summary of Findings, Conclusion and Recommendation

The findings of this study are robust. The study revealed that:

There is no adequate application of strategic planning in the management succession of Family Owned Businesses (FOB) in Anambra state.

There is also no adequate application of strategic planning in the ownership succession of Family Owned Businesses (FOB) in Anambra state.

There is also no significant difference in the application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state, Nigeria.

Family Owned Businesses (FOB) also face significant challenges in the application of strategic planning in the management and ownership succession of their businesses.
In conclusion, despite the role strategic planning the management succession of Family Owned Businesses (FOB) as observed in the literature, findings of the study suggest inadequate application of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. Strategic planning has a process and it focuses on long range objectives and short-term priorities through the adoption of various business analytic techniques (Alaka, et al 2011). According to Shapiro (2001), strategic planning is the overall planning that facilitates the good management of a process. Strategic planning takes you outside the day-to-day activities of your organisation or project. It provides you with the big picture of what you are doing and where you are going. Strategic planning gives you clarity about what you actually want to achieve and how to go about achieving it, rather than a plan of action for day-to-day operations. Therefore, its application will help prolong the life of family owned businesses in Anambra state.

Based on the analysis and findings of this study, the researchers therefore recommend that:

Family owned businesses in Anambra state should embark on adequate application of strategic planning in the management succession of Family Owned Businesses (FOB) by developing and focusing on long range objectives and short-term priorities through the adoption of various business analytic techniques.

The ministry of commerce and industry should develop capacity training for the awareness and adoption of strategic planning in the management and ownership succession of Family Owned Businesses (FOB) in Anambra state. This will enable Family Owned Businesses (FOB) in Anambra state survive their first, second, third generation and so on.

**Limitation of the Study**

The study could not be carried out throughout the country because of time pressure to complete the research within the stipulated time frame. There was financial challenge to take care of needed materials to do the research work. The researchers also find it difficult in getting the needed information as some of the respondents were reluctant to give the required information. In spite of the challenges, the researchers were able to obtain the needed information for the successful completion of the job.

**REFERENCES**


We investigate how digital social ecosystems in African markets advance digital marketing opportunities. We present and analyze findings on digital ecosystems in African markets. We compare digital ecosystems with other non-digital social ecosystems that emerge from the data. Finally, we conclude with a discussion on policy implications of digital social ecosystems and discuss future research.

Keywords: Social creativity; Social Ecosystems; Digital; African Markets.

Introduction

In recent times, advances in digital have created a dynamic platform for social interactions and the formation of social networks (Bharadwaj, Sawy, Pavlou, and Venkatraman 2013). Digital technology services take a variety of forms, which includes long-distance remittances, micropayments and other applications that go by various names, including digital banking, digital transfers, and digital payments (Donner and Tellez 2008). Social networks are a web of social ties that bind individuals together based on factors such as friendship, common interests, and shared professional activities. Social networks become even more dynamic when they evolve into social ecosystems, which are complex forms of social ties whereby individuals are part of multiple overlapping ecosystems and interact with others in other social networks at the same or different times. Ecosystems are open, flexible and interactive domains, which are demand driven (Boley and Chang 2007). In this paper, we investigate how digital social ecosystems in African markets advance digital marketing opportunities. African markets are fast expanding markets and are defined as new markets that emerge at industry, business, or even individual levels with vibrant, robust, and fast-growing economies (Tse, Esposito, and Soufani 2016). According to Boley and Chang (2007), individuals in a social ecosystem are proactive and responsive in their interactions regarding their own benefit while supporting collaboration and communication in order to ensure sustainability. Social ecosystems typically overlap more freely in various ways such as social networks formed around family, profession, and social interests. The study therefore investigates how such social ecosystems enhances digital in African markets.

The dynamism of digitization in African markets such as the five KINGS countries namely Kenya, Ivory Coast Nigeria, Ghana and South Africa has opened up several marketing opportunities (Frynas and Mellahi 2003). In such markets, social ecosystems occur in multiple tech hubs, working spaces, and accelerators that provide innovation, creativity, and entrepreneurship. Africa is now a home to some of the fastest and vibrant global giants such as
the Bidvest Group and Sonatrach, with estimated sales in excess of USD 72 Billion (The African Report, 2013). Some studies (Elliot, Ngugi and Malgwi 2017) have discussed how mobile phone technology is customized to mitigate marketing channel inefficiencies. Other researchers have also explored non-traditional channels and innovative access to consumers (Sheth 2011), reverse innovation (Govindarajan and Ramamurti 2011) to demonstrate how innovations can be spiralled in African markets. Whilst existing studies have discussed how digitization and other opportunities is advancing marketing in African markets, there has been limited discussion on the role of social ecosystems in digitization as is occurring in African markets.

To answer our research question, a qualitative study in the form of phenomenological interview was conducted in Ghana, West Africa with 15 dyads of financial services providers (FSPs) and their microenterprise customers (CMEs). The contribution of the paper is therefore two-fold: Firstly, the paper highlights how social ecosystems advance digital marketing and therefore contributes the concept of digital social ecosystems. The comparison between digital social ecosystems and non-digital ones provides a clear direction of elements required to build a digital social ecosystem. Secondly, from the findings, the paper argues for the embrace of the socio-cultural factor of collectivism in African markets that generates social creativity and transcends the traditional, rigidly defined, collaborative environments. The contents of this paper are organized as follows: following the discussion on the related research in the next section, the methodology section presents a quantitative study in the form of ethnographic interviews. In the fourth section, we present and analyze findings on digital ecosystems in African markets. We compare digital ecosystems with other non-digital social ecosystems that emerge from the data. Finally, we conclude with a discussion on policy implications of digital social ecosystems and discuss future research.

Theoretical Perspectives

Digitization in African Markets

Digitization capability refers to an advanced ability to use smart and connected digital products and data analytics to facilitate development and delivery of service offerings. In African markets such as KINGS (Kenya, Ivory-Coast, Nigeria, Ghana and South Africa) social networks and markets are co-evolving in ways that leverages digitization in networked spaces to open new marketing opportunities. These developments expose the dynamic interrelationships among agents, social networks and market enterprise. Digitization assists firms to adjust service and delivery process designs according to customer needs quickly without substantial trade-off in cost, delivery and quality of services (Wright 2002). In African markets with collectivist cultures, such emerging hybrid relations cut across the commercial and non-commercial social networks and markets.

E-business is an aspect of digitization that opens opportunities in global markets. E-business spans applications of information and communication technologies such as office automation, production processes, and coordination with other plants, customer relation management, supply chain management, and management of distribution networks (Lal 2004). E-business potentially provides small firms with opportunities for radical change to their businesses. E-commerce has been defined as the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means (Zeithaml, Parasuraman and Malhotra 2002). E-commerce delivers superior service quality and also increases satisfaction with both the experience and product purchased and improves intentions to repurchase from a Web site (Lynch and Ariely 2000).

In African markets, where women entrepreneurs dominate, customization of digitization to activities of these women entrepreneurs could substantially increase viable entrepreneurial opportunities at the global market level. According to Hinson and Sorensen (2008), e-business facilitate the execution of export related functions like financial management, marketing management, strategy leverage, production management, information systems, logistic
management, customer relationship management, and human resources management. We therefore argue in this study that digital ecosystems have opened up opportunities to leverage unique socio-cultural factors in frontier markets. According to Boley and Chang (2007), “digital ecosystems transcend the traditional, rigorously defined, collaborative environments from centralised, distributed or hybrid models into an open, flexible, domain cluster, demand-driven, interactive environment” (p. 1). A digital ecosystem is a networked architecture and collaborative environment (Boley and Chang 2007). Socially, microenterprises have been accustomed to traditional modes of communication such as face-to-face interactions in market places, churches and other open spaces from which they receive immediate feedback and trust (Obijofor 1998). These communication channels have now been mostly replaced by digital to provide convenience and save time.

Social Networks in African Markets

Social networks are the relationships through which individuals receive opportunities to use financial and human capital (Burt 2000). Social networks in African markets exist in at least three separate forms: kinship ties that link together components of extended family enterprises; social ties that form through shared social histories, for example attendance at the same school or membership in the same clubs; and professional ties based on connections formed in the course of repeated business transactions (Brautigam 2003). One aspect of social networks that is salient to digitization in African markets is the aspect of collectivism. Collectivism stands for a society in which people from birth onwards are integrated into strong cohesive in-groups, which throughout continue to protect the individual throughout the lifetime in exchange for unquestioning loyalty (Hofstede 2007). Additionally, in collectivist cultures group interests prevail and there is reciprocation of favor, a sense of belonging and respect for tradition (Clark and Eckhart 2003). Collectivism relates to theories on the dependent/interdependent self. The primary goal of the independent self is to distinguish oneself from others in a positive manner; the emphasis is on achievement and autonomy (Markus and Oyserman 2014). In contrast, the primary goal of the interdependent self is to maintain harmony with others in the social setting; the emphasis is on fulfilling social roles and maintaining connections with others, often by developing social networks (Heine and Lehman 1999).

Methodology

Context of Study

Group characteristics of microenterprises in African markets are very similar and include predisposing factors such as demographics, location, general organizing capacity, and economic impact. Microenterprises form over 92% of businesses in Africa. These businesses have fewer than 10 employees with an average of five workers (O’Dwyer and Ryan 2000). Most of these microenterprises operate in geographically dispersed locations, mostly in informal sectors and have high dependence on family. The potential of microenterprises as powerful agents of economic growth in subsistence markets lie in their capacity to apply ingenuity and resourcefulness in their societies (McDade and Spring 2005). Microenterprises in African markets operate in conditions of inadequate business infrastructures and environmental hostilities such as lack of access to capital, weak networks, poor working conditions, limited resources and marketing, limited training, legal issues, and lack of government support (DeBerry-Spence and Elliot 2012).

Financial services firms (FSPs) are characterized by four essential features, which facilitate their value creation: According to Drew (1994), these features are: firstly, their products are information, service and knowledge intensive; secondly, customer service quality is a critical success factor; thirdly, the environment in which they operate is dynamic; and fourthly, choices are complex and many facets have to be considered. In the recent past, technology and deregulation have opened up new markets for financial services firms in emerging markets (e.g. Miozzo and Soete 2001). These new markets have in turn opened up opportunities for value co-creation between MEs and FSPs. New product-service forms in these emerging markets such
as mobile banking, electronic payments, debit cards, and other forms of e-commerce are providing impetus to the emergence of new financial services products (Saunders et al., 2007).

Research Design
We adopt a qualitative approach that incorporates interviews and observations into an interpretative study. Interpretative studies also provide respondents room to articulate responses through interviews questions or open-ended questions (Denzin 1997). The qualitative method was considered ideal for this study because in contrast to quantitative research, the qualitative approach enables the researcher to unveil what people say and do as a result of how they interpret the world. Through an empathetic understanding and process of interpretation, it is possible to reproduce the thoughts, feelings and motives behind the actions of others. This is achieved through observations and immersion in the cultural context, in order to gain insights into the inner-world of the participants. The features of the qualitative method therefore facilitate: (1) understanding the processes by which events and actions take place; (2) developing contextual understanding c) facilitating interactivity between researcher and participants (3) adopting an interpretive stance) maintaining design flexibility.

Data Collection
Informants were identified by both snowball and purposive sampling. To obtain multiple perspectives on the role of socio-cultural factors during value co-creation between FSP and CMEs in emerging markets, we conducted 72 in-depth interviews with from both FSP and CME participants. Specifically, we conducted depth interviews with 15 FSP-CME dyads (30 participants total). Data were collected over an eight-month period, with one month of intensive face-to-face interviewing and observations preceded by four months of telephone interviews and followed by two months more of telephone interviews. Interviews were conducted with FSPs and CMEs individually, with each dyad, and on multiple occasions, resulting in a total of 72 interviews. The FSPs and CMEs dyads in this study worked together a minimum of four years and have jointly developed at least one new service design which involves digital ecosystems. In addition to gathering the interview data, we observed and took notes at in-situ meetings. Observational notes provide greater contextual understanding of the recordings and transcripts. When permitted, photographs were taken, and interviews were audio recorded.

Data Analysis
Recorded interviews were transcribed and included with other written data. Analysis was a multi-layered process using the Atlas Ti software for open and axial coding. The goal of open coding is to reduce large amounts of data to smaller, more manageable amounts and involves a process where concepts and categories are identified, and their properties and dimensions are discovered in the data. Axial coding is the process of relating categories to their subcategories and linking categories at the level of properties and dimensions. Data analysis involved the categorization of data into themes and subthemes, a process commonly used in study designs that aim to describe a phenomenon, especially when research literature on the phenomenon is limited. The themes emerging from our findings are elaborated on in the next section.

Findings and Discussion
Our findings demonstrate how digital interactions with customers leverages the social networks of the collectivist African markets for socially creative outcomes. Three themes emerge from our study: 1) Social Network Construction; 2) Social Network Animation; 3) Social Network Reinvention. These themes highlight the dynamic marketing possibilities that digital offers in African markets where social networks are dynamic.

Social Network Construction
FSP5 illustrates how digital can be used to construct new social networks in his narration. FSP points out the fact that the digital payment platform provided by FSPs makes life easier for customers. This platform of social networks has provided FSP 5 with new ideas to construct a
new social network made up of younger college and high school customers. Who would patronize an amended version of the digital app based on their lifestyles. The advantage of such social networks in African markets is that the collectivist ideas leads to extremely fast patronage of products because word-of-mouth effects are overly dynamic in collectivist social networks. Social networks are where social interactions occur, which improve the individual’s knowledge and ability to generate feasible ideas. Having loose ties to many other individuals in different social circles enables access to a greater variety of information and diverse perspectives (Perry-Smith, 2006). These weak ties therefore contribute to greater ability to grasp subtle differences suggested by alternative solutions to problems. Social relationships therefore stimulate a more expansive view and raise the potential for making unique connections between ideas such as narrated by FSP5. Similarly, CME12 points out two essential advantages that social ecosystems provides to digitization. The first is that digitization would create more customer value at more affordable prices and lead to competitiveness that would create more efficiency. The second is that whilst face-to-face contact is important, the leverage of social networks with digitization will put a human face to the FSP-CME interaction and thus construct a more efficient social networking platform with the customer. The infusion of technology to service encounters is dramatically changing their "high-touch, low-tech", nature since the competitive marketplace is driving all firms to incorporate services within their key offerings to customers (Bittner and Brown 2000). Our findings also reveal that the leverage of social ecosystems also constructs new social networks that capture more value for the CME as well as the FSP. CME 5 exposes how the leverage of social networks with digitization would help him to create as well as capture more value. Social creativity entails a new perspective on how we design the supporting technological, social, and organizational environments. As exposed by CME5, digital links up the firm and employees and is focused on enabling marketers to deliver satisfying services and observe instant responses and effect of their marketing. This aspect validates the assertion that the link between employees and customers is represented by interactive marketing--where promises made to customers become instant reality and moments of truth in which customers and employees interact and the service is jointly produced. In African markets, more value is created for more customers simultaneously as highlighted by CME5, creating new socially constructed networks.

Social Network Animation

Social ecosystems are spurred on by empowerment through social network animation on a face-to-face level by FSPs, which augments the imagination and hope of CME communities. In this social ecosystem context, customer interaction involves varying degrees of digital activities – financial literacy training through videos and WhatsApp messaging. After six weeks of exposure to these activities, customers can then qualify for a loan. These activities in digital social ecosystems provides structural social capital. Structural social capital facilitates mutually beneficial collective action through established roles and social networks supplemented by rules, procedures and precedents (Hitt et al., 2002). To qualify for a loan means the CME is ready to follow the rules and procedures to ensure the loan is paid back with interest. FSP11 speaks of transformation officers who animate the community social networks. The transformation refers to transformational programs advocated by FSPs to promote policies that empower the Social Networks. Social ecosystems are formed from these loosely linked groups. These social ecosystems thrive in the communities with relatively cohesive social structures with leaders that can be held accountable. As each group in the network receives information and training, it is synthesized and new ideas spring forth. This offers greater scope to expand the social ecosystem to benefit from transformational financial services. Second, it enables the FSPs as well as the communities to extend their skill base. Additionally, the training, services, facilities, and assistance provided to the community members empower them to emerge linkages within the social ecosystem to ensure the successful implementation of transformative projects initiated by the FSPs. This process of digital validates recommendations when building and managing customer interaction channels as highlighted by FSP15. These are: (1) Provide multiple interaction channels to the customers to allow them to choose which channels are more convenient for them; (2) Design each experience gateway considering the building blocks of
value co-creation processes; (3) Manage experience quality management across all interaction channels; (4) Ensure best practices to standardize the quality of customer service across all interaction channels and cocreator agents (Prahalad and Ramaswamy 2004). Digital allows firms to choose the right approach and method for responding to a customer requirement based on a common view of his/her experience context (Romero and Molina 2011). As illustrated by FSP 15 an in line with insights on the value co-creation by Prahalad and Ramaswami (2004), digital facilitates multiple customers’ choices from a simple financial transaction process to an overall co-creation experience. FSP8 throws further light on this social networks animation occasioned by digital. The intensely relational nature of African markets is shown in the above narration of FSP10. This collectivist relationship expands the knowledge set of the FSP or CMEs in the social ecosystems and can be animated for dynamic benefits through social media. Whereas creativity is still a product of the individual actor, the action of working together is a generative stimulus. Social relationships stimulate a more expansive view and raise the potential for making unique connections between ideas and we see an FSP wanting to connect with her senator but finding it impossible to reach him. She then manages to reach him through a WhatsApp, arrange a lunch where they talk like old pals. Here we see that membership in the same ecosystem offers privileges to the CME such as loans and social contacts. Face-to-face contacts are in such situations facilitated through digital and both channels become useful for customer interactions. With social creativity, tacit knowledge is largely acquired and transmitted through informal face-to-face interactions. It is expressed in the form of attitudes, points of view, evaluations, motivations, commitments etc. (Polanyi 1966). However, our findings also suggest that digital facilitates interaction with the customer by bridging relational distances. Additionally, such a relationship between the FSP and CME is enhanced through digitization, Digitized process richness describes the quality of information gathered about transactions in the process, transparency of that information to other processes and systems that are linked to it, and the agility to use the information to adapt or reengineer the process (Sambamurthy et al. 2003).

Social Networks Reinvention

Social Networks reinvention occurs when the social ecosystems are transformed into a new state with new service delivery innovations that engender new behaviors. FSP-11 exposes this role of digital in rural area and we see the bank smartphones and vehicles with mobile banking technology to take financial services to remote villagers who do not have bank access. Social creativity is described as sociologically based social change. In other words, it is what happens when a society reinvents itself (Domingues 2000). Creative processes can be carried out by individuals who interact with each other to produce individually generated creative outcomes or socially influenced creative outcomes. Creativity in this view is influenced by situational factors (Steiner, 2000). CME 9 throws more light on social networks reinvention that digitization makes possible and illustrates the social networks reinvention that is made possible as a result of digitization. New strategies are made possible to reinvent the entrepreneurial communities made possible when digitization brings the FSP and CME together for social creativity. Social creativity is a form of creativity that is expressed when one or several individuals choose new strategies to solve social problems or enhance social activities, within dyads or in larger groups (Mouchiroud and Lubart 2002) Social creativity is described as sociologically based social change and is what happens when a society reinvents itself (Montuori and Purser 1999). Digitization here becomes more than using digital technologies to transfer data and perform computations and tasks but becomes a means to use pro-innovation public policy agendas to develop digital as well as physical social ecosystems. Digital opens up ecosystems by making possible for CMEs and FSPs to gather together at short notice to share ideas, knowledge, networks and financial resources. An aspect of social capital consists of ties that provide resources such as information, providing g a bridging (inclusive) lubricant (Putnam, 2000). Social capital offers “conduits, bridges, and pathways” to opportunities and resources (Urwin, Di Pietro, Sturgis and Jack 2008). The FSPs participation in CME ecosystems opens up new ideas and knowledge for the social networks to reinvent themselves economically. Having loose ties to many other individuals in social networks enables access to a greater variety.
of information and diverse perspectives and contributes to greater ability to grasp alternative solutions to problems. Social relationships stimulate a more expansive view and raise the potential for making unique connections between ideas (Perry-Smith 2006).

**General Discussion**

Our study shows how social ecosystems can be leveraged through digitization in African markets and how social ecosystems offers many benefits to both CMEs and FSPs through digital platforms. Social capital theory refers to the ability of actors to extract benefits from their social structures, networks and memberships (Portes 1998). Digitization embraces disruptive effects of digital technologies on economy and society. To capture these effects, perspectives of the leverage of social networks in African markets are introduced. Our findings show that digitization enables the transition from simple face-to-face interactive to dynamic interactive and configurable services. Digital systems enable as well as improve customer relationship management (Raddats et al. 2014) and relationships with suppliers but also improve the design, integration and delivery of product-service systems (Vendrell-Herrero, Bustinza and Georgantzis 2017).

**Theoretical implications**

Our findings show that social ecosystems reinvigorate digital in African markets through social networks construction, social networks animation and social networks reinvention. According to Csikszentmihalyi (1988) “What we call creative is never the result of individual action alone; it is the product of three main shaping forces” (p. 325), which are the social institutions that select what is worth preserving, the cultural domain that transmits new ideas, and the individual who brings about a change in the domain. Digital social ecosystems therefore emerge from our study as a huge potential for marketing in African markets.

**Implications for marketers**

Although the development of digital social ecosystems is not an easy process, the resulting benefits can be substantial as illustrated in our study. Firms can however effectively manage interactions in digital social ecosystems for beneficial service encounter outcomes with the customer. FSPs especially can interact in many dynamic ways with the CME in digital social ecosystems. Whilst research has shown there are also negative outcomes associated with digitization (Mick and Fournier 1998), this article intentionally focuses on the positive aspects. Yet some of the challenges of digital social ecosystems must be recognized. The financial benefits to firms are often hard to quantify, making the original investment difficult to justify. Some CME participants mentioned their disapproval of increased charges imposed by FSPs as a result of digitization. Additionally, some CMEs may prefer the social aspects of interacting on a face-to-face level with FSPs during service encounters. Some FSPs in our study also mentioned that CMEs were very slow in adopting the use of digital for financial service delivery and interactions thus limiting the emergence of digital social ecosystems. Issues of customer privacy and the confidentiality of information can also be raised as a result of digital infusion (Milne 2000). Firms that consider the implementation of digital social ecosystems should closely involve customers in the design process. Satisfying specific customer needs and creating an open dialogue to address concerns are important ways of overcoming some of the negative repercussions of digital social ecosystems. To address these barriers to effective implementation, the firm must provide convincing evidence of the benefits of the digital ecosystems to all stakeholders.

**Implications for policy makers**

Policy makers risk sitting on the side-lines digital social ecosystems would become increasingly patronized by FSPs in their interactions with CMEs. Digital social ecosystems can be effectively used by policy makers to develop databases to be shared by FSPs and CMEs as well as other stakeholders. Databases allow key information on customers to be shared by potential investors and used by anyone who comes into contact with a customer. Such a database from digital social
ecosystems can be used to develop key performance indicators for economic development. The consideration of digital social ecosystems would also leverage social ecosystems in African markets as a resource for filling institutional voids.

**Future Research Directions**

To provide further insight into the increased use of digital service ecosystems by FSPs in service encounters with CMEs, several questions need to be explored in further research. First of all, it is important to determine if the same conceptual factors established in interpersonal service encounter research are relevant in a digital based environment. Assessments of satisfaction and loyalty, as well as attributions or complaining, are all factors that may have unique characteristics in digital social ecosystems. Digital social ecosystems allow for many more service encounters. Several other research questions that need to be addressed include the following: how should FSPs plan, implement, and measure the impact of digital social ecosystems on service encounters with the CME? What are the short- and long-term costs of digital social ecosystems? What can be done to ensure that digital social ecosystems are beneficial to both FSP and CMEs? Answers to these questions will not only represent scholarly contributions; they will also benefit marketing in African markets where many growth opportunities exist.

**References**


APPRENTICESHIP AND ENTREPRENEURIAL DEVELOPMENT IN SOUTHEAST NIGERIA: THE IGBO MAN PERSPECTIVES

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This study examined apprenticeship and entrepreneurial development in southeast Nigeria: The Igbo man perspectives using the Principal Components Analysis (PCA) and the regression model of the Ordinary Least Square (OLS). A total sample of four hundred and eighty-two (482) SMEs owners of Igbo extraction were the respondents of this study. From the result of the PCA, the principal components that serves as motivations for apprenticeship by Igbo entrepreneurs is the cash infusion giving to apprentice as start-up capital. Secondly, the principal components form the Igbo man perspectives of factors influencing entrepreneurial development is tolerance for risk and thirdly, the principal components from the challenges in the Igbo man apprenticeship system is that apprentices sometimes steals from their masters and adds to their start-up capital. Regression results revealed that all the three coefficients (The motivations for apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system) have significant effect on entrepreneurial development in southeast Nigeria. The study recommends that the government of Nigeria and African by extension should adopt the practice of the Igbo man apprenticeship system and entrepreneurial development in southeast Nigeria as a strategy for the development of African entrepreneurship. This is because of its sustainability in SMEs development and poverty reduction among the Igbo ethnic group in Nigeria among others.


1. Introduction

Entrepreneurial development has helped in shaping the economy of most of the advanced and developed nations for over a century now. The phenomenal concept has been a topical issue in both developed and developing economies because of the significant and critical roles entrepreneurship has played in building most of the advanced and emerging economies. It has been asserted that entrepreneurship play critical role by contributing to economic growth, job creation, and national income and hence to national prosperity and competitiveness (Baig, 2007; Abdul & Idris, 2014). According to Diyoke (2014), entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and career commitment or provide value for some products, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources. Entrepreneurship is also the process of managing your own business enterprise. Whereas entrepreneurs are individuals or persons, entrepreneurship is a process. At times the terms “entrepreneur” and “owner manager” are used interchangeably as if they mean the same thing because entrepreneurship is inextricably linked to small business management. Entrepreneurs are often both owners and employees and a considerable number of them are small business owners or managers. Such people are risk takers, creative, innovative, independent, hardworking and posses other qualities that are driving force behind any
entrepreneurial activities in the economy. These entrepreneurial activities significantly affect the economy by building the economic base and providing jobs (Diyoke, 2014). Entrepreneurship is as old as man, but among scholars the process arguably started with the works of Schumpeter 1947. Schumpeter was probably the first scholar to theorize about entrepreneurship, and the field owed much to his contributions. His fundamental theories are often referred to as Mark I and Mark II. In Mark I, Schumpeter argued that the innovation and technological change of a nation come from the entrepreneurs, or wild spirits. He coined the word Unternehmergeist, German for "entrepreneur-spirit", and asserted that the doing of new things or the doing of things that are already being done in a new way stemmed directly from the efforts of entrepreneurs (Fontana, Nuvolari, Shimitzu & Vezzulli, 2012; Schumpeter, 1947). Schumpeter developed Mark II while a professor at Harvard. Many social economists and popular authors of the day argued that large businesses had a negative effect on the standard of living of ordinary people. Contrary to this prevailing opinion, Schumpeter argued that the agents that drive innovation and the economy are large companies which have the capital to invest in research and development of new products and services and to deliver them to customers more cheaply, thus raising their standard of living (Fontana, Nuvolari, Shimitzu & Vezzulli, 2012; Schumpeter, 1942). The theories and postulations of Schumpeter are stressed upon by Naude (2011) in Idam, (2014). Naude (2011) contends that global development is entering a phase, where entrepreneurship will increasingly play a more important role. He adduces three reasons for this development. The first is that the managed economy of the 1970s – 2000 in the West, characterized by reliance on big business and mass production has given way to a so-called entrepreneurial economy, where knowledge-driven goods and services are more flexibly provided by smaller creative class. Secondly, impressive growth in the emerging economies, notably Brazil, Russia, India and China, has been driven by innovative entrepreneurial revolution. Thirdly, in the least developed countries, where dependency is high, donor agencies have been shifting emphasis in development cooperation towards private sector development thus; entrepreneurship will contribute to growth and employment creation in advanced, emerging and least developed economies alike.

In the African context and Southeast Nigeria in particular, it has been asserted that successful entrepreneurs attributed the success of their businesses that are mainly Small and Medium Enterprises (SMEs) to apprenticeship training they went through before venturing into the global trade. Although there are perspectives to apprenticeship training but the apprenticeship system explored in this study is peculiar to the Igbo ethnic group in southeast Nigeria, although they have been replicating their apprenticeship system in every part of the country where their businesses are domiciled. Extant literature is replete with studies on apprenticeship. According to Akande (n.d), apprenticeship may be considered as a system of learning whereby an individual learns a professional skill in a practical way through a structured program of on-the-job training. It usually involves acquiring knowledge, mechanical skills and the development of an attitude or discipline for a particular job. Apprenticeship is also described as a combination of on-the-job training and related technical instruction in which workers learn the practical and theoretical aspects of a skilled occupation, craft or trade. Expatriated further apprenticeship may also take the form of helping new employees to relate their previous education to the requirement of their new job. Apprenticeship also incorporates a system of guidance and counselling as most apprentices are required to live with their masters so as to acquire through a process of acculturation the necessary altitude, diplomacy and decorum required for the job. It is the combination of these depositions that make graduates of apprenticeship training entrepreneurs instead of job seekers (Anyanwu, 1981; Craig and Bittel, 1967; Akande, n.d). The apprenticeship system practiced among the Igbo ethnic group is arranged in such a way that the apprentice lives and serves his master for a specified period of years after which the master settles the apprentice by setting him up in business; that is, paying his rent for two or three years and also giving him a cash infusion so that he can venture into business and start trading. This system of funding is called locally generated venture capital. Analysts have described the Igbo apprenticeship system that governs their entrepreneurship development as the largest business
incubator platform in the world. It is therefore imperative to carry out the study of this magnitude to substantiate the assertion.

**Statement of the Problem**

This study was informed by the growing interest and emphasis on entrepreneurship and entrepreneurial development that stem from the high unemployment rate, high level of poverty and slow economic growth rate in Nigeria. It has been asserted in extant literature that entrepreneurship development is the key to poverty eradication, employment generation and rapid economic development (Idam, 2014; Salami, 2013; Oyelola, Ajiboshin, Raheem & Igwe, 2013; Thaddeus, 2012; Abimbola & Agboola, 2011; Agboli & Ukaegbu, 2006; Ariyo, 2005; Adejumo, 2001). Consequently, successive governments in Nigeria over the past four decades have evolved policies and programmes, aimed at developing entrepreneurship through the establishment of various apprenticeship and skill acquisition programmes aimed at the development of small and medium scale enterprises (SMEs). In spite of all the efforts, poverty soars and remained one of the highest in the world behind India, unemployment rate is also high. Presently, over 100 million Nigerians live below poverty line on less than US$1 a day and with the percentage of the population in abject poverty rising from 54.7% in 2004 to 79% in 2018 (NBS, 2018). Above all, Nigeria’s human development index (HDI) remains abysmally low at 0.453, much below world weighted average of 0.7 (UNDP, 2018). However, Small and Medium Enterprises owned by entrepreneurs of southeastern Nigeria extraction seems to be relatively more successful when compared with similar businesses owned by people from other extractions in Nigeria, thus suggesting that there is behind the scene principles that propels their business success which therefore warrants an empirical study of this nature.

**Objectives of the Study**

The main objective of this study is to juxtapose apprenticeship and entrepreneurial development in Southeast Nigeria from the Igbo man perspective. From this objective, the following specific objectives are derived: to determine the motivations for apprenticeship by Igbo entrepreneurs; to identify the Igbo man perspective of factors influencing entrepreneurial development; and to find out if there are challenges in the Igbo man apprenticeship system and entrepreneurial development.

**Hypotheses for the Study**

**Hypothesis One**

Ho1: The motivations for Apprenticeship by Igbo entrepreneurs have no significant effect on entrepreneurial development in southeast Nigeria.

Ha1: The motivations for Apprenticeship by Igbo entrepreneurs have significant effect on entrepreneurial development in southeast Nigeria.

**Hypothesis Two**

Ho2: Igbo man perspectives of factors influencing entrepreneurial development have no significant effect on entrepreneurial development in southeast Nigeria.

Ha2: Igbo man perspectives of factors influencing entrepreneurial development have significant effect on entrepreneurial development in southeast Nigeria.

**Hypothesis Three**

Ho3: Challenges in the Igbo man apprenticeship system have no significant effect on entrepreneurial development in southeast Nigeria.

Ha3: Challenges in the Igbo man apprenticeship system have significant effect on entrepreneurial development in southeast Nigeria.

**Justification for the study**

This study is significant in a number of ways. First, knowledge from apprenticeship and entrepreneurial development in Southeast Nigeria will help to reinforce the performance and sustainability SMEs in Nigeria. The success of the Igbo man perspective of apprenticeship and
entrepreneurial development will help to foster the emergence for new ones. Arguably, these would impact on the development of SMEs entrepreneurship and the economy at large. Second, this study will not only swell literature of apprenticeship and entrepreneurial development, but also, it will add fresh voice to the literature in the underreported zone like other African region.

2. Empirical Literature Review

Orugun, Johnson and Akeem (2014) carried an exploratory study of Igbo entrepreneurial activity and business success in Nigeria as the panacea for economic growth and development using a descriptive statistical tool. The study revealed that the Igbo entrepreneurial activities are the panacea for the Nigerian economic growth and development, and that Igbo Trading Apprenticeship System is a business success factor. Abdul-kemi (2014) examined entrepreneurship and economic development in Nigeria: evidence from small and medium scale enterprises financing. The study used correlational research design using secondary data for a period of 22 years (1992-2013). Autoregressive Integrated Moving Average (ARIMA) model was applied in the analysis, the study found that aggregate commercial banks financing of SMEs has significant positive impact on the economic growth and development of Nigeria. The study also found that Microfinance banks’ financing in the area of transportation and commerce, manufacturing and food processing and other activities have significantly impacted on economic growth and development of Nigeria during the period. Udu (2015) examined apprenticeship orientation and performance of micro-businesses in Ebonyi State, Nigeria. The study adopted Pearson’s product moment correlation, and p-value. The result shows positive values for Apprentice Activities and Level of Service Quality (LSQ) (r=38.2%), Apprentice Activities and Level of Firm Sustainability (LFS) (r=88%), LFS (r = 48%), Apprentice activities and Educational Qualification of Apprentice (EQA) (r=10.1%) and a negative value for Apprentice Activities and Age of Apprentice (AoA) (r= -55%). The study found that micro-businesses engagement of youthful apprentices enhance their positive performance and should be explored by more micro-businesses. Ayegba and Omale (2016) examined the glaring factors rocking entrepreneurial development in Nigeria, the paper relied on incisive primary and secondary investigation, analysis and interpretation of data using chi-square statistical techniques. This study revealed that much is yet to be done towards boosting entrepreneurial development in Nigeria. The results also indicate that factors such as low power supply, infrastructural decay, corruption, inadequate skills, inadequate credit facilities, government policy and security must be addressed quickly in order to create enabling environment for SMEs and other business corporations. Fajobi, Olatujoye, Amusa and Adedoyin (2017) examined the challenges of apprenticeship development and youths’ unemployment in Nigeria using descriptive and content analysis. Findings from the study revealed that Nigerian economy cannot develop until apprenticeship is encouraged among the youths. Olusegun and Olanrewaju (2017) examined traditional apprenticeship, normative expectations and sustainability of masonry vocation in Ibadan, Nigeria using data derived from interviews and focused discussions among 30 masons and 16 apprentices. The results show that normative relations between masons and apprentices increase apprentices’ anxiety. There are indications that apprentices find challenging some of the conventions that dictate the process of training. Whereas master masons feel less concern about traditional expectations on apprentices, many apprentices believe that some aspects of informal apprenticeship training process emphasize disturbing social and economic interaction with attendant disinterestedness among apprentices. Onyima, Nzewi and Chiekezie (2017) investigated the effects of apprenticeship and social capital on new business creation process of Igbo ‘Immigrant’ entrepreneurs in Wukari Taraba State using descriptive statistics. The study revealed that while apprenticeship had significant effects on pre-founding activities- when the business was taking off, social capital became important when the business had been established. Apprenticeship had significant effects on business idea generation, idea modification, business location and financing while social capital served as source of insurance services and access to information. Inyang and Agwadu (2017) carried out a study on empowering the rural poor through vocational skills acquisition: Nasarawa state in focus using
descriptive statistics in the analysis of data. The research asserts that among the common vocational skills spread across Nasarawa State are carpentry/wood work and tailoring services. The study indicates that the respondents (80%) were satisfied with their training programs, whereas 83.32% of participants affirmed that vocational skills acquisition would greatly improve the quality of life of the rural poor. About 66.6% of the trainees were however of the opinion that the cost of their training was high. Olulu and Udeorah (2018) examined contract of apprenticeship and employment generation in Nigeria. The study relied on extensive literature in examining the two apprenticeship contracts viz; the customary apprenticeship scheme as practiced in the Ibo land and other tribes in Nigeria and the apprenticeship practice. Findings revealed that the state is a party to apprenticeship contract, and the education and Training Authority (SETA) play major role in the entire apprenticeship scheme.

Literature gap
On the strength of the preceding review, it is evident that studies on apprenticeship and entrepreneurial development are rife with varying literally perspectives. However, looking at the challenges facing Nigeria in terms of high unemployment rate, high level of poverty and slow economic growth rate, none of the studies has sought to know which of the apprenticeship system can best address the poverty and unemployment problem in the country. Yet it has been asserted in extant literature that entrepreneurship development is the key to poverty eradication, employment generation and rapid economic development (Idam, 2014; Salami, 2013; Oyelola, Ajiboshin, Raimi, Raheem & Igwe, 2013; Thaddeus, 2012; Abimbola & Agboola, 2011; Agboli & Ukaegbu, 2006; Ariyo, 2005; Adejumo, 2001). Perceptibly, the southeast Nigeria has been asserted to have the lowest poverty rate in the country and also operate viable proportion of SMEs. Analysts have also described the Igbo apprenticeship system that governs their entrepreneurship development as the largest business incubator platform in the world. Consequently, the above literature gap and assertions warrants an empirical probing to examine the apprenticeship system and entrepreneurial development in Southeast Nigeria from the Igbo man perspective with the obvious aim of finding a better approach to address Nigeria’s ’high unemployment rate, high level of poverty and slow economic growth rate that arguably is less prevalent in southeast Nigeria.

3. Methodology

Research Design
This work is descriptive. It is concerned with the collection of data for the purpose of describing apprenticeship and entrepreneurial development in Southeast Nigeria from the Igbo man perspective. It involved sampling by using structured questionnaire to generate data that were analyzed so as to gain insight into the topic under study.

Population and sample size for the study
The population of the study consists of all the registered SMEs in southeast Nigeria. Multi-staged sampling technique was used to determine the sample size of the study. This was carried out in three stages. According to Chukwuemeka (2002), multi-stage sampling is somewhat the combination of the other sampling techniques. At least, it combines two methods. The first stage was the selection of the major economic hubs that are in the five states in southeast Nigeria using purposive or judgmental sampling. Judgmental sampling is a non-probability sampling that makes use of typical cases among the population to be studied which the researcher believes will provide him or her with the necessary data needed (Micheal et al, 2012). The second stage was a sub-sampling also called a two-stage sampling. This involved a random selection of one hundred successful SMEs from each of the economic hubs of the five states in southeast Nigeria. In the third stage otherwise called the three-stage sampling, the simple random sampling technique was also used to select SMEs that is owned by an Igbo man from each economic hub of the five states in southeast Nigeria. In the final analysis, a total of four hundred and eighty-two (482) SMEs owners of Igbo extraction were selected out of the 500 SMEs. The table below shows the population of selected SMEs in the five states in southeast Nigeria and the sample size.
Table 1: Distribution of firms by Population and Sample

<table>
<thead>
<tr>
<th>Selected SMEs owned by Igbo men in southeast Nigeria</th>
<th>Population of registered SMEs</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anambra State</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>Abia State</td>
<td>100</td>
<td>99</td>
</tr>
<tr>
<td>Imo State</td>
<td>100</td>
<td>96</td>
</tr>
<tr>
<td>Enugu State</td>
<td>100</td>
<td>94</td>
</tr>
<tr>
<td>Ebonyi State</td>
<td>100</td>
<td>96</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>482</td>
</tr>
</tbody>
</table>

Source: Field survey, 2018

Area of Study

The study was executed in southeast Nigeria. The region houses two of largest markets in West Africa – Ariaria Market Aba, Abia State and Onitsha Main Market, Anambra State. There is also Ogbaete Main Market in Enugu State, Abakaliki Main Market in Ebonyi State and Owerri Main Market in Imo State. These states play leading roles as centers for the economic activities in the region. People from across Nigeria and West Africa come to goods from these markets.

Questionnaire Design, testing, and distribution

The questionnaire for this study was designed based on a literature review of previous studies (for example (Orugun, Johnson & Akeem, 2014; Abdul-kemi, 2014; Udu, 2015; Ayegba & Omale, 2016; Fajobi, Olatujoye, Amusa & Adedoyin, 2017; Olusegun & Olarewaju, 2017; Onyima, Nzewi & Chiekezie; 2017; Inyang & Agwadu, 2017; Olulu & Udeorah, 2018). The questionnaire had two sections. The first section of the questionnaire contained general information about the respondents. It included ten background questions. The second section was a scaled item designed to collect information relating to objectives of the study. The responses to scale items measuring all the responses were measured using a four-point likert-type scale anchored by strongly agree (4), Agree (3), Disagree (2), and Strongly Disagree (1) respectively. Five trained research assistants were used in the administration of the questionnaire. They assisted the respondents to complete the questionnaire through an interactive process; thus making sure the questionnaire was completed on the spot. However, before the final questionnaire was administered to the respondents, it was pretested on twenty SMEs owners. Using their responses, the instrument was subjected to reliability test using the Cronbach’s Alpha. The Cronbach’s Alpha reliability statistics is 0.957 or 96%, which is considered sufficiently high and above the cutoff point of 0.6 suggested by Hair, Bush, and Ortinua (2006).

Data Analysis technique

The Principal Component Analysis (PCA) and regression analysis of the Ordinary Least Square (OLS) were used to conduct the various analysis of this study. Principal Component Analysis (PCA), with varimax rotation, was used to process responses to the responses of the SMEs owners of Igbo extraction; while t-statistic using the regression technique Ordinary Least Square (OLS) was used to test the hypotheses of the study. The PCA was initially used to process the data because the researcher sought to reduce large amount of data to uncover the underlying principal factors that explains motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria. All the analyses were done using SPSS version 23.

Model Specification

The active learning model was modified by Akinruwa, Awolusi and Ibojo (2016) to examine the determinants of small and medium enterprises (SMEs) performance in Nigeria. The research employed funds, managerial skills, government policy, education and facilities as the determinants of SMEs. The study empirically stated its model as follows:

\[ \text{SME} = f(\text{FND, MAS, GOP, EDN, FAC}) \]  

(1)
SME = Small and medium enterprises proxied by industrial growth rate
FND = Funds
MAS = Managerial skills proxied by expenditure on skill acquisition
GOP = Government policy
EDN = Education
FAC = Facilities proxied by government expenditure on power

Using the knowledge gained from the above theoretical model, this study examined the effect of effect of apprenticeship on entrepreneurial development in Southeast Nigeria from the Igbo man perspectives by adopting Akinruwa, Awolusi and Ibojo’s type of model and modifying it to incorporate the weighted mean of the motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and entrepreneurial development in southeast Nigeria as explanatory variables while years of business experience as was the dependent variable. Thus, the model for the study is stated as follows:

Model: effect of apprenticeship on entrepreneurial development in Southeast Nigeria from the Igbo man perspective

The structural form of the model

\[
EDEV = f (MOA, IMP, CHA) \nonumber
\]

(2)

The mathematical form of the model

\[
EDEV = \beta_0 + \beta_1 MOA + \beta_2 IMP + \beta_3 CHA \nonumber
\]

(3)

The econometric form of the model

\[
EDEV = \beta_0 + \beta_1 MOA + \beta_2 IMP + \beta_3 CHA + \mu \nonumber
\]

(4)

Where:

EDEV = Entrepreneurial Development; MOA = Motivations for Apprenticeship; IMP = Igbo Man Perspective; CHA = Challenges in the Igbo Man Apprenticeship System; \( f \) = Functional relationship; \( \beta_0 \) = the intercept or the constant; \( \beta_1 - \beta_3 \) = the co-efficient of the explanatory variables; \( \mu \) = Stochastic error term.

4. Analysis of Survey Result
SMEs owners of Igbo extraction were the respondents of this study. The templates of the questionnaire items were put together based on a literature review of previous studies and a pilot interview survey of 20 SMEs owners of Igbo extraction. This enabled us to come up with a comprehensive closed ended questionnaire instrument that were developed and distributed to the final respondents. Thus, 482 copies of the questionnaire were produced and administered.

Demographic profile

Table 2: Distribution of Respondents According to Gender

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>479</td>
<td>99.4</td>
<td>99.4</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>0.6</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>482</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3: Distribution of Respondents According to Age

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-32</td>
<td>23</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>31-40</td>
<td>48</td>
<td>10.0</td>
<td>14.8</td>
</tr>
<tr>
<td>41-50</td>
<td>238</td>
<td>49.4</td>
<td>64.2</td>
</tr>
<tr>
<td>51-60</td>
<td>93</td>
<td>19.2</td>
<td>83.4</td>
</tr>
<tr>
<td>61-70</td>
<td>80</td>
<td>16.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>482</td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

As shown in table 3, twenty-three respondents, representing 4.8% of the respondents are between the ages of 18-32. Forty-eight respondents, representing 10.0% of the respondents, are between the ages of 31-40. Two hundred and thirty-eight respondents, representing 49.4% of the respondents, are between the ages of 41-50. Ninety-three respondents, which account for 19.2% of the respondents are between the ages of 51-60, while eighty respondents that account for 16.6% of the respondents, are between the ages of 61-70.

Table 4: Distribution of Respondents According to Educational Qualification

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>15</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Secondary</td>
<td>439</td>
<td>91.1</td>
<td>94.2</td>
</tr>
<tr>
<td>Tertiary</td>
<td>28</td>
<td>5.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>482</td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

From table 4, all the respondents had formal education. Fifteen respondents representing 3.1% of the respondents had primary education. Four hundred and thirty-nine respondents representing 91.1% had secondary education while twenty-eight respondents representing 5.8% had tertiary education.

Table 5: Distribution of Respondents According to Years of Business Experience

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>15</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>6-10</td>
<td>85</td>
<td>17.7</td>
<td>20.8</td>
</tr>
<tr>
<td>11-15</td>
<td>97</td>
<td>20.1</td>
<td>40.9</td>
</tr>
<tr>
<td>15-30</td>
<td>285</td>
<td>59.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>482</td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

With respect to business experience in private label, table 5 reveals that fifteen respondents representing 3.1% of the respondents had 1-5 years business experience. Eighty-five
respondents representing 17.7% of the respondents had 6-10 years business experience. Ninety-seven respondents representing 20.1% of the respondents had 11-15 years business experience, while two hundred and eighty-five respondents representing 59.1% of the respondents had 15-30 years business experience.

Table 6: Distribution of Respondents According to Marital Status

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>396</td>
<td>82.2</td>
<td>82.2</td>
</tr>
<tr>
<td>Single</td>
<td>68</td>
<td>14.1</td>
<td>96.3</td>
</tr>
<tr>
<td>Widow/Widower</td>
<td>18</td>
<td>3.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>482</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

From table 6, three hundred and ninety-six respondents representing 82.2% of the respondents are married. Sixty-eight respondents representing 14.1% of the respondents are single, while eighteen respondents representing 3.7% of the respondents are widow/widower.

Factor Analysis

The motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria were separately subjected to PCA using SPSS version 23. Prior to performing PCA, the suitability of the data for factor analysis was assessed using Kaiser-Meyer-Olkin measure of sampling adequacy and the rotation method is the varimax with Kaiser Normalization. For motivations for Apprenticeship by Igbo entrepreneurs items, the KMO value was 0.811; for Igbo man perspective of factors influencing entrepreneurial development items the KMO is 0.871; and for challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria item the KMO is 0.866; thus, all exceeding the recommended value of 0.6 minimum value suggested for a good factor analysis (Pallant, 2010 citing Kaiser 1970, 1974) and Barlett’s Test of Spericity (Pallant, 2010 citing Barlett, 1954) reached statistical significance, supporting the factorability of the correlation matrix.

Evidence from the analysis is shown in the table below:

Table 7: Factor analysis results with varimax rotation of motivations for Apprenticeship by Igbo entrepreneurs

<table>
<thead>
<tr>
<th>Principal Component</th>
<th>Eigenvalue</th>
<th>Cum % variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation 3 – The cash infusion giving to apprentice as startup capital</td>
<td>0.972</td>
<td>83.166</td>
</tr>
<tr>
<td>Motivation 2 – Apprentices have the opportunity to learn a trade of their choice and dream</td>
<td>0.956</td>
<td></td>
</tr>
<tr>
<td>Motivation 1 – Apprentices have the opportunity to own their own business after apprentice</td>
<td>0.955</td>
<td></td>
</tr>
<tr>
<td>Motivation 7 – Apprenticeship as viable option instead of attending the university</td>
<td>0.941</td>
<td></td>
</tr>
<tr>
<td>Motivation 8 – Practical, relevant training and experience gotten from apprenticeship</td>
<td>0.933</td>
<td></td>
</tr>
<tr>
<td>Motivation 6 – Excellent startup to profession career/business in the global trade</td>
<td>0.912</td>
<td></td>
</tr>
<tr>
<td>Motivation 4 – The level support available to the apprentice</td>
<td>0.818</td>
<td></td>
</tr>
<tr>
<td>Motivation 5 – Overall success and satisfaction of apprenticeship</td>
<td>0.661</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

Note that items eigen values of less than 0.4 were excluded.
Table 7 above shows the eigen values with respect to items regarding the motivations for Apprenticeship by Igbo entrepreneurs. One principal component emerged; the output shows that the appropriate label for the item is the cash infusion giving to apprentice as startup capital.

**Table 8: Factor analysis results with varimax rotation of Igbo man perspective of factors influencing entrepreneurial development**

<table>
<thead>
<tr>
<th>Principal Component: Tolerance for risk</th>
<th>Factor 2 – Tolerance for risk</th>
<th>0.971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 3 – Perseverance</td>
<td>0.966</td>
<td></td>
</tr>
<tr>
<td>Factor 6 – Responsiveness to opportunity</td>
<td>0.942</td>
<td></td>
</tr>
<tr>
<td>Factor 5 – Self-discipline</td>
<td>0.932</td>
<td></td>
</tr>
<tr>
<td>Factor 4 – Passion for the trade</td>
<td>0.911</td>
<td></td>
</tr>
<tr>
<td>Factor 7 – Self-confidence</td>
<td>0.877</td>
<td></td>
</tr>
<tr>
<td>Factor 1 – Family background</td>
<td>0.876</td>
<td></td>
</tr>
<tr>
<td>Factor 10 – Competitiveness</td>
<td>0.711</td>
<td></td>
</tr>
<tr>
<td>Factor 9 – Need for achievement/re cognition</td>
<td>0.676</td>
<td></td>
</tr>
<tr>
<td>Factor 8 – Cultural values</td>
<td>0.611</td>
<td></td>
</tr>
<tr>
<td><strong>Cum % variance</strong></td>
<td><strong>77.659</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2018.

Note that items eigen values of less than 0.4 were excluded.

As shown in Table 8 above, all items on the Igbo man perspective of factors influencing entrepreneurial development have high eigen values. However, the principal component extracted is tolerance for risk followed by perseverance, responsiveness to opportunity, self-discipline and passion for the trade. These components or factor have high eigen values above 0.9.

**Table 9: Factor analysis results with varimax rotation of challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria**

<table>
<thead>
<tr>
<th>Principal Component: Apprentices sometimes steal from their masters and add to their startup capital</th>
<th>Challenge 1 – Apprentices sometimes steal from their masters and add to their startup capital</th>
<th>0.981</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge 2 – Apprentices sometimes dupe their masters and runaway with the money</td>
<td>0.976</td>
<td></td>
</tr>
<tr>
<td>Challenge 3 – Some masters find reasons not to setting up their apprentice in business when due</td>
<td>0.935</td>
<td></td>
</tr>
<tr>
<td>Challenge 8 – Apprentices sometimes lack patience to be mentored/Get-rich-quick syndrome</td>
<td>0.912</td>
<td></td>
</tr>
<tr>
<td>Challenge 7 – Apprentices sometimes do not have driven for the particular trade</td>
<td>0.933</td>
<td></td>
</tr>
<tr>
<td>Challenge 4 – Poor cash infusion as a startup capital</td>
<td>0.857</td>
<td></td>
</tr>
<tr>
<td>Challenge 3 – Business mortality as a result of government policies</td>
<td>0.890</td>
<td></td>
</tr>
<tr>
<td>Challenge 5 – Mismanagement of business by the master (taking chieftancy titles etc.)</td>
<td>0.607</td>
<td></td>
</tr>
<tr>
<td>Challenge 9 – Apprentices sometimes contend with generational curse and masculinity affliction</td>
<td>0.666</td>
<td></td>
</tr>
<tr>
<td><strong>Cum % variance</strong></td>
<td><strong>75.471</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2018

Table 9 above shows the challenges in the Igbo man apprenticeship system and entrepreneurial development in southeast Nigeria. The principal component revealed that apprentices sometimes steal from their masters and add to the cash infusion given to them as startup capital. This is followed by other major challenges like: apprentices sometimes dupe their masters and runaway with the money, some masters find reasons not to setting up their apprentice in business when due, apprentices sometimes lack patience to be mentored/Get-rich-quick syndrome and apprentices sometimes do not have drive for the particular trade.
Regression Analysis Result

Table 10: Regression Result on apprenticeship and entrepreneurial development in southeast Nigeria: The Igbo man perspective

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. error</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant (C)</td>
<td>0.175</td>
<td>0.020</td>
<td>8.579</td>
<td>0.004</td>
</tr>
<tr>
<td>Motivations for Apprenticeship</td>
<td>0.689</td>
<td>0.062</td>
<td>11.143</td>
<td>0.000</td>
</tr>
<tr>
<td>Igbo Man Perspective</td>
<td>0.744</td>
<td>0.103</td>
<td>7.254</td>
<td>0.001</td>
</tr>
<tr>
<td>Challenges</td>
<td>-0.155</td>
<td>0.026</td>
<td>-5.931</td>
<td>0.002</td>
</tr>
<tr>
<td>R</td>
<td>0.911</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.888</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.861</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>221.501</td>
<td></td>
<td></td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Field Survey 2018

Dependent Variable: Years of Business Experience

To ascertain the effect of apprenticeship on entrepreneurial development in Southeast Nigeria from the Igbo man perspective, the weighted mean of the three independent variables included in the model were regressed on the dependent variable to enable us determine the nature of relationship between the dependent and independent variables, effect of the three independent variables on the dependent variable, the overall fitness of the model using the F-statistics and probability value and the level of significance of the independent variables in influencing the dependent variables using the t-test and probability value. The table above shows the regression result. It also shows the precision of the model which was analyzed using economic a priori criteria and statistical criteria.

Discussion of Findings

Discussion based on economic a priori criteria

Discussion using this criterion enables us to determine the nature of relationship between the dependent and independent variables. In this case, the sign and magnitude of each variable coefficient are evaluated against theoretical or economic a priori criteria/expectations. As showed in the table 10, it is observed that the regression line has a positive intercept as presented by the constant (c) = 0.175. This means that if all the variables are held constant or fixed (zero), the entrepreneurial development in southeast Nigeria proxied by Years of Business Experience increases by 17.5%. The result also conforms to the a priori expectation. This states that the intercept could be positive or negative, so it conforms to the theoretical expectation (Gujarat, 2008). The motivations for apprenticeship by Igbo entrepreneurs have a positive relationship with entrepreneurial development in southeast Nigeria. This implies that the motivations for Apprenticeship by Igbo entrepreneurs and entrepreneurial development in southeast Nigeria increase in the same direction. In other words, a 1% increase in motivations for apprenticeship by Igbo entrepreneurs will bring about 68.9% growths in the entrepreneurial development in southeast Nigeria.

Igbo man perspective of factors influencing entrepreneurial development has a direct and positive relationship with entrepreneurial development in southeast Nigeria. In other words, a 1% increase in Igbo man perspective of factors influencing entrepreneurial development will bring about 74.4% growths in entrepreneurial development in southeast Nigeria.

On the other hand, challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria have inverse relationship. This implies that challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria move in opposite direction with entrepreneurial development in southeast Nigeria. The challenges have a negative influence on entrepreneurial development in southeast Nigeria. As the challenges increases, entrepreneurial development in southeast Nigeria decrease by 15.5%.
Discussion based on statistical criteria

In order to evaluate the effect of apprenticeship on entrepreneurial development in Southeast Nigeria from the Igbo man perspective, the analysis was also done based on statistical criteria by applying the coefficient of determination (R2) and the F-test. In general, the joint effect of the explanatory variables-independent variables-in the model account for 0.888 or 88.8% of the variations in the entrepreneurial development in southeast Nigeria. This implies that 88.8% of the variations in the entrepreneurial development in southeast Nigeria are being accounted for or explained by the motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria. While other independent variables not captured in the model explain just 11.2% of the variations in entrepreneurial development in southeast Nigeria.

All the three coefficients (The motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria) have significant effect on Entrepreneurial Development in southeast Nigeria.

Test of Hypotheses

The t-test is used to know the statistical significance of the individual parameters at 5% significance level. The result is showed on table 11 below.

Table 11: Summary of t-statistic

<table>
<thead>
<tr>
<th>Variables</th>
<th>t-cal (t0)</th>
<th>Sig.</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant (C)</td>
<td>8.579</td>
<td>0.004</td>
<td>Statistically Significant</td>
</tr>
<tr>
<td>Motivations for Apprenticeship</td>
<td>11.143</td>
<td>0.000</td>
<td>Statistically Significant</td>
</tr>
<tr>
<td>Igbo Man Perspective</td>
<td>7.254</td>
<td>0.001</td>
<td>Statistically Significant</td>
</tr>
<tr>
<td>Challenges</td>
<td>-5.931</td>
<td>0.002</td>
<td>Statistically Significant</td>
</tr>
<tr>
<td>F-statistic</td>
<td>221.501</td>
<td>0.000</td>
<td>Statistically Significant</td>
</tr>
</tbody>
</table>

Source: Researchers computation

We begin by bringing our working hypothesis to focus in considering the individual hypothesis. From table 11, the t-test result is interpreted below:

**Hypothesis One**
Ho1: The motivations for Apprenticeship by Igbo entrepreneurs have no significant effect on entrepreneurial development in southeast Nigeria.
Ha1: The motivations for Apprenticeship by Igbo entrepreneurs have significant effect on entrepreneurial development in southeast Nigeria.

From table 11, the t-test value of Motivations for Apprenticeship, is significant. We, therefore, reject the null hypothesis and conclude that the motivations for Apprenticeship by Igbo entrepreneurs have significant effect on entrepreneurial development in southeast Nigeria.

**Hypothesis Two**
Ho2: Igbo man perspectives of factors influencing entrepreneurial development have no significant effect on entrepreneurial development in southeast Nigeria.
Ha2: Igbo man perspectives of factors influencing entrepreneurial development have significant effect on entrepreneurial development in southeast Nigeria.

From table 11, the t-test value of Igbo man perspectives of factors influencing entrepreneurial development is significant at 0.000 level of significant. We, therefore, reject the null hypothesis and accept the alternate by concluding that Igbo man perspectives of factors influencing entrepreneurial development have significant effect on entrepreneurial development in southeast Nigeria.
Hypothesis Three
Ho3: Challenges in the Igbo man apprenticeship system have no significant effect on entrepreneurial development in southeast Nigeria.
Ha3: Challenges in the Igbo man apprenticeship system have significant effect on entrepreneurial development in southeast Nigeria.

From table 11, the t-test value of Challenges in the Igbo man apprenticeship system, is significant at 0.002 level of significant. We, therefore, reject the null hypothesis and accept the alternate by concluding that challenges in the Igbo man apprenticeship system have significant effect on entrepreneurial development in southeast Nigeria.

Conclusion and Recommendations
In the final analysis, this study has examined apprenticeship and entrepreneurial development in southeast Nigeria: The Igbo man perspective. The study has specifically ascertained the effect of motivations for Apprenticeship by Igbo entrepreneurs, Igbo man perspectives of factors influencing entrepreneurial development and challenges in the Igbo man apprenticeship system on entrepreneurial development in southeast Nigeria.

From the result of the PCA, the principal components that serves as motivations for Apprenticeship by Igbo entrepreneurs is the cash infusion giving to apprentice as start-up capital. Secondly, the principal components form the Igbo man perspectives of factors influencing entrepreneurial development is tolerance for risk and thirdly, the principal components from the challenges in the Igbo man apprenticeship system and entrepreneurial development in southeast Nigeria is that apprentices sometimes steals from their masters and adds to their start-up capital. Regression results revealed that all the three coefficients (The motivations for Apprenticeship by Igbo entrepreneurs; Igbo man perspective of factors influencing entrepreneurial development; and challenges in the Igbo man apprenticeship system and Entrepreneurial Development in southeast Nigeria) have significant effect on Entrepreneurial Development in southeast Nigeria.

Based on the findings of this study, the following recommendations are made: The government of Nigeria and African by extension should adopt the practice of the Igbo man apprenticeship system and entrepreneurial development in southeast as a strategy for the development African entrepreneurship. This is because of its sustainability in SMEs development and poverty reduction among the Igbo ethnic group in Nigeria. The government should also setup a regulatory agency at the state and local government levels that will be charged with the responsibility of regulating the master and apprentice relationship and mentoring. This is to ensure that the apprentices are properly mentored on the basic principles that propel Igbo man apprenticeship system. SMEs owners should develop internal control system and carryout regular audit of their business to eliminate or reduce theft by apprentice.

References


UNDERSTANDING ORGANIZATIONAL SURVIVAL: A SOCIO-POLITICAL ALTERNATIVE

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The current approaches to understanding organizational failure and survival have focused on ecological and organizational approaches mainly an attempt is made to examine and propose an alternative. In this study a socio-political alternative to understanding survival and failure is proposed by drawing on new institutionalism and legitimacy processes. The approach argues that firms as actors in a field negotiate a field for survival from other actors from its industry and macro environment. The study proposes the use of the social license to operate scale, social network analysis and panel data measuring interactive effects to model survival or failure of organizations.

Keywords: Organizations, Survival, Institutionalism, Socio-political

1. Introduction

The global financial crisis that started in 2007 and the threat of collapse of many firms across several industries have brought to the fore again the concept of organizational failure. In an attempt to explain organizational failure there have been many approaches. These approaches have included the ecological view (Hannan and Freeman, 1986), the organizational view (Analoui and Karami, 2002; Hage, 1999) and the integrativists view (Mellahi and Wilkinson, 2004). The ecological view asserts that organizations can do little to affect their survival emphasizing the role of the environment in their failure or survival (Barnett and Carroll, 1987; Baum and Oliver, 1991; Geroski et al., 2010; Hannan and Freeman, 1986). The ecologists also view firm survival purely from a population perspective. The organizational view views firm survival the organizational perspective and with a focus on internal factors under the control of managers (Hage, 1999; Teece, 2007; Tsai, 2010; Vakola and Rezgui, 2000). The integrativists propose that both approaches be used in tandem to understand organizational survival since one approach cannot do a good job (Mellahi and Wilkinson, 2004).

However, the aftermath of the global financial crisis has shown that survival or failure may not be organizational or purely environmental or an integration but rather a socio-political decision; as many governments strive to save their firms and industries from collapse. Drawing from new institutionalism and legitimacy theories this paper argues that survival is a socio-political decision from the interaction of three organizational fields (DiMaggio and Walter, 1991) that produce competition, firm legitimacy and communal legitimacy all together forming a negotiated environment (Astley and Fombrun, 1983) for survival. The paper proposes that organizations themselves are constituents that provide some moral, social and economic benefits to gain legitimacy to exist from society by gaining access to resources required for survival. Depending on the balance of power relations, social networks and dependence a positive or negative environment is negotiated between the organization and the society at large.

In this pursuit, we have attempted to define organizational failure by considering the major definitions in the field and operationalizing a definition for the purposes of this endeavor. A
review of the current state of the art was conducted. The review focused on the ecological, organizational and intergrativist views. The alternative approach was discussed focusing on the organization fields, the interaction effects that emerge and their impacts on survival. The paper also provides some methodological considerations to understanding the phenomenon emphasizing the social license to operate scale, network approach and longitudinal approaches measuring the interactive effects.

2. Defining Organizational Survival/Failure

Organizational survival and failure are two different sides of the same coin. An organization that has failed has not survived and the organization that has survived has not failed. For the purposes of this paper, the focus will be on defining failure with the reverse been true for survival. Organizational failure has been called different names in the management literature to include bankruptcy, decline, retrenchment, organizational death, decline, downsizing and exit (Mellahi and Wilkinson, 2004). They however propose that we exclude retrenchment and downsizing as failure since they are management tools used by managers in recent times to turnaround the fortunes of ailing organizations. Their view of organizational failure is that of the reduction in the adaptive ability and resources of an organization. Another definition that has been offered of a failed organization is “when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management. Failure is the endpoint at discontinuance (bankruptcy) and when it is reached, operations cease and judicial proceedings take effect” (Okpara, 2011; Pretorius, 2009). Hannan & Freeman (1986) also defined failure as “when an organization ceases to carry out routine actions that sustain its structure, maintains flows of resources and secure allegiance of its members”. They as part of their definition note four kinds of mortality-disbanding, acquisition, merger and radical change. This paper also operationalizes organizational failure in the manner proposed by Hannan & Freeman (1986) but do not see acquisitions, mergers and radical change in form as a failure. Organizations do not lose the allegiance of their members when its acquired, merges or changes form (Jones, 2005). Those are managerial maneuvers for the organization to adapt to its environment and maintain functional utility for its members (Greenwood and Suddaby, 2006; Young, 1988)

3. Current Ideas about Organizational Survival/Failure

There are three broad views as to why organizations survive or fail. These are the ecological view (Hannan and Freeman, 1986), the organizational view (Hage, 1999) and the integrativists view (Mellahi and Wilkinson, 2004). These approaches have been discussed.

3.1 The Ecological View

This view considers the deterministic view of survival and failure. The major underlying theory has been the organizational ecology theory of Hannan and Freeman. The approach notes some of the factors affecting survival as density, size, age, imprinting, linkages with environmental institutions and resource partitioning.

3.1.1 Density Dependence

There is a strong belief among organizational ecologists that the survival of a firm is highly dependent on the number of firms in a particular industry (Amburgey et al., 1993; Barnett and Carroll, 1987; Hannan and Freeman, 1986). Density dependence is the term used to describe this phenomenon. Barnett & Carroll, (1987) suggests that the survival of firms in an industry and the number of firms in that industry follows a U-shape. This is because initially firms in an industry are few and gain a taken-for-granted view from society thereby gaining legitimacy. This legitimacy however draws more firms into the industry and soon a keen competition emerges for resources for survival and ultimately some firms are starved of resources and hence put out of business. This approach is however an imperfect way of measuring survival because different organizations have different resource needs due to organizational niching in the same industry, competition form same type of industry but in a different location, firms can migrate into other niches due to competition or firms that are part of the industry but also belong to another industry due to having more than one business unit (Delacroix et al., 1989; Dobrev and
Carroll, 2003; Nickel and Fuentes, 2004). This view has however provided the inspiration for other density based models such as cross-effects of density model, delay density model, direct competition model and density relational model (Nickel and Fuentes, 2004). These new models provide a much more improved approach to understanding the effects of density on survival.

3.1.2 Age Dependence
Organizational failure has been seen to fall with organizational aging (Barnett and Carroll, 1987). The explanation that has been offered for this is that it may be a spurious effect of population heterogeneity. If mortality rate is stable over a period soon the weak firms will be selected out and only the fit firms are left (Levinthal, 1991). This suggests that age dependence is not a population level issue but firm level issues as the competences are built over time within a particular organization. Some authors have also suggested that organizations learn with time and hence come perfect their business and are less likely to fail (Hannan, 2005; Ruiz-Mercader et al., 2006; Sleuwaegen and Goedhuys, 1998; Zdunczyk and Blenkinsopp, 2007). Learning reduces the likelihood of exit because the firm becomes dependable in the eyes of its stakeholders and who continue to give the firm the required legitimacy to exist. The idea that young firms are more likely to fail is the liability of newness (Geroski et al., 2010). Some other authors also maintain that there is the liability of adolescence (Bradley et al., 2011; Kasimoglu, 2006; McKinley, 2011; Michael and Kim, 2005; Oertel and Walgenbach, 2012a). These authors suggest that some firms initially survive the liability of newness but die soon after that initial start-up phase. Some of the reasons that have been offered for this phenomenon is that initially firms start with a stock of resources (financial, human and natural) and after those have been exhausted are not able to acquire more and continue as a going-concern (Michael and Kim, 2005). There is also the thought that firms go through a period of unconditional trust and based on their performance the environment will provide or withdraw its legitimacy (Oertel and Walgenbach, 2012b). Some other authors have also presented the idea of obsolescence (Baum and Mezias, 1992; Carroll and Khessina, 2005; Hannan, 2005; Perez et al., 2004). The idea of obsolescence suggests that over time firms become misaligned and have difficulty adapting to environment (Carroll and Khessina, 2005; Hannan, 2005); there is sometimes challenges with succession among owner-managed firms (Perez et al., 2004) and fixed costs invariability (Baum and Mezias, 1992).

3.1.3 Liability of Smallness
The idea suggests that organizational failure is linked to the size of the organization (Azoulay and Shane, 2001; Box, 2007; Burger and Owens, 2013; Gassmann et al., 2010; Sarkar et al., 2006). The bigger the size of the firm the less likely it is that the firm will fail. The reasons are that small firms lack economies of scale, do not have inertia abilities to withstand environmental shocks, lack external legitimization and find it difficult accessing resources (Gassmann et al., 2010; Sarkar et al., 2006).

3.1.4 Imprinting
Another ecological explanation for firm failure is the idea of imprinting. Imprinting states that the environmental conditions at the time of founding has implications for the survival or failure of firms (Geroksi et al., 2010; Lamberg et al., 2009; Luo and Han, 2009; Sorensen and Stuart, 2000; Zaring and Eriksson, 2009). Geroksi et al. (2010) note that firms formed in highly dense environments may face the liability of scarcity and tight niche-packing and may not be able to reposition themselves after that phase and hence fail. In effect imprinting may prevent firms from taking advantage of opportunities for strategic change. Some authors have also suggested that the impact of imprinting on failure may be due to the firms’ institutional structure, market orientation and capability conditions (Luo and Han, 2009). Overall, firms do not take advantage of opportunities for strategic change may find themselves unfit for the environment and selected out.

3.1.5 Resource Partitioning Theory
This theory argues that firms survive based on the segments of a market that an organization occupies (Carroll and William, 2004). The theory notes that firms occupy two broad segments that also determine their resource usage. There are specialists that occupy homogeneous
segments of the market and survive within limited range of resources. There is also generalist that occupies broad segments of the market and requires large resources to survive. Generalists have been found to have a higher survival rate than specialists as they have resources to diversify into other niches in times of crises (Hannan, 2005; Henderson and Mitchell, 1997).

3.1.6 Linkages with Institutions
The pioneering work of Baum & Oliver (1991) suggested that firms with linkages with external institutions receive external legitimacy and are less likely to fail. In the face of intense competition firms draw on the goodwill that they have with the institutions to avoid failure. Firms are able to gain this goodwill because their ties with the institution mean environmental values are passed to the firm as to accepted behavioral patterns that lead to selection (Alexander et al., 1986). This may include preferential treatment from regulators, suppliers and customers (Lyles, 2004).

3.1.7 Industry Life Cycle Theory
This notion states that industries follow a life cycle from fragmentation, through shakeout, maturity to decline. The fate of firms in an industry will also follow the same pattern (Klepper 2005). Agarwal et al. (2002) has also found that industries go through phases in their structures, competition and configurations that have a strong relationship with firms in that industry. There is also empirical evidence to suggest that the timing of entry into an industry has a strong influence on survival and this is linked with the idea of imprinting.

3.2 The Organizational View
This view sees organizational survival or failure as a function of internal firm mechanism and pays little attention to the external environment. Some of the internal factors that have been discussed are leadership, absorptive capacity, division of labor, resources and capabilities. Some of these are discussed in following sections.

3.2.1 Upper Echelon Theory
Upper echelon theory refers to the ability of top management of organizations to motivate, manage and provide required structures for employees to achieve the goals of the organization and ultimately survival (Crossan and Apaydin, 2010). Two factors noted to influence survival are management heterogeneity and succession (Mellahi and Wilkinson, 2004). On management heterogeneity firms that have management with same background values are more likely to lead firms to failure than their heterogeneous counterparts. This Tsai (2010) notes is because homogeneous groups are more likely to engage in groupthink, less likely to think outside the box for alternative solutions and repeat unsuccessful methods that achieve no results. Again, management teams that have been at post for long periods will more likely fail than new ones. Duncan et al. (2011) notes that this is because such management teams most often have exhausted their ideas and may bring nothing new in the face of crisis or a fight for survival.

3.2.2 Absorptive Capacity
Absorptive capacity considers the internal ability of an organization to adopt useful information from its external environment (Levinthal, 1991). This information can from the firm’s own research and development activities, mimic other firms, purchase from external sources or learn from its own internal operations (Nobelius, 2004; Vakola and Rezgui, 2000). Absorptive capacity is critical for firm growth and survival as it enables the firm to plan to adapt to its environment by purchasing competitive equipment to boost its production abilities. An orientation towards the market will also enable the firm to produce to meet market requirements (Hou, 2008; Mavondo and Farrell, 2003). The survival of the firm is therefore linked to its ability to assimilate and use environmental information (Tanewski et al., 2003). However, employees’ knowledge abilities are critical for the absorption and use of new knowledge from the environment. Firms with highly skilled employees are more likely to absorb more information from its environment and help firm achieve growth than their other counterparts. Skilled employees can carefully assess pros and cons of information and how the fit strategically with firm goals (Tanewski et al., 2003).
3.2.3 Division of Labor

The idea of survival is by division of labor is linked to the fact that firms must innovate to survive (Hage, 1999). In a study of 97 plants between 1973 and 1987, found that plants that survived had a diverse set of scientific and professional personnel. This he referred to as a complex division of labor. They note that the number of managers did not matter but the diversity of skilled employees. Plants with complex division of labor were seen to survive longer than their counterparts with simple division of labor because of investment in flexible manufacturing, lesser bureaucracy and much more decentralized decision-making.

3.2.4. Resources and Capabilities

The resources and capabilities available to a company are critical to its growth and survival. Firms that have valuable, rare, inimitable and non-substitutable resources are more likely to be competitive and survive that their other counterparts (Barney, 1991). Internal firm capabilities are also critical to growth and survival. Core competences have been noted to be more important than resources because when applied competences do not get depleted like resources (Prahalad, 1993). Dynamic capabilitists have also noted that firms survive long if management can build the capabilities of employees through learning from operational routines (Teece, 2007). In all, firms whose management is able to develop key resources build core competences and capabilities have a greater survivability than those firms that do not (Narteh, 2013).

3.3 Integrativist View

This view seeks to integrate the determinism of the ecological view with the voluntarism of the organizational view. Proposed by Mellahi & Wilkinson (2004), they note that “a fundamental axiom of the integrative framework is the different theoretical assumptions and linkages underlying each perspective are not only reconcilable but that, together, they provide a more comprehensive understanding of organizational failure than any single perspective by itself.” The authors propose that by integrating the two perspectives they can provide a much more pragmatic understanding of organizational failure.

4. Critique of Current Perspectives

The literature on organizational failure has made significant progress in its attempt to explain organizational failure however there are a few deficiencies in its ability to explain the phenomenon. First, a look at the ecological few seems to suggest that organizations are powerless in the face of environmental pressures that lead to failure. However, that’s not true because we know from the management literature that strategic decisions have a great impact on the performance and survival of firms. Lakshmi Mittal’s turnaround of many ailing steel firms in Eastern Europe is an example of the impact management can have. Secondly, if we look at the organizational view it seems to suggest that managers have full control over the destinies of their firms. The ecological view has shown that several environmental factors like industry life cycle, population density and market structure have a significant impact on the survival of firms. This would logically mean that the integrativist approach is the best in understanding the phenomenon is the best means to understand failure. However, that approach also has its flaw. It fails to recognize that survival is a combination of competition and legitimacy; something the ecologists recognize. The object of this study is to develop an analytical framework for understanding the socio-political nature of survival.

5. An Alternative Framework for Analysis

Three main environments have been identified as shaping an organization in the institutionalism literature- the organizational environment of the “focal” organization, the population environment and the interorganizational environment (Scott, 1991). These environments in the management literature may refer to the organizational, industry and macro environments respectively. The interactions of these environments produce some negotiated outcomes that shape the focal organization. In this section, I argue that these negotiated outcomes are those that lead to organizational survival and not the voluntaristic view held by those from the organizational perspective (Hage, 1999); the deterministic view held by population ecologists.
(Hannan and Freeman, 1986) nor the view held by the integrativists (Mellahi and Wilkinson, 2004). In this section I present a discussion of the various fields, their interactive effects and its impact on survival. Please see figure below for analytic framework.

**Figure 1: Alternative Framework**

**5.1 The Fields**

DiMaggio & Walter (1991) proposed the idea of organizational fields to understand the reason for homogeneity in organizational forms. In their argument they mention that beyond the focal organization there is the collection of firms forming an industry while the regulators and other stakeholders in the broader society will form a greater field (herein macro environment). Organizational field is therefore the collection of organizations forming institutional life (DiMaggio and Walter, 1991). These fields are important in organizational analysis because it enables an understanding of the actions of actors in a structure and their impacts on each other. In reality, organizations are embedded in an industry while the industries are also embedded in a broader society. For the purposes of analyses and diagrammatic effects, I try to make the distinction between the various fields.

The macro environment plays a very significant role in organizational survival (Box, 2007; Delios and Henisz, 2003; Yildirim, 2010). This environment consists of formal and informal institutions (Jepperson, 1991) and in recent times global institutions (supranational) have been influencing organizational life (Buchanan and Keohane, 2006; Farashahi et al., 2005). Firms have to deal with are formal (for licenses for operations), informal (for socio-cultural legitimacy) and/or supranational (for international certifications) ones (Bloom and Van Reenen, 2002; Edelman and Suchman, 2013; Lounsbury and Glynn, 2001). Beyond the macro environment, there is the operating or industry environment. This is the environment within which firms of the same likeness like the firm seek for the same resources and customers. The conditions of this industry have a profound effect on organizational functioning (Baum and Mezias, 1992). The industry competition for resources including customers, raw materials and human resources have been properly discussed in the five forces work of Michael Porter (Grundy, 2006; Porter, 1974). In the five forces framework Porter indicates that industry competition is shaped by customers, suppliers, new entrants and substitutes. Competition may also be averted or manipulated by some type of collaborations, networks or oligarchic activities (Bresnahan, 1987). Competition in an industry can be affected by competition from foreign companies as result of globalization (Bianchi and Mena, 2004).
Like human beings functioning is not just an environmental effect but also how fit we are for the environment. In this study I focus on the strategy (Song et al., 2002), structure (Hage, 1999) and resources/capabilities (Barney, 1991; Teece, 2007) that aid functioning in the environments. The strategy approach emphasize that strategy provides a short-term approach to interacting with the organizational fields for effective functioning (Peng, 2012) while the structure approach is a long-term approach and is usually concerned with the nature of division of labor to achieve functioning (Hage, 1999). The resource-based view has always noted that valuable, rare, inimitable and non-substitutable resources are critical to organizations (Kudonoo et al., 2012; Barney 2013; J. Barney 1991). Prahalad and Hamel took this idea forward by suggesting that firms develop core competences on which they can compete; observing that competences do not deteriorate as they applied unlike resources (Lei, 1996; Prahalad, 1993). Organizational routines and the capabilities developed through those competences can help the organization navigate environmental nuances (Katkalo et al., 2010).

5.2 The Interactions

As mentioned earlier the paper argues that the key theme in this paper is that it is the interactions that yield survival not the deterministic views of population ecologists; the voluntaristic approach of organizational researchers or the integrative approach. Building from DiMaggio & Walter (1991) organizational fields that there are actors in each of the fields (firms for the industry; managers and employees in organization; and formal, informal and supranational institutions for macro environment) interact and negotiate a space (Jepperson, 1991) for survival. The interaction between the focal organization and industry (collection of like firms) produces a competition: the interaction between the focal organization and the macro environment produces a firm level legitimacy while the interaction between the industry and the macro environment produces a communal level legitimacy.

First, let’s consider the idea of legitimacy (both firm and communal). Legitimacy has been broadly defined as societal evaluations of an organization’s goals (Scott, 1991). It is also “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995). This suggests that legitimacy maybe an outworking of institutional compliance and provides an organization the right to exist. Organizations do not just comply but negotiate the institutional order by which they need to comply (Farashahi et al., 2005; Scott, 1991). This is because the institutions in the macro environment themselves need to be legitimated to have the right of rule over the focal organization (Black, 2008). Organizations can exercise their strategic choice of which institutions to connect by relocating causing the society to lose out on benefits that could have accrued from the organization. The process of negotiation starts with both stakeholders (macro level institutions and focal organization) representing their interests (Burlea and Popa, 2013). The society expects the organization to provide moral, social and economic advantages in return for its legitimacy in the form of human, material and financial resources. This process is not always balanced as there can be disparities in benefits (Tilling, 2010). These discrepancies are mainly as a result of power relations, resource dependence and social networks (Scott, 1991). When the factors are against the society it will be willing to legitimate the focal organization at all costs to continue enjoying the benefits accruing from the organization. When the factors are against the focal organization it will adopt either of these strategies; adapt to societal needs, manipulate societal perception or engage in a discourse with those withholding legitimacy (Scherer et al., 2013). Firms therefore engage in a process of stakeholder politics (Boutilier, 2009) to negotiate a survival space. This process of negotiations is always on-going as institutions themselves are not fixed and always undergo change (Jepperson, 1991). This change has been the result of the changing nature, power, preferences and expectations of the constituent parts of society itself (Buchanan and Keohane, 2006) which includes organizations. Therefore, firm legitimacy is a negotiated between the macro environmental institutions and the organizations it seeks the right to rule. So far, the discussion has been on the focal organization (a single organization in an industry) and how it acquires legitimacy for itself. However, in the process for communal legitimacy is not different. In such a case, the whole industry acts as an organization instead of individual firms. When
under pressure from macro environmental conditions they will form lobby organizations to negotiate legitimacy on their behalf. An example is the National Rifle Association (NRA) in the United States. There are many such industry level lobby groups worldwide that constantly negotiate legitimacy for industries. When the odds of industry failure can affect the overall functioning of the general society; macro level institutions will legitimate them at all costs. An example is the financial sector bailouts in Europe and United States. The cost paid by society is the hardships associated with legitimizing the sector. Communal legitimacy is therefore a negotiated space between the industry as a collective and the macro level institutions.

Organizations in an industry also interact and relate with like firms in an industry. This relationship maybe either competitive or collaborative (Barnett and Carroll, 1987). Competition and collaboration are two ends of the same continuum. The use of the word competition for the interaction suggests that collaboration is a close inverse of competition (Staber, 1998). Firms compete and collaborate to achieve their goals. The decision to collaborate or compete is a managerial decision (Bantel, 1997) that is informed by industry entry attractiveness, supplier power, buyer power, availability of substitutes, and structure of industry (Grundy, 2006; Utterback and Suarez, 1993). The focal organization can collaborate with other firms in its industry to raise entry barriers; fix prices for suppliers and buyers; and make substitutes unattractive (Analoui and Karami, 2002; Grundy, 2006). In the absence of collaboration, suppliers and buyers cut industry margins; new entrants enter to further share in margins while substitutes provide buyers an alternative. These actions increase the competition in the industry survival chances of firms in the industry (Baum and Mezias, 1992). The structure of the industry affects competitive and collaborative relations between firms. In their study of early telephone companies in the United States, Barnett & Carroll (1987) note that there was competition among firms in a locality but collaboration with distant firms. Rural telephone firms collaborated with urban companies to serve needs of customers while they competed other rural firms for customers. The competitive and/or collaborative nature is not fixed. These change as organizational objectives and societal expectations change.

5.3 The Interactions and Survival

Three interactions emerge from the interaction of the focal organizations field with other firms in its sector and the macro level institutions. These are communal legitimacy, firm legitimacy and competition. Firms that are able to negotiate a greater level of firm legitimacy are more likely to survive even in turbulent times than their less legitimate counterparts because they provide some moral, social and economic benefits to society; hence their failure will not be in the interest of the broader society and will be supported to survive (Burlea and Popa, 2013; Scherer et al., 2013; Tilling, 2010). Also, these firms have a high level of reputation capital to deviate from institutional norm (Suddaby, 2010) that can enable them survive that the average firm or industry cannot get away with. Also, from the communal legitimacy standpoint Astley & Fombrun (1983) note that although individual level legitimacy is important it does not take away from the importance of collective legitimacy that can be shared by members that includes the individual or focal firm. Where the community of firms continues to act illegitimately soon the bad name of the industry rubs on the best of firms and it begins to lose its privately earned legitimacy and soon face a struggle for survival. Finally, in terms of competitive behavior in an industry, organizations that are able to collaborate with other firms to achieve common goals survive longer than those firms that compete to achieve goals (Biggs and Shah, 2006; Billington and Davidson, 2012; Podolny et al., 1996).

6. Methodological Considerations

The different views to understanding organizational survival and failure have developed methodological approaches for understanding the phenomenon. Those of the ecological view use mainly longitudinal and quantitative data at the population level with standard equations for analyzing and understanding the phenomenon. The longitudinal nature of the data is to enable the ecology act as a treatment on the firms in it and measure the survival or hazard rate and the reasons for them. Those of the organizational view have used a combination of quantitative and qualitative data at the firm level to understand the impact of internal factors on firm performance.
and growth. Mellahi & Wilkinson (2004) proposes a combined use of surveys, archival data and depth interviews to understand the integrativists approach.

This study proposes three methodological approaches for better understanding survival and failure. These are the social license to operate scale, the social network analysis and longitudinal data like those used by the ecological view. The social license to operate (SLO) scale measures the license given to an organization to exist (Boutilier, 2009) by all the three fields that interact to give the firm its survival. The social network approach measures the power relations and dependencies between the focal organization and actors in the other fields of interest (Ter Wal and Boschma, 2008; Yeung, 2005). In both of these approaches the object is to pick two extreme cases (a successful and a failed) and understand the levels of SLO and network structures. Discriminant analysis can be used to build predictive models using the SLO approach while centrality measures can be used to understand the network structures of the firms. It is however, important to control for factors such as firm size, age, location, formality and industry as these can skew the findings. Using the longitudinal data approach like those employed by organizational ecologists; attempts should be made at measuring the levels of firm legitimacy, communal legitimacy and competition faced by the focal organization at a given time for a population of firms and repeated at another time to measure the hazard and survival rates. Since legitimacy and competition are abstract constructs (Tilling, 2010) proxies need to be used in their stead. Firm sales and awards won can be good measures of firm level legitimacy; industry contribution to GDP and employment can also be good measures of communal legitimacy while density (number of firms in an industry) and the availability of imported products can be good measures of competition.

7. Conclusion

The study argues that survival or failure may not be organizational or purely environmental or an integration but rather a socio-political decision; as many governments strive to save their firms and industries from collapse. Drawing from new institutionalism and legitimacy theories this paper argues that survival is a socio-political decision from the interaction of three organizational fields that produce competition, firm legitimacy and communal legitimacy all together forming a negotiated environment for survival. The study has also proposed some methodological considerations that researchers can consider when using this alternative approach to understand organizational failure or survival.

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DETERMINANTS OF PERFORMANCE IN AFRICA’S FOOD MANUFACTURING SECTOR

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Knowing the key determinants of performance in the food manufacturing industries provide indicators for diagnosing challenges in the sector. The study is aimed at identifying key performance variables peculiar to the food manufacturing sector. Data from the Investment Climate Assessment survey (ICA) were analyzed using regression. The Study sought to examine the determinants of performance using empirical estimation. The results indicate that international quality certification significantly affect sales performance. In addition, foreign participation in African enterprises provides competitive edge and improves sales performance. Notwithstanding the effect of bribery, gender, investment and climate constraints on the firms, employee training seemingly is less likely to increase performance. The results provide a basis for developing specific dimensions for examining performance in the sector. The paper offers a practical base for measuring performance in the food manufacturing sector. Future research could examine the training provided to employees in the sector to determine the variance in this study.

Keywords: Performance, measurement indicators, organizational performance, determinants

1. Introduction

Increasing output and boosting the food manufacturing sector is a major focus of African countries including Ghana. The food manufacturing sector in Africa holds the key to economic growth given the desire to diversify from agriculture base to other processing sectors. The key is to develop a competitive food manufacturing base that would play a critical role in economies while contributing significantly to GDP. In order to achieve this, it is necessary to promote and stimulate a change process which will make the sector exhibit a diversified structure of incorporating technology - driven strategy and continuous performance evaluation. This will meet the challenges posed by the changing internal and external environment. The aim of every organization is to perform their functions efficiently and effectively. Thus, performance is an important indicator of the total well-being or profitability of the organization. Hence organizational performance is the outcome of applying resources and organizational planning to achieve results. Performance is multi-dimensional and can be examined on two levels. Performance can be conceptualized as a measured action affecting individual behavior, and an outcome that depends on other factors to achieve a goal (Kim, 2005). The measured action affecting individual behavior leads to achieving personal or organizational goals. In effect both levels invariably affect the performance of organizations. Cascio (2006) refer to performance as the level of success in achieving organizational goals. Lebans and Euske (2006) definition of the concept of performance support the idea of accomplishing set organizational goals.
(effectiveness) using assigned resources (efficiency). Thus, performance is projected in terms of financial and non-financial indicators that achieve organizational goals (Chenhall, 2005; Lebans and Euske, 2006; Kaplan and Norton, 1992). Performance is dynamic and its elements and characteristics depend on the sector, organization and the environment. Due to the complex nature of performance especially in the food sector. We adopt an eclectic theoretical approach in developing our hypotheses.

The vast literature on performance, organizational performance, and performance measurement focus on specific measures such as profitability, productivity and achieving set goals. These traditional measures do not take cognizance of a measurement system in addition to key performance indicators. A measurement system will include both financial and non-financial indicators. Non-financial indicators may be specific to the sector, industry or region (Lebans et al., 2006). Many studies have emphasized the need to include external factors or influences in organizational performance (Hawawini, Subramanian and Verdin, 2003) and other researchers have stressed on only internal factors (Clark, 2002). In these studies, multilevel and large firms have made use of both financial and non-financial factors. However, a number of enterprises have made use of only financial indicators with little consideration for industry specific non-financial factors. From the literature on performance, the enterprises made little or no use of a systematic measurement system unlike the larger firms who use such processes. In effect no precise model or factors are assigned to specific sectors for measuring performance. Further, developing countries’ environment and business practices may not be consistent with previous research and the variables used in the literature (Abdullai et al., 2015; Hawawini, Subramanian, and Verdin, 2003).

Given the increased investments and rapid development of the food sector, performance management standards based on actual indicators are a necessary activity. Performance measurement indicators provide an organization with tools for defining, collecting, analyzing and making decisions regarding all performance measures within the firm. However, are such instituted processes and activities adequately measuring the precise factors for management decisions? Managers in the sector must know and understand actual variables that significantly influence performance. Determining performance factors for a sector establishes indicators for each of the critical activities selected or used for measurement. Hall (2002) observed that several factors affect performance in a particular sector and in some cases, determinants maybe derived from legislative standards (as in toxic emissions), industry/sector standards (auto manufacturing), or pertaining to the environment of the firm. Regardless of such standards, firm specific internal and external variables must be established. The internal variables are firm specific factors that are influenced by the operations and performance of the organization’s management while the external variables are the result of the macro-environment in which the firm operates. The problem of the study therefore is to investigate and determine the key performance factors and the extent to which they impact on the activities in the sector. The main objective of this study is to determine the critical performance indicators in the food manufacturing sector to perform evidence-based study on the determinants of performance in the sector.

The introduction discusses the issues under the topic, justification and objectives of the study. The literature review continues in the next section outlining the theoretical perspective leading to the hypothesis development and contextualization of the variables. This is followed by the methodology employed. The fourth and fifth section analyzes the data, testing the hypothesis formulated followed by the concluding remarks.

2. Literature Review

Various researchers have carried out studies on a multiplicity of factors affecting performance especially in enterprises in Africa (Aziz and Yasin, 2010; Chittithawan et al., 2011; Philip, 2011; Akinruwu et al., 2013; Mata and Aliyu, 2014). The studies have analyzed performance of organizations from different subject areas – accounting, economics, operations, marketing,
human resource management, management, sociology and psychology. These disciplines explore the subject matter from different functional angles independently. Neely (2007) argues for a “cross fertilization” of ideas to address all aspect of performance measurement and variables. This is not an easy task due to the functional specialization in each core area. All these functional areas are linked or overlap (Neely, 2007). Accounting – financial management, operations, marketing, human resource are all inputs for overall management of the organization. This leads to the premise that a clear definition of performance, accurate determinants or variables for its measurement and an excellent measurement system is the key to success. In addition, performance measurement system needs to be tailored to suit the organization and the environment within which it operates. Due to the complex nature of performance especially in the food sector. We adopt an eclectic theoretical approach in developing our hypotheses. The following sections detail and hypothesize some critical antecedents of performance in the food manufacturing sector in Africa.

2.1 Age of Business
Age of business could serve as a precursor to some extent in determining the success or failure of business organization (Bougheas and Ruiz-Porras, 2005; Haltiwanger, Jarmin and Miranda, 2013). Bougheas and Ruiz-Porras (2005) argued that, mostly younger firms lack the financial strength necessary to withstand harsh economic conditions because they present a higher probability of failure. Acceding to the earlier submission, Haltiwanger et al. (2013) opined that most startups fail in their first five years but otherwise they exhibit considerable average growth condition on survival as they graduate through the system to gather some experiences. The implications are that; old firms have the financial capability to produce more to meet market demand which will positively affect their sales growth. However, young firms lack reputations in both product and credit markets which prohibit their ability to attract large customer base which in the nutshell could affect negatively their sales growth. To the contrary, Aghion and Howitt (2006) argued that even though businesses could be at their teething stages, however they could take advantage to make some sales by serving some target markets which old firms have abandoned due to peculiar reasons. A study by Evans (1987a) on US manufacturing firms found that firm size and age have negative effect on firm growth. The findings of the following scholars Dunne and Hughes (1994) and Yasuda (2005) from England and Japanese manufacturing firms respectively moderately consent to the findings of (Evan 1987a).

2.2 International certification
Certifications are the prerequisite of businesses in conforming to certain standards in their respective areas of operation. This certification varies depending on the type of product and the location of the business. However, businesses that operate beyond the borders of their home countries must conform to the international certification standard quality. Extant literature shows quite a number of certification standards that are available to firms. This study emphasized on ISO 9000. In 1987, the International Organization for Standardization (ISO) issued standards to establish and foster voluntary adoption of global industrial and manufacturing standards. ISO 9000 is a series of international standards dealing with quality systems that can be used for external quality assurances purposes (ISO, 1987). Review of extant literature showed diverse views of scholars on the impact of international certification on firm performance in different geographical settings (Yamada, 2001; Liao, Enke and Weibe, 2004; Lai and Cheng, 2005; Sharma, 2005; Koc, 2006). Some scholars in their study found that, certified companies enjoy both internal benefits as well as external benefits (Yamada, 2001; Sharma, 2005). According to them, some of the internal benefits include; reduction of waste in production, improvement in documentation and producing to meet technical specification. Moreover, the external benefits comprise of: competitive advantage, improved quality which could consequently lead to increases in export sales, improve profitability and overall firm performance (Peach, 1997; Novach and Bosheers, 1997; Brown, Wiele and Loughton, 1998; Yamada, 2001; Liao et al., 2004; Sharma, 2005). Kawthar and Vinesh (2011) found a positive and significant relationship between ISO 9000 certification on sales when they conducted a study dubbed “the impact of ISO 9000 certification on sales: a case study of companies in Mauritius”. Results to the contrary depict diverse views that influence firms to institute the ISO
9000 certifications (Rayner and Porter, 1991; Nwankwo, 2000; Lai and Cheng, 2005). For instance, Rayner and Porter (1991) found that, among small enterprises in the UK, ISO 9000 certification was implemented to mitigate customer pressure because customers were insisting on quality level of products. Nwankwo (2000) also found that companies attempt to protect their reputation was their prime motive for adopting the ISO 9000 certification. Chow-Chua, Goh and Boon Wan (2002) argued that the rationale behind ISO certification for firms is to enhance management practice to have a quality system in place.

2.3 Foreign ownership
Ownership of businesses could either have positive or negative effect on firm performance due to the diverse levels of risk associated with it (Thomsen and Pedersen, 2000). For instance, Smith (2000) argues that, foreign ownership becomes paramount in business environments which are characterized with cost advantage in servicing a market. The implication is that firms with local ownership will find it difficult to compete with those with the foreign ownership because of the cost advantage as a result of the use of state of the art technology employed by firms with the foreign ownership (Dimelis and Louri, 2002). Dimelis and Louri (2002) further argued that the level of productivity to meet market demand could be influenced significantly by different degrees of foreign ownership. A study conducted by Chibber and Majumdar (1999) found that firms with foreign ownership exhibit relatively high performance than firms with local ownership. The reasons were that firms with foreign affiliations support their local counterparts with technical assistance, training and developing their staff to be abreast with technological advancement. This is an effort for the businesses to produce to expectation that will increase sales, which was operationalized in the context of their studies to denote performance.

2.4 Experience of manager
The number of years’ employees have worked with a company enables them to accumulate experiences which enhance high performance and productivity than those who are new to the job (Becker, 1962). Scholars argued that managers of companies offer human capital which are gained by their experience and social capital as indicated by their external ties (Eisenhardt and Schoonhoven, 1990; Shane and Cable, 2002). Schmidt and Hunter (2004) found that employees experience gained as a result of the continuous working with same company have greater influence on firm productivity.

2.5 Competition
Porter (1990) argued that, competition in the market place significantly affects managerial decisions and firm profitability. This presupposes that competition is an important determinant on the amount or volume of sales made by firms since profitability is dependent on sales. A study conducted by Raith (2003) reveal that, product substitutability, market size and entry costs are some dimensions of competition. In the context of this study, competition is regarded as product substitutability among manufacturing firms and it has an effect on sales. Scholars argue that whilst some firms are compelled to exit the market due to the intensity of competition, other firms take advantage of the situation with the required technology and human resource they produce more to meet the market demand hence leading to increase in sales (Raith, 2003; Karuna, 2007). On the other hand, Dedman and Lennox (2009) in a study conducted to access the perceived competition, profitability and the withholding of information about sales and the cost of sales found out that managers of business were reluctant to disclose their sales figures in the midst of intense competition. The reason is that, the disclosure of the sales of the business will inform competitors regarding the prospect of the business. The future implication is that; competitors will copy the strategy or find alternative ways of competing for the same prospective customers which will consequently affect sales adversely in future.

2.6 Bribery
The effects of bribery and corruption on the economic prospects of firms are of great concern to businesses of which the manufacturing sector is no exception (Gaviria, 2001). A study conducted by Gaviria (2001) found that bribery and corruption to a large extent reduce sales growth. Bribery could be seen from different dimensions. However, this study looks at it from
bribe collection by public officials and illegal payments by private businesses. Bribes raise operational costs and create uncertainty. Exporting firms, for example, will be less competitive in a country where a port official charges heavy bribes to complete pre-shipment inspection (ibid). Wei (2000) found that when corruption increases in an economy, it deters foreign direct investment.

2.7 Staff development
The consistent changing nature of the manufacturing sector in terms of technological advancement coupled with intense competition demand the staff of the sector to be trained to be abreast with current trends in the market. According to Abiodun (1999), training is a systematic development of the knowledge, skills and attitudes required by employees to perform adequately on a given task or job. A study conducted by Martensen and Grønholdt, (2006) revealed that, employees who have undergone training and develop new skills and acquire knowledge are competent, secured and confident in service delivery far better than their counterparts with inadequate training. Waris (2005) argues that, when employees believe the employers have invested in them through training and development, they become satisfied and subsequently cultivate a sense of belonging to the organization. In addition, Papasolomou (2002) opine that employee development serves as a motivation for employee’s dedication to work and delivering of high service quality in order to achieve customer satisfaction and retention. The implications are that, trained employee’s exhibit high sense of professionalism towards their target audience and these consequently lead to greater patronage of companies’ product by customers (Papasolomou, 2002; Waris, 2005).

2.8 Gender
The attitudes of male and female salespeople have become of greater importance in business due to the increasing numbers of women filling professional sales positions (Boles, Wood and Johnson, 2003). A study dubbed “sales manager behavior control strategy and its consequences: the impact of gender difference” found that female field sales managers exhibit high behavior control than their male counterparts (Piercy, Cravens and Lane, 2001). The study also suggest that teams lead by female manager’s exhibit promising attitudes, stress characteristics and work outcomes than those managed by male managers.

2.9 Investment and climate constraints
The business environment may be defined as the nexus of policies, institutions, physical infrastructure, human resources, and geographic features that influence the efficiency with which different firms and industries operate (World Bank, 2004). Several climate constraints affect growth of businesses. For instance, the World Bank (2004) suggests that issues of quality of infrastructure, the strength of property rights, the nature and enforcement of business regulations and the overall openness in the management of public resources could affect firms’ growth. Economic indicators such as interest rate, inflation and exchange rate volatility have been found to have positive and significant impact on sales growth (Jaggi, Khanna and Nidhi, 2016). Previous studies have found that firms with favorable political connections benefit from favorable regulatory conditions, access to bank loans to increase their production capacity consequently leading to firm’s performance through sales (Agrawal and Knoeber, 2001; Johnson and Mitton, 2003; Khwaja and Mian, 2005; Faccio, 2006; Ramalho, 2007).

3. Methodology
We use data from the Investment Climate Assessment (ICA) Surveys conducted by the World Bank across many countries in Africa (see www.enterprisesurveys.org) and national culture data on African countries from the Hofstede Centre (see www.geert-hofstede.com/national-culture.html). The ICA surveys have data on enterprise, ownership, manager, business environment, export behavior, financial performance, marketing and other relevant enterprise level variables. The utilized data has been used in many previous studies in management and economics (Acheampong and Dana, 2017; Luo and Han, 2009). Age of business is measured as the year the firm started operations. We operationalize firm size by the number of employees the firm has currently. Further, we operationalize investment climate using the quality of
electricity supply to firms. This was captured with the question: “how long did the average power outage last?” A negative link is therefore expected from this operationalization. In addition, we operationalize competition in the environment with the question: “does this establishment compete against unregistered or informal firms?” Informal sector competition is an appropriate measure of competition as a large part of most African economies is informal. We include bribery in our model and operationalize this with the question: “were informal payments or gifts requested when this firm was inspected?” This was measured with a “yes” and “no” response where “yes” is coded as 1 and “no” as 0. Moreover, we operationalize international quality certification and included it in our model with the question: “does this firm have an internationally recognized quality certification?” This was measured with a “yes” and “no” response where “yes” is coded as 1 and “no” as 0. Furthermore, we operationalize managerial experience effect with the question: “how many years of experience does the top manager have in this sector?” We also control for year, country, sector and legal form fixed effects in our models.

4. Results

This section presents both descriptive and regression results.

Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log of Sales</td>
<td>17.437</td>
<td>2.955</td>
<td>8.476</td>
<td>29.533</td>
</tr>
<tr>
<td>International Quality Certificate (Yes=1)</td>
<td>0.211</td>
<td>0.408</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Percentage of Foreign Ownership</td>
<td>11.347</td>
<td>29.435</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Age of Business</td>
<td>15.991</td>
<td>13.881</td>
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<td>190</td>
</tr>
<tr>
<td>Manager Industry Experience</td>
<td>14.149</td>
<td>10.102</td>
<td>0</td>
<td>72</td>
</tr>
<tr>
<td>Female Manager (Yes=1)</td>
<td>0.116</td>
<td>0.320</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Average Power Outages</td>
<td>9.078</td>
<td>58.320</td>
<td>0</td>
<td>2500</td>
</tr>
<tr>
<td>Percentage of Sales as Direct Exports</td>
<td>6.042</td>
<td>19.794</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Informal Sector Competition (Yes)</td>
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<td>0.496</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
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<td>0.381</td>
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<td>1</td>
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<tr>
<td>Formal Employee Training</td>
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<td>0.461</td>
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<td>2</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>93.232</td>
<td>355.518</td>
<td>1</td>
<td>8000</td>
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</tbody>
</table>

Table 1 presents the summary statistics of the variables utilized in the study. It can be observed that 21% of the sample has an international quality certification indicating that most food manufacturing firms lack international certification. Approximately 12% of all the firms have foreign participation. The average firm was founded in 1993 while the oldest firm was founded in 1819 and the youngest firm was founded in 2014. The average manager in the food sector has about 14 years of experience while the most experienced manager has about 72 years of experience. Further, 12% of the respondents were female managers. This finding shows the male patriarchy in African enterprise development. From the investment climate perspective, it can be observed that the average firm experiences nine (9) hours of power outage in a typical day. Also, informal sector competition is seen to be as high as 57%. These environmental factors then tend to inhibit the performance of these food manufacturers on the continent. We observe a low participation of firms in the sector in the export market as only 6% of the firms in the sample were exporting. In terms of corrupt practices, we observe 18% of firms admitted having paid a bribe before. In terms of staff strength, the average firm had 93 employees. This is indicative of the fact that most firms are medium enterprises. We however have to admit that
there are large enterprises in our sample. We did not remove them because doing so does not reflect the true state of the sector. About 70% of these firms provided formal employee training aimed at improving employee efficiency.

Table 2: Pearson Correlations

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
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<tbody>
<tr>
<td>Log of Sales</td>
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<td></td>
<td></td>
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<tr>
<td>Percentage of Foreign Ownership</td>
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<td></td>
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</tr>
<tr>
<td>Age of Business</td>
<td>-0.12</td>
<td>-0.17</td>
<td>-0.07</td>
<td>1</td>
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</tr>
<tr>
<td>Manager Industry Experience</td>
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<td>0.21</td>
<td>0.06</td>
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<tr>
<td>Female Manager (Yes=1)</td>
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<td>-0.07</td>
<td>0.07</td>
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<tr>
<td>Average Power Outages</td>
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<td>0.01</td>
<td>0.03</td>
<td>-0.04</td>
<td>0.05</td>
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<tr>
<td>Percentage of Sales as Direct Exports</td>
<td>0.09</td>
<td>0.17</td>
<td>0.07</td>
<td>-0.06</td>
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<td>0.00</td>
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<tr>
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<td>0.01</td>
<td>0.01</td>
<td>0.05</td>
<td>0.04</td>
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<tr>
<td>Has Paid Bribe (Yes=1)</td>
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<td>-0.07</td>
<td>0.01</td>
<td>0.08</td>
<td>-0.19</td>
<td>-0.02</td>
<td>0.08</td>
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<td>Has Bank Account (Yes=1)</td>
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<td>0.23</td>
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<tr>
<td>Formal Employee Training</td>
<td>-0.21</td>
<td>-0.22</td>
<td>-0.14</td>
<td>0.20</td>
<td>-0.07</td>
<td>-0.05</td>
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<td>0.04</td>
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<td>Number of Employees</td>
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<td>0.08</td>
<td>-0.28</td>
<td>0.09</td>
<td>-0.04</td>
<td>-0.03</td>
<td>0.13</td>
<td>-0.05</td>
<td>-0.04</td>
<td>0.09</td>
<td>-0.18</td>
<td>1</td>
</tr>
</tbody>
</table>

The Pearson correlation coefficient illustrates the strength of association between the variables. It yields a value between $-1 \leq r \leq 1$ inclusive. The $r = 1$ indicate a perfect positive correlation while $r = -1$ shows a perfect negative correlation. There is no clear relationship between the variables if $r = 0$ or near zero (0).

Regression Results

Table 3: OLS Estimates

<table>
<thead>
<tr>
<th>DV: Log of Sales</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t-statistic</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Quality Certificate (Yes=1)</td>
<td>0.824</td>
<td>0.199</td>
<td>4.150</td>
<td>0.000</td>
</tr>
<tr>
<td>Percentage of Foreign Ownership</td>
<td>0.010</td>
<td>0.004</td>
<td>2.580</td>
<td>0.010</td>
</tr>
<tr>
<td>Age of Business</td>
<td>-0.005</td>
<td>0.008</td>
<td>0.210</td>
<td>0.831</td>
</tr>
<tr>
<td>Manager Industry Experience</td>
<td>0.025</td>
<td>0.009</td>
<td>2.800</td>
<td>0.005</td>
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<td>Female Manager (Yes=1)</td>
<td>-0.175</td>
<td>0.276</td>
<td>-0.640</td>
<td>0.526</td>
</tr>
<tr>
<td>Average Power Outages</td>
<td>0.003</td>
<td>0.003</td>
<td>0.850</td>
<td>0.394</td>
</tr>
<tr>
<td>Percentage of Sales as Direct Exports</td>
<td>0.003</td>
<td>0.005</td>
<td>0.620</td>
<td>0.537</td>
</tr>
<tr>
<td>Informal Sector Competition (Yes)</td>
<td>0.042</td>
<td>0.166</td>
<td>0.250</td>
<td>0.802</td>
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<tr>
<td>Has Paid Bribe (Yes=1)</td>
<td>0.002</td>
<td>0.245</td>
<td>0.010</td>
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<td>Has Bank Account (Yes=1)</td>
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</tr>
<tr>
<td>Number of Employees</td>
<td>0.001</td>
<td>0.000</td>
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<td>0.000</td>
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</tbody>
</table>

| Constant | 15.112 | 16.487 | 0.920 | 0.360 |
| F-Statistic | 11.820 | 0.000 |
| R-Square | 0.1789 | 667 |

The model accounts for year, country, legal form fixed effects as well as robust to heteroscedasticity.

The regression equation on the above results is as follows:
Let

\[ Y = \log \text{of Sales Performance} \]

\[ X_1 = \text{availability of international quality certificate}; \]
\[ X_2 = \text{percentage of foreign ownership}; \]
\[ X_3 = \text{age of business}; \]
\[ X_4 = \text{manager industry experience}; \]
\[ X_5 = \text{availability of female manager}; \]
\[ X_6 = \text{average power outages}; \]
\[ X_7 = \text{percentage of sales as direct imports}; \]
\[ X_8 = \text{availability of informal sector competition}; \]
\[ X_9 = \text{bribe payment}; \]
\[ X_{10} = \text{ownership of bank account}; \]
\[ X_{11} = \text{formal employee training}; \]
\[ X_{12} = \text{number of employees}. \]

\[ E = \text{Error Term} \]

\[ Y = 15.11 + 0.824X_1 + 0.01X_2 + 0.002X_3 + 0.025X_4 - 0.175X_5 + 0.003X_6 + 0.042X_8 + 0.002X_9 + 0.742X_{10} - 0.593X_{11} + 0.001X_{12} + E \]

Table 3 presents the results for the ordinary least squares (OLS) regression. The OLS estimates indicate an F-statistic of 12.81 with a p-value of 0.000. This shows that the null hypothesis of our model is not equal to zero. This implies that the model can be useful in predicting the performance of food manufacturing enterprises. The R-Square value is 0.708- indicating an approximately 71% predictive power of the model. The results show that international quality certification has a positive and significant effect by improving sales performance by 0.824 points. This can be explained by the core competencies theory that argues that a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace can give it a competitive advantage (Prahalad and Hamel, 1990). This is particularly true considering that approximately 80% of firms do not have this certification. Foreign participation is also seen to improve sales performance by 0.01-unit points. This finding confirms earlier findings that foreign participation in African enterprises improves their performance (Narteh and Acheampong, forthcoming). They theorize that foreign participants introduce knowledge from new markets that give firms with these owners a competitive advantage. Manager industry specific experience also improves sales performance by 0.025-unit points. This positive and significant effect can be explained by the dynamic capability theory that argue that the managers’ ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments of the firm is critical to gaining a competitive advantage (Teece et al., 1997). The size of the firm in terms of number of employees is also seen to be critical to sales performance. This can be explained with the liability of size hypothesis in organizational ecology theory (Hannan, 2005). This hypothesis argues that small firms face difficulties in benefiting from economies of scale while they lack structural inertia needed to face environmental shocks. Formal employee training is seen as having a negative and significant effect on sales of -0.593. This implies that as firms provide training to employees the less likely it is that sales will increase. This runs counter to intuitive management knowledge. We offer a possible explanation using Herzberg’s two factor theory of motivation (Herzberg, 1966). The theory argues that employees after their basic needs have been met in line with Maslow’s theory of motivation seek second order motivation to remain productive. Training improves employees’ baseline motivation, but a second order motivation is needed. It is possible most enterprises in our sample are unable to provide this leading to the negative effects we observe. This however needs further investigation in future studies.

Conclusion

Organizational performance comprises of actual output of a firm which is measured against its goals, objectives and other inputs. Results regarding the influence of the variables examined show that different factors affect firm performance in the food manufacturing sector per the analysis. Interestingly, as firms provide training for their employees, the less likely that sales will increase, and this notion needs further probing. The main contribution to the field and the food manufacturing sector can be summarized into three –
Precise concepts that determine performance in practice in an African context are identified and can be used as a diagnostic model.

The study can be used to identify strategies and guidelines to measuring, monitoring and improving performance in the sector.

The results of the study contribute to the African business environment.

Future research could repeat the studies over a time period to compare the analysis, identify changes over time to help develop a diagnostic tool for the Africa manufacturing sector.

References


AN EXPLORATION OF ENTREPRENEURIAL INTENTIONS AMONG GHANAIAN UNIVERSITY STUDENTS: A CASE ILLUSTRATION

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This study examines the determinants of entrepreneurial intentions of university students in Ghana. Drawing upon a sample of 261 university students from the University of Education, Winneba, Kumasi (Ghana), and using Partial Least Squares (PLS) the study assessed the determinants of entrepreneurial intentions among students in a vibrant African context. The study found high risk-taking, support from contextual factors, and perceived behavioural control to be strong influences accounting for entrepreneurial intentions among university students. The findings have both managerial and policy implications for the development of entrepreneurship education in Ghana and beyond.

Keywords: Entrepreneurship education, entrepreneurial intention, African universities, theory of planned behaviour, Ghana.

Introduction

Due to its importance on economic growth, job creation and innovativeness, entrepreneurship has been giving much credence (Urbano and Aparicio, 2015). Ghana as a developing nation encourages entrepreneurial activities in various ways due to the scary nature of the ever-growing undergraduate unemployment. As evidence, tertiary institutions across the country offer some form of entrepreneurship study either as a programme or as part of required courses. In the past two decades, higher education has seen considerable growth in both the development of entrepreneurship as a subject and in the number of entrepreneurship courses offered (Bell, 2015) and these courses largely found in business schools within higher education institutions (HEIs) (Collins, et. al., 2006). The aim is to impart entrepreneurial skills among tertiary students before graduation. Consequently solution to unemployment and economic problems would drastically reduce if not eliminated. Outside the academic environment the Government of Ghana has through some initiatives such as the Youth Enterprise Support (YES) among others encouraged entrepreneurship in order to address the challenges of youth unemployment.

Entrepreneurship has been defined by (Gartner et al., 1992) to refer to the process of organizational emergence. For Guerrero et al., (2008) entrepreneurship is the innovative and creative process with a potential of value addition to products which would go a long way to improve productivity and to develop the economy. Entrepreneurial intention has also received much attention in the literature. It has been used in the literature to refer to the personal orientations, desires or interest which would result in the creation of a business (Thompson,
Bird (1988) considers entrepreneurial intentions as the state of the mind of the individual which directs them towards the creation of new business.

Much of the literature on entrepreneurship in Ghana have concentrated on the development of formal or informal entrepreneur with their respondents being entrepreneurs (see Adom and Williams, 2012; Black and Castaldo, 2009; Buame, 1996; Robson et. al., 2009). Lee et al. (2011) argue that recognizing the factors that influence entrepreneurial intentions represents a central component of studying the new business creation process. To this end academic institutions are encouraged to investigate and understand the factors that determine entrepreneurial intentions (Maes et al., 2014). Whereas there is a great body of literature with respect to investigation of entrepreneurial intentions, there is paucity of research with respect to factors that determine the intention of students to undertake an entrepreneurial activity, particularly in the Ghanaian context. The scanty nature of the literature on the Ghanaian context and lack of its study at the higher education institutions in Ghana renders the study worthy of attention. In this regard, the study aims at identifying factors that predict entrepreneurial intentions among tertiary students in Ghana. The rest of the work consists of the theoretical background, hypothesis development, conceptual framework, methodology, presentation and analysis of findings, conclusions and recommendations for future research.

**Theoretical background**

Theory of Planned behaviour (TPB) is a widely accepted theory in psychology which sets out to predict and explain human behaviour. This paper is premised on the backdrop of the theory of planned behaviour (TPB) proposed by Ajzen (1985, 1991). The TPB is used as a theory for this study in that it seeks to present and explain the model that allows the understanding of the influence of attitudes and personal determinants on intentions to undertake an entrepreneurial venture (Kalafatis et al., 1999). This theory agrees that the best way in identifying the actions of people starting their own business is to find out if they intend to (Van Gelderen et al., 2015). The TPB by far has become one of the most frequently cited and influential models in predicting human social behaviour (Ajzen, 2011). According to Teo and Lee (2010) this was however an extension of Theory of Reasoned Action by Ajzen and Fishbein (1980). Hobbs et al. (2013) contends that the TPB is a parsimonious theory which identifies two proximal predictors of behaviour; intention and perceived behavioural control (PBC). The last factor (PBC) was added to complement the earlier two components proposed in the theory of reasoned action (TRA) (Ajzen, 1991). As indicated by Teo and Lee (2010) Ajzen (1991) explained that “a person’s action is determined by behavioral intentions, which in turn are influenced by an attitude toward the behavior and subjective norms”. To predict behaviour, the theory argues that underlying attitude, subjective norm and perceived behavioural control play an important role. Miranda et al. (2017) added that with the TPB, a behaviour of a person is directly influenced by the intention of the person to perform (or not perform) that behaviour. The intention to perform such behaviour also depends on three major elements; entrepreneurial attitude, the subjective norm, and perceived behavioural control (PBC) (Miranda et al., 2017). A meta-analytical assessment by Schlaegel and Koenig (2014) also conclude that the drivers of entrepreneurial intentions (EI) are attitudes, subjective norms, and perceived behavioral control.

The theory has been shown to be very much relevant in the academic setting (e.g. Miranda et al., 2017; Obschonka et al., 2012, 2015; Autio et al., 2001; Peng et al., 2012; Aslam et al., 2012; Goethner et al., 2012). Found in Hobbs et al. (2013) Ajzen (1991) added that intention is itself predicted by attitudes towards the target behaviour, subjective norm beliefs and perceived behavioural control. In the work of Demir (2010), Ajzen (1991) postulated that “as a general rule, the more favourable the attitude and subjective norm with respect to behaviour, and the greater the perceived behavioural control, the stronger should be an individual’s intention to perform the behaviour under consideration”. It is for this reason that this study adds the elements of the theory, thus; attitudes, subjective norm and perceived behavioural control among other factors that trigger entrepreneurial intentions among university students in Ghana.
Ajzen (2011) however conceded that the earlier handlings of the theories of reasoned action and planned behavior (Ajzen, 1991; Ajzen and Fishbein, 1980) created the possibility of including additional predictors of intentions. The author further argued that the TPB was developed in this manner by adding perceived behavioural control to the original theory of reasoned action (TRA). For the reason outlined above and for the purpose of our study additional constructs are added as part of the proposed predictors of entrepreneurial intentions.

Hypothesis development

In a study conducted by Paula and Shrivatavab (2016), Allport (1935) defined Attitude as a “mental and neural state of exerting readiness, exerting a directive or dynamic influence upon the individuals with regard to all objectives and situations”. An attitude towards a particular behaviour indicates the magnitude of a person’s favourable or unfavourable evaluation of the behaviour in question (Ajzen, 1991, 2005). The intentions of a person to undertake a particular behaviour is influenced by the attitude regarding that behavior. In their study Yıldırım et al. (2016) found that university students’ attitude towards behaviour loaded high on the factor which indicate the extent of its significance. Van Gelderen et al. (2008) on their work on entrepreneurial intention using the TPB established that entrepreneurial intentions of students are influenced by their attitudes towards entrepreneurship. Positive attitude towards a behaviour is found to improve on the entrepreneurial intentions of an individual (see Goethner et al., 2012; Kautonen et al., 2011; Autio et al., 2001). The work of Demir (2010) established a significant relationship between attitude and intention. Hence, we hypothesize that;

$H1$: Attitude is related to entrepreneurial intentions

Subjective Norm (SN)

Subjective norm refers to the perceived social pressure to undertake a particular behaviour or otherwise (Ajzen, 1991, 2005). Maresch et al. (2016) argue that social norms relate to the perception an individual has about the opinions of social reference groups (such as family and friends) which could determine the intention of the said individual to undertake a behaviour. They added further that a person is highly motivated to start a business when the reference group’s opinion is encouraging. Franke and Lüthje (2004) expressed the optimism that academic context is an important part of the students’ environment. The work of Armitage and Conner (2001) suggests subjective norm construct to be a generally weak predictor of intentions. A study by Maresch et al. (2016) also concluded that subjective norm negatively correlate entrepreneurial intentions for science and engineering students. However, Yıldırım et al. (2016) report that University activities of “initiation, development and support” by some means “trigger” the intentions of students to become entrepreneurs and encourages them in the direction of business startup plans. In this study therefore, SN is used to refer to the academic environment of the student; the encouragement the student gets to start a business. Consequently we hypothesize that

$H2$: Social norm is related to entrepreneurial intentions

Perceived behavioural control (PBC)

The PBC as explained by (Ajzen, 1991) refers to the perceived ease or difficulty of performing the behaviour and it is assumed to reflect past experiences as well as anticipated impediments. Demir (2010) also views PBC as an individual’s perceived easiness or difficulty of performing a behavior. PBC plays a central role in the theory of planned behaviour (Ajzen 1991) and consequently predicts entrepreneurial intentions (Ajzen, 2011). PBC was found to have a significant effect on respondents’ intentions to use internet (Demir, 2010). The work of Küttima et al. (2014) on entrepreneurship education at the University also established substantial relationship between PBC and entrepreneurial intentions. In a study conducted by Murugesan and Jayavelu (2015) significant relationship is established between PBC and entrepreneurial intentions. Therefore we hypothesize that;
Perceived behavioural control is related to entrepreneurial intentions

Internal Locus of control

Rotter (1954) explored personality traits by using the concept of locus of control, asserting that people with an internal locus of control believe that success and failure depend on the amount of effort invested and that they can control their fate (Hsio et al., 2016). By contrast, people with an external locus of control believe that their fate is determined by chance or luck and not within their control (Lii and Wong, 2008). Luthans et al. (2006) indicated that people with an internal locus of control tend to positively face challenges and obstacles, resolving problems by seeking constructive solutions. People with an external locus of control exhibit higher achievement motivation compared with people with an internal locus of control (Hsio et al., 2016). Consequently, they are more willing to learn and enhance their capabilities and knowledge when encountering challenges (Johnson, 1980). Compared with other methods for classifying personality traits, locus of control typically enables effectively distinguishing between subjects; thus, people with an internal locus of control and people with an external locus of control are commonly recruited as research subjects for studies related to psychology and applied psychology for analyzing various personality traits (Judge and Bono, 2001).

H4: Internal locus of control is related to entrepreneurial intentions

Risk Taking

Risk reflects the degree of uncertainty and potential loss associated with outcomes which may follow from a given behaviour or set of behaviours (Forlani and Mullins, 2000). Yates and Stone (1992) opine that the basic element of risk construction can be identified as potential losses and the significance of those losses. According to Kvietok (2013), the decision to take on the business risk is symptomatic of a certain type of people. A significant part of the motivation to take risks in business follows from the success motivation. To achieve the set goals, successful people are willing to take on reasonable risks associated with feedback about the level of achieved results.

Knörr et al. (2013) mentioned creativity, risk taking and independence increase the probability of becoming entrepreneur and these characteristics decrease the probability of becoming employee. Also, Almeida et al. (2014) perceived entrepreneurs primarily as enterprising and creative, and to some degree as social and investigative (Kozubíková et al., 2015). According to Beugelsdijk and Noorderhaven (2005), entrepreneurs differ from the general population and from paid employees in that they are more individually oriented and have a greater individual responsibility and effort (Kozubíková et al., 2015). In this context Omerzel and Kušce (2013) indicate that the inclination to take risks, self-efficacy and the need for independence are the most important factors affecting personal performance of the businessman. Fairlie and Holleran (2012) assert that people with a higher tolerance for risk use more of their professional knowledge from the past than personalities with a lower tolerance for risk. In relation to that Cassar (2014) states that these people have realistic expectations in business, and this advantage is manifested mainly in areas with a high degree of uncertainty, such as high-technology (Kozubíková et al., 2015). Thus we hypothesize that:

H5: Risk taking is related to entrepreneurial intentions

Favourable support from contextual factors

Favourable support refers to the support the student gets from the academic or business environment to start a business. Lüthje and Franke (2003) concluded that Universities are in a position to shape and encourage entrepreneurial intentions. The work of Schwarz et al (2009) on students’ entrepreneurial intent found that a positive perception of university actions to encourage entrepreneurship hints at a stronger willingness to start up an own business in the future. Schwarz et al study also mention that only the university environment comes as favourite in terms of predicting intent (Yıldırıma et al., 2016). Siegel and Phan (2005) postulated that Training for entrepreneurship and contact with entities that provide support for entrepreneurs have a tendency to encourage the willingness to start a business. In a study conducted by Rauch and Hulsink (2015) it was stated that entrepreneurial training with access to resources makes it possible for an individual to yearn for a business start-up. Autio et al. (1997) stated that the
support received from the university environment account for one of the factors influencing students’ intention to undertake entrepreneurship (Yıldırıma et al., 2016). For this reason we hypothesize that;

**H6: Favourable support is related to entrepreneurial intentions**

Figure 1 presents the model that will be explored in this study. It describes the constructs that influence entrepreneurial intention.

![Figure 1 Entrepreneurial Intention Influences](source: Authors’ conceptualization)

**Methodology**

The study was developed in respect of a survey of University students in Ghana. Self-administered questionnaires which involve questions on the constructs identified were used. In all 261 responses were analyzed after data cleaning. The constructs (with their respective indicators) in the study were developed from the review of literature, and these include attitude, perceived behavioural control, social norm, risk taking, internal locus of control, favourable support (i.e. independent variables). The dependent variable for the study is entrepreneurial intention. The partial least squares (PLS) technique was employed to test the model and this resulted in the use of the Smart PLS software (Ferreira et al., 2012). The PLS method is particularly beneficial in predicting a dependent variables from a (very) large set of independent variables (i.e., predictors) (Abdi, 2003a). Confirmatory factor analysis was conducted first to determine the strength of each statement on a construct they supposed to measure. To ensure a better model performance, factors with loading below 0.6 were dropped. This resulted in most of the constructs having only two factors.

**Findings**

**Demographic Characteristics of respondents**

This section deals with the analysis and presentation of the findings of the study which has been summarised in Table 1. The smartpls developed by Ringle et al. (2015) was used for the analysis. In all, two-hundred and seventy-one (271) respondents made up of university students (Business Administration) were sampled. Through data cleaning, the sample reduced to 261. Male constituted 158(62.0%) of valid respondents while females were 97(38) of valid respondents. This is not surprising because more males are admitted into universities than females. The marital status of respondents revealed that 90.3% were single compared to 9.3%...
of the valid respondents who were married. This is again expected as most students at the university are direct intake from the secondary schools and are therefore not employed. Respondents with family members or friends who were self-employed were 72.5% of the valid respondents with 27.5% not coming from families with business background. This is very assurance as this has the likelihood of producing future entrepreneurs.

Table 1: Demographic Characteristics of respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Male</th>
<th>Female</th>
<th>Frequencies</th>
<th>Valid Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>158</td>
<td>97</td>
<td>255</td>
<td>62.0</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>24</td>
<td></td>
<td>9</td>
<td>9.3</td>
</tr>
<tr>
<td>Single</td>
<td>232</td>
<td></td>
<td>232</td>
<td>90.3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td></td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Family/friends been self-employed</td>
<td>Yes</td>
<td>169</td>
<td>169</td>
<td>64.8</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>64</td>
<td>64</td>
<td>24.5</td>
</tr>
</tbody>
</table>

Source: Field Study 2017

The mean age of respondents from Table 2 is about 25 which is not surprising given the fact that university students constituted the sampling unit. The study revealed a minimum age of 20 and a maximum of 39.

Table 2: Age of respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20.0</td>
<td>39</td>
<td>24.6</td>
</tr>
</tbody>
</table>

Reliability and validity of Scales

Before establishing the relationship between entrepreneurial intention and the independent variables in the study, the scale used must pass the test of reliability and validity. To test for reliability, Cronbach’s Alpha, Composite Reliability and Average Variance Extracted (AVE) were used. Before examining the relationship between the key variables, reliability and validity tests were performed. Reliability tests were examined using the Cronbach’s alpha and the composite reliability statistics. On the other hand, construct validity and discriminant validity was also checked to confirm the overall validity of scales. To pass the test of reliability a factor must have a value above 0.7 for Cronbach’s alpha and composite reliability and above 0.5 for AVE. The results from Table 3 showed that all factors passed the test of reliability based on composite reliability and AVE but most failed the test based on Cronbach’s alpha. However, once the test of AVE was achieved, the factors could be deemed reliable.

Table 3: Reliability tests

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude towards entrepreneurship</td>
<td>0.718</td>
<td>0.725</td>
<td>0.876</td>
<td>0.779</td>
</tr>
<tr>
<td>Entrepreneurial intentions</td>
<td>0.529</td>
<td>0.549</td>
<td>0.807</td>
<td>0.678</td>
</tr>
<tr>
<td>Favourable support from contextual factors</td>
<td>0.623</td>
<td>0.671</td>
<td>0.833</td>
<td>0.722</td>
</tr>
<tr>
<td>High risk taking</td>
<td>0.293</td>
<td>0.301</td>
<td>0.737</td>
<td>0.584</td>
</tr>
<tr>
<td>Internal locus of control</td>
<td>0.662</td>
<td>0.673</td>
<td>0.825</td>
<td>0.747</td>
</tr>
<tr>
<td>Subjective norm</td>
<td>0.630</td>
<td>0.631</td>
<td>0.802</td>
<td>0.576</td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>0.508</td>
<td>0.525</td>
<td>0.799</td>
<td>0.667</td>
</tr>
</tbody>
</table>

As Ferreira et al. (2012) argued that the composite reliability is a better measure to Cronbach’s alpha due to the latter’s assumption of parallel measures which represent a lower bound estimate of internal consistency. To test for validity, a discriminant analysis was performed and the result presented in Table 4. Discriminant analysis requires a factor to correlate higher than with any
other construct on its scale (Messick, 1988). From Table 3, it is clear that all the factors loaded higher than any other factor on their scales. Attitude on its scale had a value of about 0.9 which is higher than any other construct on that scale. As can be seen in Table 4, EI has a value of 0.8, FS (0.8), RT (0.8), ILC (0.9), PBC (0.8), and SN (0.9).

Table 4: Discriminant Analysis

<table>
<thead>
<tr>
<th>Attitude towards entrepreneurship</th>
<th>AT</th>
<th>EI</th>
<th>FS</th>
<th>RT</th>
<th>ILC</th>
<th>SN</th>
<th>PBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial intentions</td>
<td>0.113</td>
<td>0.215</td>
<td>0.849</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favourable support from contextual factors</td>
<td>0.248</td>
<td>0.398</td>
<td>0.161</td>
<td>0.764</td>
<td>0.864</td>
<td>0.759</td>
<td>0.817</td>
</tr>
<tr>
<td>Risk taking</td>
<td>0.175</td>
<td>0.223</td>
<td>0.434</td>
<td>0.248</td>
<td>0.127</td>
<td>0.085</td>
<td>0.203</td>
</tr>
<tr>
<td>Internal locus of control</td>
<td>0.005</td>
<td>0.236</td>
<td>0.190</td>
<td>0.291</td>
<td>0.385</td>
<td>0.205</td>
<td></td>
</tr>
<tr>
<td>Subjective norm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression result

To assess the relationship between Entrepreneurial intention and a set of independent factors, the partial least-square model was used and the resultant bootstrap presented in Table 5.

Table 5: Bootstrap results

<table>
<thead>
<tr>
<th>Factor</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>STDEV</th>
<th>T-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT -&gt; EI</td>
<td>0.008</td>
<td>0.014</td>
<td>0.083</td>
<td>0.102</td>
<td>0.919</td>
</tr>
<tr>
<td>FS -&gt; EI</td>
<td>0.140</td>
<td>0.139</td>
<td>0.072</td>
<td>1.955</td>
<td>0.051*</td>
</tr>
<tr>
<td>RT -&gt; EI</td>
<td>0.226</td>
<td>0.227</td>
<td>0.068</td>
<td>3.307</td>
<td>0.001***</td>
</tr>
<tr>
<td>ILC -&gt; EI</td>
<td>0.027</td>
<td>0.032</td>
<td>0.079</td>
<td>0.347</td>
<td>0.729</td>
</tr>
<tr>
<td>PBC -&gt; EI</td>
<td>0.124</td>
<td>0.132</td>
<td>0.067</td>
<td>1.839</td>
<td>0.067*</td>
</tr>
<tr>
<td>SN -&gt; EI</td>
<td>0.051</td>
<td>0.030</td>
<td>0.065</td>
<td>0.475</td>
<td>0.655</td>
</tr>
</tbody>
</table>

NB: *** and * refers to significant at 1% and 10% respectively.

The results from table show that favourable support, risk taking and perceived behavioural control were the factors that significantly and positively influence entrepreneurial intention. Favourable support is said to be significant in determining entrepreneurial intentions of Ghanaian students. This relates to the positive image Ghanaian entrepreneurs enjoy as well as the availability of qualified consultants and service support for new enterprise. The university environment also plays a major role here as the work of Schwarz et al. (2009) conclude that students’ willingness to start a business is largely emanates from the actions of universities in encouraging entrepreneurship. Similar findings were made by Siegel and Phan (2005) who added that entities that provide support for entrepreneurs have the tendency to encourage the willingness to start a business.

Findings from the study suggest that risk taking plays a major role in determining the intentions of students to start a business. Respondents are ready to undertake behaviour with an uncertain outcome. In this regard, students are ready to try new things and have taken at least a risk in recent times. One of the surest factors that increase the probability of starting up a business is risk taking which decreases the likelihood of becoming an employee (Knörr et al., 2013; Omerzel and Kuščec, 2013). Furthermore, findings indicate that PBC significantly influences students’ intention to start a business. This is associated with the belief in individual skills and capabilities to succeed as an entrepreneur which makes them perceive easiness in starting up a business. Previous studies (Murugesan and Jayavelu, 2015; Küttima et al., 2014; Demir, 2010) have variously confirmed the significance of PBC on entrepreneurial intentions. The implication is that perceived behavioural control can be a strong measure for one’s ability to be
independent. Being Entrepreneur largely means being on one’s own in terms of taking business initiatives and creating value for society.

**Conclusions and Implications**

The objective of this study is to determine the factors that contribute to the intentions of university students to start a business. The TPB was used as the background theory to explain behavioural intentions of students in respect of entrepreneurship. Findings indicate that risk taking, favourable support from contextual factors and PBC prove to be the determining factors of entrepreneurial intentions of students. Favourable support has both in practice and theory been established to be a key determinant in entrepreneurial development. If the enabling environment such as access to credit at lower cost for start-up, ease of business registration, protection of intellectual property among others, people will be attracted to develop their entrepreneurial skills. Risk taking is also a key element in determining who can become an entrepreneur. The business environment is full of uncertainty and risk, one’s ability to take risk amid uncertainty can definitely be a strong measure in determining entrepreneurial intentions. Higher Education institutions must initiate programmes to award students who show a great intention towards business initiatives and creating value for society. The institutions must evaluate the feasibility of such initiatives and play an active part in the initial stages. Since there is a distinction between intentions to start a business and actually starting a business, future research could look into the factors that cause the disconnection. This is because despite the show of intent to start a business most students do not show interests in moving to the next level of starting a business.

**References**


ACCELERATING TECH-ENABLED ENTREPRENEURSHIP IN SUB-SAHARAN AFRICA: A TWO-SECTOR ASSESSMENT

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There is a general tendency to believe that adverse geography, weak institutions, and general lack of resources had constituted to Africa’s inability to develop and be innovative. However, despite the hostile environment of doing business in Africa, variations in performances exist where some countries progress, others stagnate and yet others retrogress. These variations are arguably attributable to technological advancements and how these are deployed to navigate the hostile business environment that has come to characterise Sub-Saharan Africa. Indeed, since the arrival of the Internet, the speed and distance across countries and regions have shrunk dramatically – thus creating equal opportunities for entrepreneurs globally – but this needs to be illustrated with insightful case studies. We contend that, while on one hand, digital platforms have created equal access, many digital entrepreneurs in Africa, on the other hand, still struggle with local environments replete with corruption, and other economic inefficiencies. Consequently, this study covers media-tech and agri-tech businesses to highlight some of the opportunities and challenges that have shaped current business practices in this context.

Keywords: Digitalisation, Sub-Saharan Africa, Agri-tech, Media-tech, Entrepreneurship, case study

Introduction

Plethora of complex events such as military conflicts, political uncertainty, and unemployment with associated food shortages, societal inequality as a result of gender imbalance, poor quality education and digital illiteracy, - all present the reality for the most of countries in the Sub-Saharan Africa. However, we are witnessing new business models and approaches created and implemented to overcome such events and trigger unique opportunities for the regional development. As Madichie (2016) noted, these innovative solutions are largely fragmented. Joseph, Erasmus, and Marnewick (2014) argue that many innovative entrepreneurial ventures fail due to inability to execute projects and lack of very critical for the entrepreneurial success soft skills.

Digitalisation via adoption and use of digital technologies present transformative prospects for the cultivation of the entrepreneurial ecosystem (Asongu and Nwachukwu 2018). Digital technologies enable flow, openness and accessibility of information and communication that indeed breakdown barriers to education, shaping independent thinking and fostering self-employment practices. It is also paramount to highlight that digital technologies are means to express “aspirations and senses of being in the world” (Pijnaker and Spronk 2017). In other words, adoption and use of digital technologies in the Sub-Saharan Africa on one hand enable social and economic change due to ability to capture cultural traditions and legacy as well as all contextual intricacies of the region and, on the other hand, enable connectivity with much more developed practices and experiences elsewhere.
Dana et al. (2018) pointed out that despite predictability and theoretical assumptions of the impact digital technologies have on the entrepreneurship, a research on digital entrepreneurship in Sub-Saharan Africa is scarce with lack of understanding of the digital entrepreneurship and its contribution economic growth and societal benefits. Therefore, in this conceptual paper, accompanied by individual cases from the various industries (media and agriculture), we intend to explore what the opportunities and challenges of accelerating entrepreneurship in the Sub-Saharan Africa as a result of digitalisation. We draw on sectorial evidences and theoretical perspectives with a view to shed light on an idiosyncratic nature of the Sub-Saharan African entrepreneurial practices.

**African entrepreneurship: Theoretical background**

Entrepreneurship is a social technology for creating business opportunities (Welter et al. 2017). In addition to the common perspective on defining entrepreneurship, various studies (i.e. Tvedten et al. 2014; Ratten and Jones 2018) argue that entrepreneurship is a solution to the economic and social problems in parts of Africa. It is due to independence and control perceived to be an ultimate outcome of any entrepreneurial activity. This enables to improve quality of life but also develop communities that are inspired and are occupied as a result of industrial growth. It is, therefore, not surprising to see that Africans have “the highest entrepreneurial intent globally” (Reid et al. 2015, p. 264).

Nevertheless, such intent is not converted in to a number of successful business ventures because of the geopolitical nuances, discussed in the introductory section, but also mistaken beliefs of the entrepreneurship being a ‘way of making it’ in the society that lacks educational and employability prospects (Ferreira et al. 2017). Moreover, abundance of institutionalised and state-owned and controlled enterprises in the Sub-Saharan Africa creates barriers in terms of availability of financial investments and lack of self-confidence in creating new start-ups and small business activities (Edoho 2016; Ratten and Jones 2018). It is, therefore, clear that an institutionalised support via investments, education provisions and structural support for the entrepreneurship are inevitable criteria for increasing entrepreneurial activities in the Sub-Saharan Africa.

Before understanding what makes entrepreneurial ventures successful in Sub-Saharan Africa, it is important to explore the cultural and historical nuances that set aside this region of the world (Tvedten et al. 2014). Despite the popularity of African entrepreneurship in the media, there is still a lack of understanding in the academic literature about how it is different compared to other geographical locations. An individual country and sectorial insights within the region are necessary to expand our knowledge on the region. Lately, few studies explored impact of various socio-political and institutional aspects on entrepreneurial activities in Africa. One of these is study by Hain and Jurowetzki (2018) emphasised the importance of foreign direct investments into the entrepreneurship ecosystems of the Sub-Saharan Africa. In particular such investments are found to increase longevity of the start-ups and contribute to resources and capabilities enhancement in the entrepreneurial businesses that provide technical innovations of global significance. Such innovations are developed at the intersection of global and local knowledge (Madichie et al. 2019).

Another research by Boojihawon and Ngoasong (2018) focused on the entrepreneurial digital competencies and its effect on success of digital entrepreneurial ventures, taking into account limited resources of Cameroon. It was highlighted that the information and communication technology infrastructure, transport and local distribution infrastructure and training opportunities to develop the entrepreneurial digital competencies are key to fostering digital enterprises’ development and growth. Shemi and Procter (2018) followed up on this and focused on social commerce adoption in the context of small and medium sized enterprises (SMEs) using a contextualism theory. It was clear that in the Sub-Saharan Africa context, social media networks such as Facebook are increasingly used to enable transactional or trade
exchanges with no barriers for entry but enthusiasm to carry on entrepreneurial practices in less resource intensive technological context.

In addition to focus on digitalisation, several recent studies (i.e. Ukanwa et al. 2018; Gudeta and Van Engen 2018; Nziku and Struthers 2018) looked into women entrepreneurship in particular. Ukanwa et al. (2018) highlights that females in rural areas are particularly vulnerable and disadvantaged group; hence, entrepreneurship has potential to change such dynamics and empower this deprived social group. It was found that many women could combine household responsibilities can be combined with an opportunity to earn living wage. However, microfinance options and process of obtaining are not tailored to limit barriers for women in rural areas. However, there are also social and cultural aspects that prevent women in Africa to take on risk and start a business venture (Nziku and Struthers 2018). Many women rely on views and opinions of their immediate social circles when many are discouraged to commit to self-employment as it presents more risks and uncertainty rather than employment with a larger organisation. Finally, other cultural context such as Ethiopia limit opportunities for women to maintain work-life balance, hence discourage women to start own businesses and even ‘be brave’ to undertake any employability (Gudeta and Van Engen 2018). It is evident that many of barriers now longer seen to be true for western economies remain reality for the Sub-Saharan Africa region and at the same it is also clear that cultural differences present unique opportunities for the entrepreneurial miracles in the region, learning from which can benefit the rest of the world.

Entrepreneurship ecosystems

A healthy ecosystem is pivotal to thriving entrepreneurship and economic development (Sheriff and Muffatto 2015). Consequently, the entrepreneurial ecosystem approach has recently emerged as a benchmark for implementing policies leading to a healthy and thriving critical mass of digital enterprises. Entrepreneurship ecosystem scholars have argued that, an entrepreneurial setting rich in thriving ecosystem leads to more productive entrepreneurial output (Stam 2013). Entrepreneurship ecosystem has been heralded as one of the few entrepreneurship approaches to recognise both the central role of ‘entrepreneurial actor’ and the ‘strategic context’ of the productive enterprise system (Stam 2013). This enables the approach to integrate both evolutionary and strategic approaches making it an ideal candidate for application to quintessentially African settings (Sheriff and Moffatto 2015). Sceptics, however, argues that entrepreneurship ecosystem approach has shortcomings since it is concerned with a complex system of interdependent parts considered as dichotomous binary relationship of ‘either/or’ logic instead of ‘both/and’ (Clarke et al. 2014). Having said that, scholars argue that it has more benefits than shortcomings since, in a typical African context its potential to capture the specificity and idiosyncrasy of local systems is well pronounced (Sheriff and Muffatto 2015). When applied in digital settings, it has the power to generate insights about knowledge exchange flows (energy), and venture capital (nutrient) necessary for an enduring and dynamic digital system of enterprise.

Unfortunately, despite the potential to generate insights, African research rarely evaluates the challenges and prospects of entrepreneurial ecosystems especially in digital environments of emerging less developed countries (Kantis and Federico 2012). Notable exceptions include Sheriff and Muffatto (2015) who conducted a cross-examination of the present state of the entrepreneurial ecosystems in four African countries namely: (Botswana, Egypt, Ghana and Uganda). Despite limitations of available data their study reveals the need to extend the frontiers of entrepreneurship research to encompass national ecosystems. They further pontificate that that “entrepreneurship ecosystems could be useful road maps for the formulation of entrepreneurship policies for countries in Africa.” (Sheriff and Muffatto 2015). Other relevant studies argues that most African entrepreneurship research focuses on describing state of entrepreneurship and its attributes instead of capturing the coexistence and interactions between entrepreneurship, environment, and policy making. Entrepreneurship ecosystem held the promise to enable us understands the dynamic inter-play between the key players (agents), digital environments/spaces, and their interconnectedness or otherwise in emerging developing
countries. It has the potential to become the cornerstone for formulating future digital and enterprise policies in Africa.

Method

This paper adopts a case study method. Multiple cases (Rowley 2002) from different sectors affected by the digitalisation in Sub-Saharan Africa, media (hereafter media-tech) and agriculture (hereafter agri-tech), present the sample. Multiple cases with combination of empirical interviews and retrospective analysis of secondary interviews are widely used in the research concerning entrepreneurship (Chandler and Lyon 2001). Table 1 presents full details on the sample.

Table 1. Full profile of cases

<table>
<thead>
<tr>
<th>Case (company) ID</th>
<th>Industry details</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Advertising</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C2</td>
<td>Games</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C3</td>
<td>Data analytics</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C4</td>
<td>Non-profit all-inclusive media production</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C7</td>
<td>Nollywood</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C8</td>
<td>Nollywood</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C9</td>
<td>Nollywood</td>
<td>UK/Nigeria</td>
</tr>
<tr>
<td>C10</td>
<td>Nollywood</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C11</td>
<td>Agri-tech software</td>
<td>Ghana</td>
</tr>
<tr>
<td>C12</td>
<td>Market research</td>
<td>Ghana</td>
</tr>
<tr>
<td>C13</td>
<td>Crowdfunding</td>
<td>Ghana</td>
</tr>
<tr>
<td>C14</td>
<td>Engineering</td>
<td>Nigeria</td>
</tr>
<tr>
<td>C15</td>
<td>Rice processing mills</td>
<td>Nigeria</td>
</tr>
</tbody>
</table>

Majority of cases (12 companies/participants) are linked to Nigeria with three cases from the agri-tech sector representing Ghana. Multiple data collection approaches were used to profile the cases, including primary and secondary interviews with business owners and employees. Thematic (Braun and Clarke 2006) and content (Elo and Kyngäs 2008) analyses are used to analyse interview data with the aim to highlight the challenges and opportunities of accelerating entrepreneurship in the Sub-Saharan Africa as a result of digitalisation.

Findings and discussion

Below we present list of challenges and opportunities of accelerating entrepreneurship as a result of digitalisation, identified across media- and agri-tech sectors. These themes are taken as a result of analysis. Direct quotes are not presented due to page number restriction. For the full details of the quotes, please contact authors.

Challenges

Media-tech: Technological infrastructure was mentioned as one of the main challenges for fostering success amongst studies companies. It is was not surprising to see this aspect highlighted as Nigeria and the whole Sub-Saharan region lag behind on technological advancements and quite low Internet penetration rate. Moreover, quality of mobile network connectivity is diverse throughout Nigeria leaving many rural areas being inaccessible and
reliant of fixed network connectivity. This was also highlighted by Bolat (2019) in her review of challenges faced by media SMEs in Nigeria. As confirmed by Madichie et al. (2019), within Nollywood cases it was also clear that production, distribution and marketing of content are seen as challenging due to “disorganised” approaches associated with commercialisation of film and media products. This is where corruption and self-interests of individual industry players overtake the benefits and progress of the entire ecosystem.

Being a historical characteristic of the most Nigerian business environments (Cage 2015), corruption remains one of the main challenges to accelerating growth of modern Nigerian tech-businesses. This is closely linked to sources of funding available to businesses willing to digitalise and benefit from new opportunities presented to tech-infused media businesses. Although number of funding opportunities is much more diverse today than a decade ago, limited amount of funding available and heavy reliance of foreign sources of funding restricts Nigerian media-tech businesses to expand and grow their operations and profitability (Bolat 2019; Madichie et al. 2019). Indeed, this creates tensions within the industry and fosters corruption. For instance, in the case of Nollywood, it is clear that marketing is not seen as specific area of attention and hence monetary investment. This in turn prevents films to be distributed and hence monetised.

Agri-tech: Infrastructure was the main challenge highlighted by all cases from the agri-tech sector. Access to the Internet, “lack of mobile connectivity and bandwidth”, “lack of electricity in remote communities” prevented many of tech solutions to be deployed and considered by the farmers. This is not surprising result but of course a challenge, without resolving which the progress in deployment of agri-tech cannot be achieved. This particular finding is in line with Acheampong (2019). Only recently Garba (2019) discussed the slow pace of applying technology, particularly digital technology in agriculture in Sub-Saharan Africa taking farming as a case illustration. He concluded that overall there is no significant private sector initiative in the drive to develop, domesticate and or adopt and apply digital or other forms of technology in agriculture in Nigeria. This was also true for cases studies in this paper. Large firms in agriculture are mostly foreign owned and import much of the technology they require from overseas. Institutional barriers are evident in preventing the support for smaller firms with acquiring needed tech but also fostering innovation in domestically and regionally produced agri-tech.

Opportunities

Media-tech: ‘Mobil first’ mindset was largely highlighted by the advertising businesses as presenting particular opportunities for the Sub-Saharan region due to limitations of overall technological infrastructure. It is clear that in terms of overcoming distribution and marketing issues associated with commercialisation of content, marketing platforms are seen as main channel to push the media products and services. Perhaps as Bolat (2019) suggests such focus could help to streamline the production and distribution and enable much more focused approach to who are critical actors within the commercialisation ecosystem.

Indigenous practices of using and deploying technology are clearly in place amongst all of the cases we studied. This is as a result of cultural nuances but also unique talent available in the Sub-Saharan region. Culture is largely important to inspiration and purpose of media-tech cases. Embracing social causes, producing stories that discuss differences of Sub-Saharan region is what presents great competitive advantage for media-tech businesses in Nigeria (Cage 2015; Bolat 2019; Madichie et al. 2019). This combined with the latest globally accepted media production skills and approaches (coming from graduates who obtain foreign qualifications), but with portrayal of unique stories definitely was highlighted as a differentiation point that is of interest not only to the Sub-Saharan market but media audiences worldwide. Networks, its expansion and use, were seen as valuable to all of the cases analysed in this study. This is not surprising because Sub-Saharan culture is known for its partnership culture. However, as discussed earlier, this is in neighbourhood with self-interests and corruption behaviour. Hence, such tensions should be resolved first.
List of challenges and opportunities identified by the case companies representing media-tech sector demonstrate that although skills, partnerships, networks are key elements of preventing such advancements to take place – technological infrastructure – is yet to be established in Nigeria. Moreover, some of historical and cultural nuances accompanied by corruption use limits of the infrastructure to own benefits, hence, slowing any positive progress for business beneficiaries. Change in mindsets is what should happen first, in order for the ecosystem to develop and see legitimacy as vitamin for successful growth of media-tech businesses in Sub-Saharan Africa (Taura et al. 2019).

Agri-tech: It is clear that innovation in agricultural activities through deployment of digital tech plays a significant role in fighting poverty, lowering per unit costs of production (Kassie et al. 2011), as well as in boosting rural incomes and reducing hunger (Maertens and Barrett 2013; Acheampong and Hinson 2018, Acheampong 2019). However, many farmers continue to face economic pressures – both micro and macro – with negative impact on farm productivity (Boere and van Kooten 2015). This is especially visible in the ever-increasing divide between urban and rural localities. This implies that agriculture needs to increase innovation and technology adoption in rural remote areas. As with the media-tech, ‘mobil first’ mindset was emphasised by the agri-tech cases. It was clear that all of the opportunities identified in the deploying tech to assist farmers come from the needs to access and transmit data, communicate, complete transactions in the remote, time and location-sensitive context.

Digital transformation was clear opportunity highlighted by the studies agri-tech businesses. However, it was evident from all the cases that digital transformation needs to happen within a wider agri-tech ecosystem that includes conventional agribusinesses, i.e. farms, but also tech solution providers, players controlling technological infrastructure, governmental and non-governmental organisations. It was apparent that partnership mentality is needed to establish the ecosystem and digital transformation come to fruition. For instance, C12 highlighted the role of agricultural research institutions in recommending sophisticated technological solutions to farmers in Ghana. But also, research institutions play role in evaluation of developmental needs farmers have in regard to using and understanding agri-tech solutions. This is critical not only for the deployment of tech but also in decision-making process regarding the impact of tech resources in accelerating the growth of agricultural businesses – as pointed by case C13, “nurturing agricultural entrepreneurship and growth”. It is apparent that with the introduction of technology, entrepreneurial intent amongst farmers in Ghana was lifted as the access to networks and resources and direct interaction with various agricultural stakeholders was enabled. This particular result is similar to what Klerkx et al. (2010) found in terms of positive impact technology use and adoption had on innovation and entrepreneurial intent.

Conclusions

Two sectors we examined in this paper show many similarities in regard to challenges and opportunities faced by the entrepreneurial firms that are to engage with the digitalisation in Sub-Saharan Africa. It is clear that developments in infrastructure is the main issue to be resolved before any deployment of digital tech to become mainstream and benefit businesses. Moreover, entrepreneurship ecosystems are critical to stimulating entrepreneurial intent to deploy technology, acquire skills and engage with opportunities offered by digital tech (Sheriff and Muffatto 2015). African Development Bank Group (2019) states that productivity can only “be achieved if constraints to doing business such as poor governance, low institutional quality, and inadequate infrastructure” will no longer limit “firm survival and dynamism”. Our findings confirm this claim.

McKinsey (2019) reported that in Africa “for someone to find a consumer, you need to have a local partner who knows where the consumer is, based on very subjective information”. Our research has also highlighted the importance of partnerships within the entrepreneurship
ecosystems and critical condition for the positive benefits for all stakeholders within the ecosystem. In today’s competitive business environment it is clear that both media and agri sectors see benefits in deploying digital tech. Hence, both sectors play significant role in economic developments of the Sub-Saharan Africa. It is clear that digital tech provide media-and agri-tech businesses with opportunity to take into account the regional nuances of societal, institutional and geographical nature. All opportunities highlighted in the cases we explored are specific to the Sub-Saharan Africa region.

References


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WOMEN ENTREPRENEURSHIP: A REVIEW ON ISSUES AND HOW TO GET OUTSIDE THE BLACK BOX IN THE ERA OF INDUSTRIALIZATION.

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Although entrepreneurship provides women with the economic benefits around the globe, they are more likely to face greater challenges than men in the era of industrialization. Studies on women entrepreneurship have documented a rapid growth over the past 30 years. However, there are inadequate studies that have explored on how the knowledge is put into practice of women entrepreneurs in a developing economy context. The objective of this study is to identify issues that impede women entrepreneurs and reflect on getting outside the “black box”. The study is based on review of literature; first is to document the issues in women entrepreneurship in 15 established entrepreneurship journals from 1900 to 2018. Second is to identify challenges for implementing research recommendations geared at enhancing women entrepreneurship and put forward future research suggestions. Our review findings suggest that there are a number of issues such as socio-cultural, lack of finance, business environment, macro-economic legislations, access to market and business services and gender based factors, while for the black box are; motivation of researchers, language barrier, limited stakeholder’s involvement in the research, feeble attempts to disseminate research findings that impede women entrepreneurs in Africa. The study also suggests a holistic approach of how women entrepreneurs adapt and add value towards industrialization in Tanzania and Africa at large.

Key words: Women, entrepreneurship, Issues, Challenges, Implementation and Industrialization

Introduction

Researches contend that entrepreneurship provides women with the economic benefits, opportunity for empowerment and better integration in the society. However, women face more constraints than men, thus making them more likely to face greater challenges in starting or sustaining businesses. The existing literature suggests that women can play a significant role in entrepreneurship phenomenon and economic development (Sarfaraz et al., 2014; Unni & Yadav, 2016). Due to the role they play, there is a persistent need to investigate various dimensions of women entrepreneurship as well as issues that impede them. While the participation of women who start and develop business is constantly increasing, their context differs widely. For example, motivations or challenges for women in developed countries where business environment is conducive for volitional behaviour differ with the hostile environment in developing countries (Rosa, 2013). Following this argument and by acknowledging the growing research on women, the existing theoretical concepts need to be expanded to better explain the uniqueness so as to get outside the “black box” and contribution of women entrepreneurship as a subject of research inquiry. In addition, it is important to reflect on challenges that affect implementation of recommendations and a way forward.
Many women start their businesses with limited capital and working capital is one of the biggest issues for start-up businesses. Also, banks, suppliers and clients all may have less confidence in female business owners than in their male counterparts (Shmiln, 2017). By having limited capital women do not have as high of survival rate in business than men. It is evident that, lack of working capital is a big problem for new entrepreneurs and can affect growth and survival rates (Sospeter & Nchimbi, 2018). There may be constraints on the types of businesses they create and own. Their businesses usually are smaller size, have growth and profitability limitations. According to Marlow & Watson (2014) female owned enterprises are more likely to be undercapitalized in a variety of forms from the outset, locate in crowded sectors and so underperform over time.

Although a number of literature in other countries have reviewed and discussed research on women entrepreneurship, the trends, challenges and opportunities, entrepreneurship process model, gender and entrepreneurship, motivations, trends and future directions (Gundry et al., 2002; Ahl, 2006; de Bruin et al., 2006; Sullivan & Meek, 2012, Hughes et al., 2012; Jennings & Brush, 2013), little knowledge exist on how research recommendations are put into practice in developing countries. For example, Unni & Yadav (2016) suggest that there is still a long way to go in terms of building a strong theoretical base for research on women entrepreneurship. They suggested that the lens of feminist theories can be applied in conjunction with the existing entrepreneurship theories to advance the field. Furthermore, the majority of these studies have focused on developed countries with few studies within the developing countries. This raised the question on whether women entrepreneurs in Africa are going to fit in this era of industrialization. Considering Africa has the highest entrepreneurship rate in the world, at 22 percent of the working age population, and small and medium enterprises provide more jobs in the formal economy in sub-Saharan Africa than any other industry, harnessing the potential of women entrepreneurs could play a crucial part in any new industrialization strategy (Cognac & France 2014). There is a need for specific studies especially within SSA among stakeholders on the review of women entrepreneurship in order to establish their current state and initiate a debate on how findings can be put into practice. Nevertheless, the available few studies focus on the establishing the missing link, challenges facing women entrepreneurs, motivations and obstacles (Goyal & Yadav, 2014; Sospeter et al., 2014; Shlimn, 2017). Due to lack of review in developing countries, some of the issues are being repeated and some authors like Unii & Yadav (2016) and Jennings & Brush (2013) suggest that there is a need to expand the context and content. The fact that developing countries have limited resources, it is equally important to invest on women entrepreneurs through research findings. Therefore, it is high time to focus on women entrepreneurship in developing countries. This study is relevant to women entrepreneurs, policy makers and researchers in order to reflect on the issues and draw suggestions for future improvement.

**Empirical reviews on Women Entrepreneurship**

Studies in developed countries (1900-2017)

The review presents the list of entrepreneurship journals and papers published on Women Entrepreneurs from 1900-2016. The total number of papers published in the mainstream journals from 1900s to 2018 was 186. From Table 1 depicts that, the Journal of Small Business Management have the highest number of papers, followed by Entrepreneurship: Theory and Practice. Interestingly, Economics of Innovation and New Technology and the International Journal of Entrepreneurial Behaviour and Research are two mainstream entrepreneurship journals but have no papers on women entrepreneurship. Table 1 presents a list of Entrepreneurship Journals and Papers Published on Women Entrepreneurs.
Table 1: List of Entrepreneurship Journals and Papers Published on Women Entrepreneurs

<table>
<thead>
<tr>
<th>Journal Name</th>
<th>First article published in Year</th>
<th>Total papers (1900–2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Economics of Innovation and New Technology</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>2 Entrepreneurship &amp; Regional Development</td>
<td>1998</td>
<td>11</td>
</tr>
<tr>
<td>3 Entrepreneurship: Theory &amp; Practice</td>
<td>1991</td>
<td>34</td>
</tr>
<tr>
<td>4 Industry and Innovation</td>
<td>2010</td>
<td>1</td>
</tr>
<tr>
<td>5 International Journal of Entrepreneurial Behaviour and Research</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>6 International Journal of Entrepreneurship and Innovation</td>
<td>2007</td>
<td>5</td>
</tr>
<tr>
<td>7 International Review of Entrepreneurship</td>
<td>2015</td>
<td>1</td>
</tr>
<tr>
<td>8 International Small Business Journal</td>
<td>1998</td>
<td>18</td>
</tr>
<tr>
<td>9 Journal of Business Venturinga</td>
<td>1988</td>
<td>26</td>
</tr>
<tr>
<td>10 Journal of Small Business and Enterprise Development</td>
<td>2003</td>
<td>16</td>
</tr>
<tr>
<td>11 Journal of Small Business Management</td>
<td>1973</td>
<td>46</td>
</tr>
<tr>
<td>12 Small Business Economics</td>
<td>1996</td>
<td>27</td>
</tr>
<tr>
<td>13 Business Management Review</td>
<td>2007</td>
<td>5</td>
</tr>
<tr>
<td>Total Number of Papers</td>
<td></td>
<td>191</td>
</tr>
</tbody>
</table>

Source: Unni & Yadav (2016)

Reviews of women entrepreneurs globally

Research review by Gundry et al. (2002) suggest that the number of women owned enterprises and research studies on women entrepreneurship has grown steadily in the last two decades. The review summarizes key topics, findings and offers directions for future research. Additionally, Gundry et al. (2002) suggest that there is a need to study comparisons among sectors and understand the impact of factors like industry, family, culture and goal orientation in women founded enterprises. They also suggest that there is a need for research on women entrepreneurs in developing countries.

Another review s by Ahl (2006) suggest that there is a need to make a shift in epistemological position from how gender is done (how women entrepreneurs construct their lives and businesses) to how social orders are gendered (examples include business legislations, policy, support systems, cultural norms, labor divisions). The contribution of this paper was through a suggestion of new research directions that are not reproductions of women's subordination but offers a richer perspective on women entrepreneurship grounded in feminist theories.

According to de Bruin et al. (2006 research on women entrepreneurship is still at an infant stage. Their review came up with some propositions. They propose that there is a need to pursue more research that is connected to theory. The essence of such proposition was that, it can help capture the heterogeneity in women entrepreneurship research. Further, they suggest that the field of entrepreneurship can advance by encouraging several players or stakeholders/communities to...

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flourish that shift and make in depth research in specific subject areas. In their paper, de Bruin et al. (2006) mention the Diana International Project that was initiated in 1999 to study women entrepreneurship in the US. It is a good lesson learnt as the project now has participants from 20 countries and can be considered as a good model for developing focused professional people in women entrepreneurship arena.

Another study by de Bruin et al (2007) highlights that very few authors had explicitly studied the entrepreneurial processes of women entrepreneurs. They put forward some research gaps that, there was dearth of research on environment for women entrepreneurship that may cover studies from different countries, regions (like rural or urban) and different business sectors. In their paper they noted some methodological issues and reason whether there is a need for a separate theory on women entrepreneurship. They suggest that the existing theoretical concepts need to be expanded to better explain the uniqueness of women entrepreneurship.

The review by Sullivan & Meek (2012) examine the literature from 1993–2010 on women entrepreneurship. They present the review under a process model of entrepreneurship in three phases such as; pre-launch, launch and post-launch phases, which was initially proposed by Baron & Henry (2011). Sullivan & Meek (2012) revise and extend this model and call it the process model of gender and entrepreneurship. They report that amid an increase of research on women entrepreneurship in the last two decades, there is still a greater need for more studies in the area. They suggest that women are likely to face barriers to entry due to unequal access to assets or resources or education, and are likely to face differing societal attributions and expectations. Their recommendation to mitigate some of these challenges, women should be encouraged to pursue education in fields associated with high growth industries.

Hughes et al. (2012) report that there are improvements in the type of questions that are being asked and the explanations being offered. They suggest that there is a need to include different voices and apply a constructionist approach to answer traditional and non-traditional questions. They also indicate that most of the research collaborations in women entrepreneurship area are still restricted within national boundaries and future research needs building networks across transnational borders.

Jennings & Brush (2013) document the development of research work on women entrepreneurship over 30 years. Their review presents an assessment of research contributions with reference to the larger context of entrepreneurship domain. It also discusses the challenges and opportunities for scholars studying the niche area of women entrepreneurship. Jennings & Brush (2013) use the lens of informed pluralism, which seeks to explore women entrepreneurship using extensions to and by general research on entrepreneurship. They further discuss that entrepreneurship is a gendered phenomenon and entrepreneurial activities can be rooted in families.

Henry et al. (2016) review the literature published on gender and entrepreneurship over a period of 30-years in 18 journals. They identify methodological trends in this area and discuss methodological innovations needed for future research. They find that there are large-scale empirical studies that primarily focus on comparisons between male and female entrepreneurs. There is often less information given on the industry sector or the sampling methods employed. They suggest that there is paucity of feminist critique and future scholars need to engage with post-structural feminist approaches. They suggest that there is a need to adopt innovative methods like in-depth qualitative approaches to study life histories, case studies or discourse analysis.

Unni & Yadav (2016) reviewed the trends and future directions of women entrepreneurship research. They examined the number of papers published on women entrepreneurship in 12 established entrepreneurship journals from 1900 to 2016. They also assessed the growth of the field by specifically reviewing literature reviews published from 1980s to 2016. Their review findings suggest that there is still a long way to go in terms of building a strong theoretical base for research on women entrepreneurship. They suggested that the lens of feminist theories can be applied in conjunction with the existing entrepreneurship theories to advance the field. They
also noted that, past research is dominated by the positivist paradigm and there is a need to embrace innovative methods to build explanations using a constructionist approach.

Furthermore, studies are mostly restricted within national boundaries primarily being conducted in developed economies. There is a need to build transnational networks and foster professional communities to enable the growth of the field. Many studies in the past borrowed theoretical concepts from areas that were not valid for the women entrepreneurship domain. There is a need to be inclusive of diverse voices and consider constructionist approaches to explore traditional as well as non-traditional questions. Particularly, there is a need to use the lens of feminist theories to capture heterogeneity in women entrepreneurship research and extend existing entrepreneurial theories. There is also a need to focus in developing countries and study entrepreneurial processes of women founded business models and adopt innovativeness in research method choices.

**Reviews on women entrepreneurship research from developing countries**

The article by Goyal & Yadav (2014) reviews challenges faced by women entrepreneurs in developing countries like India. They report that female entrepreneurs face challenges of higher magnitude as compared to their male counterparts. These challenges are unique and more complex for women living in developing countries. They find that women in developing countries struggle to gain access to finance, face socio-cultural biases and experience low self-esteem. They report that developing countries have institutional voids and low levels of entrepreneurial education. Goyal & Yadav (2014) suggest that there is a need to address these complex challenges in a comprehensive manner, which can assist research and policy work on women entrepreneurs in developing countries.

Sospeter et al (2014) reviewed women entrepreneurship in the construction industry in Tanzania. They note that many previous studies borrowed theoretical concepts from men and that were not fit for the women entrepreneurship field. They further report that women entrepreneurs in developing countries face formidable challenges than their male counterparts. They report that women in construction industry are under-represented due to industry image, social-cultural factors, the background women come from, lack of education. Sospeter et al. (2014) suggest that there is a missing link and therefore specific research on motives, challenges and the process women go through to start and grow businesses in the construction is paramount.

Shmiln (2017) examines and compares the motivations and obstacles that female entrepreneurs face in developed and developing countries. He found out that, women are not limited by their abilities and drive when it comes to being entrepreneurs but they do not see as many opportunities available to them as male entrepreneurs. There is also a feeling that they are not as familiar with the business world and this can be a barrier to them starting their own business. Men reinforce this notion by believing that women are less qualified, less powerful and less able to be business owners. Most of female entrepreneurs in developed and developing countries face obstacles and barriers when they are starting their own business. There are similarities and differences between developing and developed countries related to obstacles of female entrepreneurs. For example the differences for female entrepreneurs in developing countries they always face the obstacles such as the culture and government procedures. On the other hand, the similarities of female entrepreneurs in developing and developed countries they lack of training and lack of capital there are some additional barriers. Women may not have received the experience and training to make them successful. Access to sufficient capital is also a challenge for female entrepreneurs. Some banks may not have the confidence in female entrepreneurs that they have in developed countries.

Wilbard & Mbura (2017) studied on the entrepreneurial factors that hinder women businesses growth in Tanzania. The sample of 254 randomly selected entrepreneurs from cloth, wholesaling, retailing, hair salon, food vending, handicraft, mobile money, microfinance institution, tailoring, charcoal selling, fish selling and vegetable selling was used. It was found that education and training, financing, family, double- burden double-shift and networking as well as market were the factors that hinder women's business growth. The study concludes
that entrepreneurs can benefit a lot from networking events that allow them to get access to different resources. The study recommends that businesses from sub-Saharan Africa should learn from this study and be sensitive to how training and skills for business owners constitute important aspects for the businesses growth.

From the reviews, it should be noted that, the trends of women entrepreneurship research from developed countries are clear and their future directions are set. On the other hand, researches on women entrepreneurship in developing countries started around 1989. As a result, most of the theories and models were borrowed from the developed countries. However, most of these studies are done by different researchers but the issues, challenges and factors that hinder women entrepreneurs have been repeating over the years. Therefore, it is high time to document women entrepreneurs’ issues, how to get out of the black box and highlight future directions in developing countries. Needless to say, the future direction should take aboard opportunities and contribution of women entrepreneurship research towards industrialization.

**Women Entrepreneurs and industrialization**

Gries and Naudé (2010) provide a model to illustrate the role of the entrepreneurial innovation in industrialization. The model provides essential roles for entrepreneurs; First, they create new firms outside the household, offering new products and introducing new processes that provide information as a ‘lead’ activity. Second, they grow firms (and wage employment) by making use of scale economies. Such larger firms tend to specialize, and the clustering of specialized firms can give rise to localization economies, further encouraging innovation and specialization. Third, entrepreneurs can raise the returns to human and physical capital and so provide incentives for further investment and education. Based on this information it is noted that entrepreneurs are key to industrialization and so women are. The researchers have found that women entrepreneurs are engine for industrial and economic development (Goyal & Yadav, 2014; Shlimn, 2017; Shlimn, 2017). At the same time the literature indicates that women entrepreneurs have been facing challenges (Marlow & Watson, 2014; Wilbard & Mbura, 2017; Sospeter & Nchimbi, 2018). It is important to establish the best way of addressing their challenges so that they join in the industrialization boat.

**Women Entrepreneurs: A review on Issues**

**Environment and Challenges for Women Entrepreneurs**

The Government of Tanzania has expressed commitment to support women’s entrepreneurship through a number of policy pronouncements as well as specific support programmes. However, women entrepreneurs face a challenging environment that contributes to stifling the growth of their enterprises (Nchimbi, 2003; Stevenson and St. Onge, 2005; IMED, 2010; Jagero and Kushoka, 2011). Some of the challenges identified in the literature review, national statistics and WED are:

**Lack of access to finance and training**

Shlimn (2017) suggests that female entrepreneurs in developing and developed countries face lack of training and lack of capital. Women may not have received the experience and training to make them successful. The biggest challenge is their limited awareness and capacity, including attitudes and practices that are more aligned with subsistence than profit oriented activities. They lack information about regulations and standards, inputs, equipment and strategic services (IMED, 2010). Women entrepreneurs also do not have sufficient skills to develop creative business concepts, market products beyond their neighbourhoods, keep records or properly cost and price what they are selling. Technical skill gaps include the inability to identify and select appropriate technology; safety and security; ensuring efficiency of operations; consistency of volumes and quality; and risk management.
Access to sufficient capital is also a challenge for female entrepreneurs. Most of literature on women entrepreneurs reports that lack of finance is a serious problem around the globe. They further explain how the lack of finance affects business growth. Some banks may not have the confidence in female entrepreneurs that they have in developed countries. According to IMED (2010), Van der Poel, Gerwen & Olomi (2005), MIT (2012a) and UNIDO (2013 the strong promotion of women entrepreneurs can be achieved through, among others, enabling them to access affordable training, business development services (BDS) and finance and to formalize their businesses.

Socio-cultural biases and experience low self-esteem.

Several authors report that women in construction industry are under-represented due to industry image, social-cultural factors, the background women come from, lack of education. Sospeter et al (2014) and Shmiln (2017) examine and compare the obstacles that female entrepreneurs face in developed and developing countries. They found out that women are not limited by their abilities and drive when it comes to being entrepreneurs. Sospeter & Nchimbi (2018) report that women are not limited by their abilities and drive when it comes to being entrepreneurs. Men reinforce this notion by believing that women are less qualified, less powerful and less able to be business owners. Another problem is customary law that limits women’s rights to property which could be pledged as collateral for loans.

Inadequate networking

Inadequate networking is one of the challenges facing women entrepreneurs. They rely on local networks and within their reach due to limited free movements. The study by Wilbard & Mbura (2017) asserts that entrepreneurs can benefit a lot from networking events that allow them to get access to different resources. The study recommends that businesses from sub-Saharan Africa should learn from this study and be sensitive to how training and skills for business owners constitute important aspects for the businesses growth. Finally, some cultural and religious values restrict women from socializing and hence broadening their networks which could be useful for their business.

Macro-economic, institutional and regulatory environment as barriers

The study by Sospeter (2017) highlights the importance of environmental factors in accounting for the success or failure of enterprises. As regards the three most important factors, namely the macro-economic, institutional and regulatory environment, much needs to be done to create an enabling environment for entrepreneurs, especially for women who are more sensitive to the impact of these factors. They insist on the importance and success of incubators to overcome some if not most of these barriers that are within the domain of local government and these incubators could be extended to remote areas. It is common practice for women to produce marriage certificates when signing contracts to confirm ownership of property. The media often portray women in domestic roles or as sex object (Olomi & Mori, 2014). It is therefore essential that women begin to insist on defining themselves, instead of being defined by men (Rutashobya, 2000; Abraham & Mendes, 2007). Because of the gender gap in tertiary enrolments in sub-Saharan Africa, women are worse off educationally (Shlimn, 2017). In the course of advocating for women’s economic empowerment we also have to deal with men’s perceptions that a woman’s economic independence means that she is growing away from him. In African tradition, it is expected that some successful women will help others. It is therefore difficult for them to grow their own businesses by ploughing profits back into them. The primary problem is that women suffer oppression and discriminatory burdens in all walks of life (Kikwasi, 2005). These burdens must be identified before they can be removed. Goyal & Yadav (2014) suggest that there is a need to address these complex challenges in a comprehensive manner, which can assist research and policy work on women entrepreneurs in developing countries. Another problem is that laws and regulations affecting businesses
(including licensing procedures) were generally designed for relatively larger businesses and are therefore difficult for micro enterprises (mostly women owned) to comply with (Olomi and Mori, 2013). Women have to grapple with costly and cumbersome business regulations and administrative practices. Women entrepreneurs also mentioned that they fear registering their businesses because of cumbersome regulations and licensing procedures. However, those who had registered their businesses said that while cumbersome it was worthwhile.

**Business environment**

In Tanzania women entrepreneurs are as important as their male counterparts for wealth creation and the development of society, which has led the government and other players to consistently create and implement laws, policies, programmes, projects, networks and organizations aimed at supporting women entrepreneurs. The ILO and other stakeholders have conducted several studies aimed at assessing the development and support of women entrepreneurs (ILO, 2003; Stevenson & St-Onge, 2005; IMED, 2010; Van der Poel, Gerwen & Olomi, 2005; MIT, 2012a; UNIDO, 2013). One of the conclusions of these studies is that the business environment for women entrepreneurs is not as smooth as it is for men and that women are still marginalized despite the fact that they are important for economic development. As a result, research consistently shows that women enterprises are concentrated in the informal, micro, low growth and low profit areas, where entry barriers are low but price competition is intense (Rutashobya, 2000; Nchimbi, 2003; Stevenson and St. Onge, 2005; IMED, 2010; UNIDO, 2013; ILO WES 2013, Urio, 2016). These include trade, food vending, tailoring, batik making, beauty salons, decorations, local brewing, catering, pottery, food processing and charcoal selling. Previous assessments by ILO (2003) and Stevenson & St. Onge (2005), for example, reported that there is a great need to create a favourable entrepreneurial environment for women entrepreneurs in Tanzania.

**Gender issues: Traditional reproductive roles and power relations:**

A key barrier found is the cultural environment that makes it more difficult for women to start and run enterprises due to their traditional reproductive roles and power relations. Women have to divide their time and energy between their traditional family and community roles and running the business. Women mentioned that it is common to find parents-in-laws discouraging their daughters-in-law from using their own property as collateral for fear that they will not manage to repay the loan (Olomi & Mori, 2014). They also mentioned that some men (husbands) discourage their wives from formalizing their business. They might allow them to have an informal business but not to formalize it fearing they would be overpowered by it. This could imply that families are willing to support women in starting a business but are unwilling to see them grow and succeed in their business for fear of them having greater power over the family.

**Corruption and bureaucracy:**

These too can make matters worse, especially for women, who are generally more vulnerable to pressure from corrupt officials. Women entrepreneurs find it difficult dealing with corrupt officials. Some women mentioned they were being sexually harassed by different government officials (tax and municipal officials) especially when these found out their businesses had some problems like lack of a business license or delay in paying taxes. Similar results were found in the study by (Wilbard & Mbura, 2017), where 13 per cent reported to have bribed government officials at least once. Most mentioned having to pay a bribe because they were accused of having a dirty business environment, unqualified employees, or having not correctly done the process of getting a TIN or business licence. A few women entrepreneurs (8 per cent) also mentioned having been harassed by government officials (specificially tax officials when the taxes are due and high) and financial providers’ officials (to speed up loan processing, get a loan and obtain soft follow-up/monitoring). These challenges happen because most women are unaware of their rights and do not know who to go to for help when such problems occur.
Limited access to business services and facilities:

Another major constraint mentioned is limited access to appropriate and affordable facilities and services, such as premises, loan levels suited to business needs, technical and management training, advice and marketing. These problems arise from the limited capacity and outreach of existing institutions as well as the women’s inability to afford the services (Jagero & Kushoka, 2011). The next challenge was getting customers for their products followed by finding a suitable business location. Interestingly women entrepreneurs that took part in WES found getting family support a greater challenge when growing their business (30 per cent) than when starting it (12 per cent). Another challenge to growing businesses is the fact that many women entrepreneurs found it difficult to get advisors/consultants/mentors to give advice on growing a business.

Access to market and competition:

Research carried out in 2010 by IMED with women entrepreneurs found that markets where women are mostly present are markets with fierce competition and price sensitivity. This also led to fake, counterfeit and contaminated products to appear in the market (raw materials, water, chemicals, feed, spares, equipment, etc) negatively affecting the quality and reliability of the supply chain, and thus indirectly affect women by undermining their credibility and demand for their products. In addition to the challenges in the broad environment, women entrepreneurs also face challenges at the personal level. A few of the key informants who work with women entrepreneurs had similar observations: The problem is that most women entrepreneurs do not have the capacity to create and develop their businesses. They mostly copy and paste what others are doing without modifying at all. This limits them from expanding their businesses as they find themselves operating in very competitive markets.

Issues that hinder implementation and Lessons learnt from developed countries

For many years, the available literature indicates that, some challenges facing women entrepreneurs are well documented in both developed and developing countries. However, the recommendations of the studies are not put into practice. Even when the evidence is available, it may be assumed that implementation will just happen (Hunter, 2013). He suggests that there is a black box between disseminating findings and possible implementation. Dissemination, or the distribution of new knowledge gained through research, is essential to the ethical conduct of research. Further, when research is designed to improve the sector, dissemination is critical to the development of evidence-based and the adoption of evidence-supported interventions and improved practice patterns within specific settings. When dissemination is lacking, research may be considered a waste of resources and a useless pursuit unable to influence positive sector outcomes. The fact that developing countries have limited resources it is important to invest on women entrepreneurs through research findings. The following are the issues that decrease implementation of women entrepreneurship research recommendations.

Limited stakeholder’s involvement in the research

Most of researches conducted in developed countries have originated from women entrepreneurs where the women entrepreneurs share the problems which face their businesses with researches. Researchers conduct researches based on the information from the women entrepreneurs. The results and recommendation are shared with the three bodies’ researchers, entrepreneurs and policy makers such that solutions to the problems are also well discussed with parties. However, in the developing countries such as Tanzania researches are been conducted due to the requirement of the researchers and therefore, recommendations that are given stay with the researchers with limited stakeholders’ involvement.
Motivation of researches

In developed countries researches on women enterprises have been undertaken due to the requirement from women enterprises. The researchers sit with women entrepreneurs who explain their problems such that they expect researchers to come up with suggestions as well as policy makers would come up with solutions. However, in the developing countries such as Tanzania most of researches are conducted because of the fulfillment of universities or higher institutions requirements. These important researches that are done have been locked in the Universities or Institutions library after a researcher completed his or her degree and therefore, scarce resources are misused.

Language barriers

The language which has been used for publication in developed countries is simple. Titles are shorter, the vocabulary are less complex and the papers written using less of jargon. In the developed world researches have translated to more simple language which women entrepreneurs could easily understand. Also, papers are published in accordance with the topic such that it could be easier for anyone to access it. In the developing countries, language that is been used by researchers is too scientific that women entrepreneurs cannot understand. The language that has been used is not simple at all, it is vague and full of jargons. On the other hand, the data which have been published are too technical for women entrepreneur to interpret.

Poor access of information

The currently means used to access scientific information do not appear to suit women entrepreneurs from developing countries. This is due to the fact that most of the publication of scientific research is not published in the open - access journals. It is difficult for entrepreneurs to access useful researches from the published journals as most of them are there for sale. Ewen et al., (2013) recommend that the co-production of knowledge can be facilitated by encouraging practitioners to submit their findings to peer-reviewed journals or to take advantage of initiatives such as Practitioners’ Perspectives. For over the years, the available literature indicates some challenges facing women entrepreneurs. They are well documented for both developed and developing countries. However, the evidence suggests that the research findings have not been put into practice. Even when the evidence is available for instance the existing challenges and recommendations it may be assured that, implementation will just happen. As a result, the findings in most times are not put into practice. In such situation (Hughes, 2013) where there is a gap between disseminating findings and possible implementation is called a “black box”

Drawing on examples from various research studies and implementation science, Hunter (2013) explore what goes on inside this ‘black box’. Various barriers and facilitators may influence whether evidence is put into practice or not. These relate to: i) the characteristics of the evidence, including the robustness of the research and its accessibility; ii) the context into which the evidence is to be introduced, such as resource implications and organizational readiness to change; iii) the issue and its significance to the holders of authoritative knowledge; iv) the potential evidence users, and how the evidence fits with other knowledge sources.

Suggested way forward: Researchers Perspectives

Link between researchers and Women entrepreneurs

It can take the form of collaboration between researchers and women entrepreneurs from the start of a project, as suggested by Milner-Gulland et al. (2010), which would help ensure that all context-dependant criteria are integrated into research, making the results more relevant for women entrepreneurs. Co-production of knowledge can lead to more evidence based, better interactions between researchers and women entrepreneurs, and ultimately better outcomes (Ewen et al., 2013). The information produced by women entrepreneurs need to be recognized by academic researchers, at least as guidelines to direct their research and ensure they produce
results that are of value for entrepreneurs implementation. Women entrepreneurs should collaborate with researchers, to increase the relevance of research. As well as more direct communication on site, we suggest that more online collaboration between researchers and entrepreneurs would be useful.

Creating formal processes to facilitate dialogue:
Establishing a regular process where policy-makers can discuss studies or research results with women entrepreneurs and researchers will help build stronger relationships between the three communities. Joint workshops between policy-makers, country researchers and women entrepreneurs would be a regular forum for interactions and interactive conferences are all options. The three bodies can sit together and discuss matters regarding women business including challenges and the best way of tackling them. By so doing there would be agreement between parties and whatever challenge arises should be solved without hurting any of the parties.

Improving packaging of evidence:
Researchers, communication units and knowledge brokers need to improve the synthesis, collation and presentation of evidence for easy use by policy-makers and women entrepreneurs. Enhancing the relevance of research results, using direct and clear language, and highlighting the main lessons will allow policy-makers as well as women entrepreneurs to focus their time and attention on significant research.

Enhancing technical capabilities and competencies:
Improving the technical capacity of policy-makers and policy-making processes to access, understand and utilize research evidence will enhance women entrepreneurs and policy-makers' familiarity with technical concepts and promote use of evidence in decision-making. Improving capacity can take several forms: a series of workshops, technical briefings, short courses or even mini-rotations of policy-makers and women entrepreneurs in research institutions. One longer term option is the establishment of a technical analysis unit within easy access of the policy-maker with trained knowledge brokers.

Implementing incentives for researchers:
Incentivizing sustained involvement of researchers in business sector decision-making potentially addresses the lack of technical capacity, as well as facilitates cooperation between women entrepreneurs’ researchers and policy-makers. Structural options might include the establishment of business policy units with researchers. Financial options might include grants to researchers to be available for quick access to policy-makers and women entrepreneurs, or temporary secondment to support policy development. Non-financial incentives to recognize the role of research in policy, encourage researchers to work with real life problems faced by the national business system and recognize the contribution of evidence in decisions are important for sustainability.

Recognizing the role of informal relationships:
Policy-makers and researchers should pay careful attention to those women entrepreneurs with whom they have established personal relationships. On the one hand, this is important, since the trust that develops in such a relationship allows for easy flow of information. On the other hand, to rely solely on individual relationships with each entrepreneur is clearly not feasible. As a result, the development of social networks between policy-makers, researchers and women entrepreneurs may be an important process not only to convey evidence but also to develop trust.

Getting outside “the black box”- Conclusions and Recommendations
Despite the considerable resources which are spent on research, relatively little attention is being paid to ensuring that research findings are implemented in practice. There is a need to
find appropriate interventions that can be used to promote change among practitioners and the implementation of research recommendations. The IAABD could become a Pioneer for these interventions. The review results show that there is a research gap “black box” between entrepreneurship knowledge generated by through research and its application in individual, stakeholders and policy innovations as well as users of the information. The fundamental question to ask ourselves is “how can this challenge be solved”? Researchers must acknowledge that the problem exists because various barriers which are relevant to the field are: inadequate interactions between the researchers and entrepreneurs. They only interact during the data collection; motivation for doing the research if it is for knowledge generation only then can have limited contribution to entrepreneurs, resistance to change. At the heart of the problem, are deficiencies in entrepreneurship emerging researchers’ knowledge of how to inform and initiate mind change of both entrepreneurs and customers. Researchers need to shift their paradigms from theoretical to problem solving researches.

Even with limited resources, research efforts may be of little use to entrepreneurs or users if the results are not conveyed to those who can use them in an efficient way. Low educated women entrepreneurs may hardly peruse and understand the value of knowledge as presented in journals, conference proceedings and other research reports or interpret correctly when the report are with statistical analysis. The underlying question is who is responsible for this task and how researchers can effectively do it? Although it is a challenging task, it requires combined efforts among academic, researchers and policy makers and who are responsible to convey the information in a more stable way and probably follow up if it has reached their targets. Short of that, research resources will be wasted. The initiative should start with research institutions like IAABD, COSTECH, FSDT, HLIs and Government.

**Future research**

This study opened a room for other researches on the adaptation of women in industrialization in developing economy such as Tanzania, so as to see how many women are engaged in the establishment of industries and whether there are challenges in establishing the industries compared to their men counterpart.

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ENTREPRENEURIAL INFORMATION NEEDS FOR WOMEN FARMERS CULTIVATING BANANA IN MOSHI RURAL, KILIMANJARO - TANZANIA;”” TWO SIDES OF THE COIN”

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Although there is a growing need of entrepreneurial information needs in business, there is inadequate knowledge for small scale women farmers in Moshi rural, Tanzania. This study aimed at assessing entrepreneurial information needs for women farmers in banana business. A mixed methods research approach was used. A multi-stage sampling procedure was used to select Districts, Wards and Villages followed by random selection of three Wards in the District. Then 48 respondents included in the study were randomly and proportionally selected from the three villages in three Wards of the Moshi Rural District. The findings have established that, source of credit, survival and prosperity of business, time to deliver to the market, desired price, expansion of market, delivering the desired satisfied produces and customers reach are the important information needs for women entrepreneurs. The findings further reveal that, they need entrepreneurial information needs for profitability, expansion of the market and sustainability of their businesses. It can be concluded that, there is a significant difference between the three wards in information needs related to desired price, expansion of markets and time for delivering their produces. In order to add value in women’s business there is a need to design locality-specific agricultural information systems so as to support agricultural value chains, and more specifically the communication and coordination requirements between farmers and the various stakeholders.

Key words: Entrepreneurial information needs, Women Farmers, Small scale Banana business and Moshi-Tanzania

Introduction

Entrepreneurial information is necessary in exposing farmers to different opportunities in order to increase income and enhance livelihoods. The farmers of different crops and also who act as entrepreneurs in the value chain are the main actors in the informal sector that make a big contribution to the country’s economy (World Bank 2016). Consequently, around the globe, relevant entrepreneurship information contributes significantly to socio-economic empowerment if accessed and used effectively. The agricultural sector is expected to be the driver of economic growth and create more jobs for the Tanzanians (National Five-year Development Plan 2016/17-2020/21). In the agriculture sector, women have long played and will continue to play an active part by engaging in a wide variety of tasks related to cultivation for both agriculture and agriculture related off-farm activities as main sources of their livelihoods and income (Ali & Kumar, 2011; Sospeter and Nchimbi, 2018). Although the agricultural sector has the potential to expand and provide better livelihoods for its people,
women entrepreneurs in banana business are constrained with lack of entrepreneurial information as they lack time to build strong networks and identify buyers due to household chores. As a result, the business/sector remains mainly subsistence oriented, characterized by weak extension services, inadequate infrastructure, low level production technology, minimal value addition, insufficient storage (warehouse) and irrigation facilities, a lack of appropriate financing mechanisms for agriculture, unreliable markets, unfair and uncompetitive farm gate prices and environmental degradation. Some literature indicate that, small farmers lack the capital and know-how to efficiently harvest, store and market their surplus yields due to lack of entrepreneurial information (Leach and Melicher, 2012).

In some of the crop productions where women farmers contribute significantly to economic development, banana is often mentioned (FAO, 2009; ILO 2007). In Africa, banana crop is believed to have been introduced during prehistoric times (Pretoria University 2008). Banana crop is produced in many of the East and central African countries whereby the crop contributes significantly in food security and income earning as over half of all cultivated land in these countries is planted bananas (Leach and Melicher, 2012). Although banana is among pro-poor activities which plays a pivotal role in sustaining food and non-food income (Haimid et al., 2016), the income earned from the crop in Tanzania is not encouraging because of various challenges including the existence of inadequate levels of entrepreneurial skills & information as well as ability to cope with market dynamics (URT, 2008). Furthermore, many women farmers lack adequate entrepreneurial knowledge, new practices, technological advances, and information that lead to low production, poor market skills and knowledge hence deterioration of livelihoods and poverty.

In Kilimanjaro, banana production is dominant enterprise and it is among the key sources of income earning and food security. The crop is highly cultivated in Hai, Moshi rural and Rombo districts. The management of the crop is under small holder farming operated by household/women whereby every household has its own plot planted bananas intercropped with perennial crop mainly coffee and other food crops such as yams, potatoes maize and beans. Although banana crop is a staple food of the residents in the study areas, this crop also has becoming the leading cash crop whereby immeasurable tons of banana are transported for sale into different major towns and cities in Tanzania including Moshi, Tanga, Dar salaam and Arusha. Even though Hai, Moshi rural and Rombo districts are all producers of banana crop, the major markets which supplies Bananas in various towns and cities are Mwika and Kiborloni in Moshi Rural District. Middle persons buy banana bunches directly from individual women farmers and sell them in a large quantity to banana vendors who then transport them to Tanga and Dar es Salaam. The famous banana market in Dar es Salaam is Mabibo in Kinondoni District. The market is nick named “mahakama ya ndizi”; a Swahili name which mean banana cort due to its capability to hold a large scale sale of banana business from various regions of the country.

For a number of decades, women peasants in Moshi-Rural have been cultivating and selling banana crop to merchants who then transport the crops to various markets in other regions. In practice, the business itself involves a chain which includes number of people performing different tasks before the crop has reached to the end user in towns and cities in other regions. These include a woman peasant, local brokers, local buyers and sellers, the smugglers who buy from local buyer and sellers for smuggling into other markets in towns and cities of various regions. In the banana market/business chain, few farmers/peasants are also vendors but there is a class of middle persons or rather brokers who negotiate “in farm price” and collaborate with other buyers from different local markets therein between for the purpose of receiving some gains deceitfully.

This chain is associated with some exploitative characteristics of which the main looser is the woman peasant who most of the time, farming business reach the point where it doesn’t grow due to lack of entrepreneurial information. It has become common for a banana peasant to harvest even unripe crop not only because the market demand is higher, but also a force from a need for household supplies including food needs and non food needs. This is due to the fact
that, women are considered to be better suited to handle money and to make sure that the income through their entrepreneurial endeavors goes to the best use (GEM 2010; ILO 2007; Sospeter & Nchimbi, 2018).

Although a number of studies have been conducted on women farmers such as; information needs and channels including production, value addition, agricultural extension, consumer preference, marketing and pricing (Akanda and Roknuzzaman, 2012; Cognac & France, 2014; GEM, 2010; Mwobobya, 2012; Bachhav, 2012; Ilhamie et al., 2014; Rakicevic et al. 2016), majority of these studies have focused on agribusiness in developed countries with few studies within developing countries. However, the few systematic studies available focus on large scale banana business such as the link between entrepreneurship information in banana business chain for enhanced livelihood among smallholder banana peasants in rural settings, most agricultural extension focuses on large-scale commercial farming with limited research conducted on small scale farming techniques, which are often owned by women.

Furthermore, lack of market research and information limit women farmers to market opportunities and decision making. Women are confined to local markets where prices are generally lower than in urban markets. This study focuses on small scale banana business as it differs with large scale in terms of decision making, network, profitability, procurement systems etc. Empowering and investing in women, specifically in rural areas, will significantly increase productivity while reducing hunger. This study therefore attempts to fill this gap with specific focus on examining entrepreneurial information needs of small scale women farmers participating in banana business based in Moshi rural District so as to improve the mobility of women farmers and sell more of their farm produces in time and profit.

Theory and Practice of Women Entrepreneurs in Farming business

The agricultural sector in developing countries is increasingly becoming knowledge intensive. This is because more than 2/3 of the world population earns their livelihoods through agriculture (UNFP, 2008). This being the fact, farmers’ access to a reliable, timely and relevant information such as entrepreneurial information is critical for enhancing farmers’ business decisions for improved livelihoods.

Entrepreneurship Information Needs

Studies over time acknowledge that information needs classified according to various livelihood activities and processes is an important tool for decision making (Van den Ban, 1998). This is because the value of information which directly engages the users of information such as entrepreneurs is capable of exposing the communication parties with different income earning opportunities. Therefore, information needs assessment should basically reflect the needs of stakeholders of such communication for the purpose of highlighting important information that relates the user needs and interests (Carter and Batte, 1993). The same had also been propounded by Leach and Melicher (2012) that entrepreneurship knowledge by itself has a transformative power which can enable individuals to think and convert ideas into commercial opportunities with the aim of creating value.

A study by Small Enterprise Development Agency (2009) conducted in South Africa, established that entrepreneurship requires a person to acquire, undertake and utilize ideas including seizing the available opportunities to make profit by harnessing necessary skills and resources to manage the inherent risks. In order for such process to avail, access to entrepreneurship information is critical. For example, Bachhav (2012) conducted a survey on farmers’ information needs in Maharashtra and Nasik districts of India. The survey established that farmers require daily information related to their agricultural activities including entrepreneurial information to influence production decisions. Similarly, a study by Mwobobya (2012) conducted in Kenya shows that Small-Scale Women Entrepreneurs are facing serious challenges such as lack of finance, discrimination, problems with the city council, multiple duties, poor access to justice, lack of education, among others. The study further shows that
stakeholders from both public and private sector are required to empower women entrepreneurs in Kenya. Such information include women enterprise fund, formal and informal financial support, and donor initiatives among others. The study recommends that women entrepreneurs need to be accepted and supported financially, legally and more capacity building should be made available.

**Problems and challenges of women entrepreneurs**

A number of researches have been carried out on entrepreneurship and its relation to gender. Still, more attention should be given to the specific needs of women entrepreneurs to overcome their problems and challenges. Literature specific to women and agriculture revealed workers to be segmented based on gender, race, ethnicity, marital status, and citizenship to give employers flexibility in production. An OECD (2004) report concluded that women entrepreneurs in terms of self-employment represented a minority segment. Furthermore, their businesses have a lower probability to survive and grow. A recent study on small and medium enterprises (SMEs) found that among the problems faced by the respondents in their survey were lack of financial resources, unclear legislation issues pertaining to the management of their businesses, lack of information from the domestic and international market trends, lack of business (ISO) standard certifications, procurement of construction permits, information about available technologies, insufficient number of employees, as well as insufficiently trained employees (Rakicevic et al. 2016).

In another study conducted in Singapore, Chow (2005) found that the women face specific challenges in the form of family commitments and sex-role conflicts. Interestingly, there is a significant difference of problems based on race, culture or religion. For example, resistance from family can also become a barrier, often the case in developing countries where a woman’s primary role is as a wife and mother. Ilhamie et al. (2014) pointed out that gender stereotypes are seen as a significant growth obstacle facing women entrepreneurs especially in male-dominated sectors of business. However, women entrepreneurs have to deal with series of obstacles to sustain their businesses and further expand their operations. Alam et al. (2011) reported the challenges faced by Malaysian businesswomen are constraints in spending enough time with family, besides difficulty to obtain financial loans. A more recent study in Malaysia found that lack of managerial skills, financial constraints, and shortage of labour and skilled human resources are among the challenges faced by rural women agropreneurs (Brixiova & Kangoye, 2015). It is important to know more about women, their situation and their problems, not only to understand them better, but to find solutions for their smooth operation.

**Models of Entrepreneurship in Banana business**

There are two models of banana production; these are small scale farms and large plantations. Studies acknowledge that, women small scale farmers struggle to survive amid tumbling prices and uncertainties related to liberalization of agricultural commodities (Rakicevic et al. 2016). Most of studies focus on large plantation because losing one consignment will not necessarily pose a risk to a large plantation but can be enough to knock a small farm out of business. As a result, they become vulnerable and less attractive to buyers who need to ensure year round consistency of supply (FAO, 2009). In Tanzania, the Agricultural Marketing Policy (AMP) acknowledges the existence of inadequate levels of entrepreneurial skills and ability to cope with market dynamics (URT, 2008). The policy reinforces the possibility of limiting the presence of gender gap in the access to entrepreneurial skills especially in marketing as it is one of the core problems that hinder business performance. The author shows that in most cases the area of marketing is mainly dominated by males whereas women entrepreneurs have continuously facing the problems in marketing their products hence fail to expand the market. Nandonde et al. (2013), who assessed consumer preference and willingness to pay for finished and chilled tender beef in the Southern Highland regions of Tanzania, found that farmers; women being the majority, lacked soft skills such as entrepreneurial skills, price negotiation skills and market links, which would enable them to employ themselves in agribusiness. Such shortcomings have a negative impact on agricultural development skills, hence preventing
people from employing themselves in agriculture. Essentially, information on entrepreneurship is critical for farmers to understand how to manage risks in their agricultural enterprises (Nandonde et al., 2013).

**Information needs of women in Banana business**

Studies over time have established that entrepreneurs are the main actors in the informal sector that make a big contribution to the country’s economy (Small Enterprise Development Agency, 2009). This can partly be due to the fact that business activity that an entrepreneur is engaged with can play a crucial role in enhancing livelihoods because through it wealth and job can be created (Olomi, 2009). In this, thus, it comes to be evident that of the women entrepreneurs who are engaged in banana business in Moshi Rural, some few succeed and gain wealth while many others are not doing well. This causes a lot of problems including inadequate income, inability to access food insecurity to some families such that most families are able to take just one meal per day. Also some of the banana farms are observed to have not been attended adequately hence results in poor yields. This situation raises a question; to what extent do these communities meet their entrepreneurship information needs for decision-making to enhance banana business for improved livelihoods?

Thus far, a number of studies have been conducted on information needs and information channels. However, there are relatively few systematic studies that have adequately linked improved entrepreneurship information to improved livelihood specifically to banana growers. This lack or rather oversight calls for studies to examine Entrepreneurship information needs of small scale farmers participating in Banana business in Moshi Rural.

**Challenges facing women in accessing entrepreneurship information in Agriculture business**

Women entrepreneurs in agriculture are facing a number of challenges which hinder them to effectively access entrepreneurship information. According to a study by (Haimid et al., 2016) such challenges are: persistent gender stereotypes, a paucity of female role models, resistance from associates within and outside of their organizations, and societal pressures to maintain appropriate levels of work-family balance. They assert that, the challenges arise from indirect gender associations that identify entrepreneurship with men and masculinity. Women experienced opposition from male subordinates and conflicts with male and female business partners at the organizational level. Women are gauged by differentials in the male-female performance standards at the industry level, together with a lack of female role models, and stiff competition with male-owned businesses. Resistance on the part of various industry stakeholders which include clients, financiers and peers have been stumbling women’s progress in agribusiness. Women have to strive with pressures to conform to their gender identity and to devote themselves to either work or family at the societal level.

**Research Approach**

To maintain logical and comprehensive representation of studying elements, this study employed an exploratory research design because, as suggested by Creswell (2009), the design is capable of studying phenomena in a new light and in identifying boundaries of the studying elements through step-by-step procedures from data collection, analysis, discussion and conclusion. In order to capture the opinions and experiences of women farmers participating in Banana business in Moshi Rural District a mixed methods research approach was used. This approach is linked by pragmatic philosophy which encourages thinking and careful explanation of the phenomena and it accords the researcher with flexibility and an opportunity to understand much more broadly the research problem as underscored by Creswell (2009). The philosophy also works with significant traits capable of producing socially-useful knowledge (Teddlie and Tashkori 2009). Mixed method approach in this study empowered the researcher with freedom to triangulate, complement, develop, initiate and expand facts observed during the study as suggested by Creswel (2009). In line with this reason, results from quantitative data were
merged with results obtained from qualitative data to consolidate, corroborate and complement the findings.

The study applied a multi-stage sampling procedure to select Districts, Wards and Villages for this study. As a first stage, the researcher did a purposive identification of the study District, which comprised characteristics of small scale banana production followed by random selection of three Wards in the District. The last stage involved the purposive selection of one village from each of the selected wards which has a big market that sells banana. Then 48 respondents included in the study were randomly and proportionally selected from the three villages in three Wards of the Moshi Rural District. The participants were randomly picked while they were on their day to day activities such as during seeking and negotiating banana price with farmers on their farm, when farmers were on the way to market and on markets. This sampling technique was useful because it allowed every respondent to have an equal chance of being selected to participate in the study as proposed by Creswell (2014).

Both quantitative and qualitative data were collected with quantitative research approach being dominant. Field data were organized, described, labeled, analyzed, summarized and presented quantitatively and qualitatively. Quantitative data were derived from the questionnaire’s closed-ended questions and presented using frequency tables and charts. Cross-tabulation of descriptive statistics was used through SPSS to determine the differences in information needs of agropastoralists and between some selected demographic variables (Pallant, 2010). Pearson’s Chi-square test was computed to find statistically significant differences of the selected variables at p <0.05 on the status of accessed entrepreneurship information and improved livelihoods. Furthermore, factor analysis was used to find and classify information needs of the small scale women farmers participating in banana business. Bartlett’s test of sphericity and Kaiser Meyer Olkin (KMO) measure of sampling adequacy was used to assess factorability of data used. On the other hand, qualitative data were organized into themes and sub-themes. Qualitative data derived from KIIIs and FGDs were grouped into themes. Then they were analyzed thematically subject to content and used to complement and corroborate findings from questionnaire data.

Findings and discussions
The study area and Location of Respondents
The study was conducted in Mwika Kaskazini, Mamba Kusini and Marangu mashariki wards all in Moshi Rural District. The findings show that, more respondents (43.5%) came from Mwika Kaskazini, while (28.3%) were from Mamba Kusini ward and the same (28.3) were Marangu mashariki wards.

Characteristics of respondents.
Data on respondents characteristics in terms of educational background, livelihood activity, age and marital status were collected. Findings show that majority of respondents (67.4%) had acquired primary education while few of them (23.9%) had secondary level education. While only 2.2% and 4.3% didn’t attend any formal education and had attained post-secondary school education respectively. Indeed, primary school education is too inadequate to impart entrepreneurial knowledge relevant for banana entrepreneurs to make a difference. While it is true that, most women cannot find jobs because of limited education, out of necessity they start businesses in order to make a living. The propensity to run a successful business is influenced by among others is education. Many of those who start a business without education are in informal business. The finding is consistent with Olomi (2009) who suggest that most people when they fail to secure job, they become peasants in the rural area or cultivate farms on a subsistence basis or set up small business in order to secure livelihood.

Respondents’ livelihood activity they were engaged in was investigated. The majority of the respondents (70 per cent) were involved in crop production and only about 30 per cent of them
were dealing with both livestock and crop husbandry. These respondents were of different age categories. Out of 46 respondents, 28.3% were of the age between 36-45 years, 23.9% were 55 and above, 15.2% were between 46-55 years of age, 13% were between 26-35%, while 2.2% between the age of 18-28. Indeed, 56.5% of the total respondents were married. 37% were living single whereas widow and divorced each were 2.2%. The large percentage of women were married and therefore had financial family needs to attend to. This is because the primary motive of women entrepreneurs especially the married ones in informal sector are to support their families. Whatever they get from the business goes for the best use of the family (UNDP, 2018). In terms of experience, respondents had different period experienced in banana farm works as 37% had an experience of 6-10 years, 23.9% had 11-15 years of experience, 13% had experience between 16-20 years 13% experience of 20years. It is correct to say almost 60% of respondents have more than 10 years of experience and that they have adequate knowledge to contribute well to the subject matter.

Entrepreneurship Information needed by women in Banana Business

Women farmers participating in banana business in Moshi rural had various entrepreneurship information needs. Based on the findings in Table 1 indicate that, 13.1% of respondents said they need information on source of credit. Several studies have revealed that women entrepreneurs tend to face greater challenges when it comes to securing credit. They are generally less experienced with information on borrowing from an institution, and without assistance and support they find it difficult to access much needed funding. This was confirmed during the field work where it was found that, source of credit was one of information needs as women used only their own meagre resources to finance their activities. Due to lack of finance, they sell their produces when raw and at uncompetitive farm gate prices because they lack resources to meet their family needs, no storage facilities for post-harvest produces, and they operated in unreliable markets. Sometimes they accept what is there in order to rescue the family financial needs which make them not earn substantial amount. The finding is consistent by (Sospeter & Nchimbi, 2018) who suggest that, women play important role in social, economic empowerment and welfare improvement of themselves and their families. Closely linked to this is the belief that women are better suited to handle money and to ensure that the income earned through their entrepreneurial endeavours is wisely spent. Lack of finance also affects them to harvest, process their primary products and garner additional value. Information to access affordable financing mechanism could minimize these challenges and increase their earning.

The findings further indicate that, 12.8% consider customers’ needs and wants, 12.8% said survival and prosperity of business, another 12.8% of the respondents said time to deliver to the market, 12.5% said desired price, 11.9% said expansion of market and delivering the desired satisfied produces (Table 1). These needs revolve around market and customer’s demands. This is equally important for women entrepreneurs depending on the type of products they are dealing with. Banana is one of the perishable goods and therefore cannot tolerate for a long time after been harvested.
Table 1: Information needs of Small-scale Banana Women entrepreneurs (N=48)

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers' determine need and wants</td>
<td>43</td>
<td>12.8%</td>
</tr>
<tr>
<td>Desired price</td>
<td>42</td>
<td>12.5%</td>
</tr>
<tr>
<td>Appropriate distribution</td>
<td>41</td>
<td>12.2%</td>
</tr>
<tr>
<td>Time to deliver to market</td>
<td>43</td>
<td>12.8%</td>
</tr>
<tr>
<td>Delivering the desired satisfied produces</td>
<td>40</td>
<td>11.9%</td>
</tr>
<tr>
<td>Expansion of market</td>
<td>40</td>
<td>11.9%</td>
</tr>
<tr>
<td>Survival and prosperity of business</td>
<td>43</td>
<td>12.8%</td>
</tr>
<tr>
<td>Source of credit</td>
<td>44</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

The finding is consistent to a study by (UNDP, 2018) which suggests that, the percentage of post-harvest losses are high for different crops and are of concern for perishable goods which makes up to 40% that women entrepreneurs deal with. It should be noted that, losses impact producers and consumers, reducing farmer’s income and raising consumer prices because of diminished supply. Women entrepreneurs in agriculture loose up 40% of their harvests because they face the problem of how to harvest, store and package ready for the market. As a result, they are forced to sell crops at farm gate prices which restrict/limit them from earning a reasonable income. Access to market information on where to sell, what to sell, the quantity to sell and when to sell for profitability is important so as how to sustain their business is important for women entrepreneurs.

A comparison of the Entrepreneur information needs of Women Farmers between wards

In this study, differences between Entrepreneur information needs of Women farmers between wards were investigated. One Way between subjects’ ANOVA was conducted to compare the entrepreneurship information needs of women farmers between three wards under the study. Table 2 and 3 provide Levene’s test for homogeneity of variance and Robust test of Equality of means following the model suggested by Palant (2010).

Table 2: Test of Homogeneity of Variances on Entrepreneurship Information Needs of Women Farmers in Moshi Rural

<table>
<thead>
<tr>
<th>Information needs</th>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers’ determined need and wants</td>
<td>3.023</td>
<td>2</td>
<td>42</td>
<td>0.59</td>
</tr>
<tr>
<td>Price desired</td>
<td>13.785</td>
<td>2</td>
<td>42</td>
<td>0.00</td>
</tr>
<tr>
<td>Channel of distribution</td>
<td>2.073</td>
<td>2</td>
<td>42</td>
<td>0.138</td>
</tr>
<tr>
<td>Time to deliver to market</td>
<td>3.023</td>
<td>2</td>
<td>42</td>
<td>0.59</td>
</tr>
<tr>
<td>Delivering the desired satisfied produces</td>
<td>6.244</td>
<td>2</td>
<td>42</td>
<td>0.004</td>
</tr>
<tr>
<td>Expansion of market</td>
<td>24.066</td>
<td>2</td>
<td>42</td>
<td>0.00</td>
</tr>
<tr>
<td>Survival and prosperity of business</td>
<td>3.023</td>
<td>2</td>
<td>42</td>
<td>0.59</td>
</tr>
<tr>
<td>Sources of credits</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There was no significant effect of entrepreneurship information needs of women farmers on appropriate distribution (P ≥ 0.05) for the three wards. In this case, the four independent variables namely; survival and prosperity of business, time to deliver to market, channel of distribution, customers’ determined needs and wants, conform to the assumptions of
homogeneity of variance (Table 2). These variables are above the recommended cut-off point of 0.05. This implies that, all the above variables are market oriented and that every business needs a market for its products/services. Regardless of differences in some other factors but the existence of the market for their produces is important for the survival and prosperity. The finding is consistent with Olomi (2009) who suggests that, entrepreneurs will take advantage of the market to make and sell their products so as to earn a living.

Apart from a few variables that seem to be heterogeneous, the findings in Table 2 indicate that women farmers participating in banana business in Moshi Rural have a diverse information needs. It may be quiet true that the sets of information needs mentioned above have weak influence on banana business. However, in this face of technological transformation and socio-economic changes, the methods applied in the past to provide information to cater for the needs may not adequately work the same way as it is in different context. This can partly be due to different perceptions that co-exist in the whole classification of farmers’ information needs whereby every activity or livelihood strategy (such as entrepreneurship) has its specific information needs, which varies with the aim, time and place. This finding corroborates Mittal et al, (2010); de Silva & Ratnadiwakara (2008) and Ali & Kumar (2011) who suggested that when classifying farmers’ information needs, looking to it through agricultural cycle and through agricultural value chain may be a good approach to think about and require a farmer to be informed of entrepreneurial skills.

In Table 3, findings show that there is a significant difference between the three wards in information needs related to desired price, expansion of markets and time for delivering their produces. These variables showed a significant effect on the three wards at the values of P. ≤ 0.05. The difference noted is due to the fact that these wards differ in terms of the functions, size and number of customers in the three markets of the respective wards namely Mwika market in Mwika kaskazini ward, Kisambo Market in Mamba kusini Ward and Kinyange in Marangu Mashariki ward. Women entrepreneurs have serious needs in terms of price, market and time to deliver their produces. Thus by not knowing the markets, women will sale their products at very low price which at the end of the day will not satisfy their basic needs.

Women entrepreneurs have limited movements due to family responsibilities which affect them to reach information on markets. As a result, women farmers are limited to market opportunities. They are more confined to local markets where prices are generally lower than in urban markets. The fact that the context brings some differences in women entrepreneurship needs, it should be noted also that, women are not a homogenous group. They differ in various ways such as the level of education, the social values, background they come from, ability to access and control resources, motivations to start a business etc. Of all the markets, Mwika in mwika kaskazini was the leading such that some of the women entrepreneurs moved all along with their banana bought from Kinyange in Marangu Mashariki and Kisambo in Mamba kusini markets for selling them at Mwika market in Mwika kaskazini ward.
<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers determined need and wants</strong></td>
<td>(Combined)</td>
<td>.030</td>
<td>2</td>
<td>.015</td>
<td>.674</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Weighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Deviation</td>
<td>.030</td>
<td>1</td>
<td>.030</td>
<td>1.348</td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td>.947</td>
<td>42</td>
<td>.023</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>.978</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Desired price</strong></td>
<td>(Combined)</td>
<td>.274</td>
<td>2</td>
<td>.137</td>
<td>2.275</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Weighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Deviation</td>
<td>.274</td>
<td>1</td>
<td>.274</td>
<td>4.550</td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td>2.526</td>
<td>42</td>
<td>.050</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2.800</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Channel distribution of products</strong></td>
<td>(Combined)</td>
<td>.041</td>
<td>2</td>
<td>.020</td>
<td>.457</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.038</td>
<td>1</td>
<td>.038</td>
<td>.864</td>
</tr>
<tr>
<td></td>
<td>Linear Weighted</td>
<td>.038</td>
<td>1</td>
<td>.038</td>
<td>.864</td>
</tr>
<tr>
<td></td>
<td>Linear Deviation</td>
<td>.002</td>
<td>1</td>
<td>.002</td>
<td>.049</td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td>1.870</td>
<td>42</td>
<td>.045</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1.911</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Time to deliver to market</strong></td>
<td>(Combined)</td>
<td>.030</td>
<td>2</td>
<td>.015</td>
<td>.674</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Weighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Linear Deviation</td>
<td>.030</td>
<td>1</td>
<td>.030</td>
<td>1.348</td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td>.947</td>
<td>42</td>
<td>.023</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>.978</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delivering desired satisfied products</strong></td>
<td>(Combined)</td>
<td>.195</td>
<td>2</td>
<td>.098</td>
<td>1.187</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.038</td>
<td>1</td>
<td>.038</td>
<td>.468</td>
</tr>
<tr>
<td></td>
<td>Linear Weighted</td>
<td>.038</td>
<td>1</td>
<td>.038</td>
<td>.468</td>
</tr>
<tr>
<td></td>
<td>Linear Deviation</td>
<td>.157</td>
<td>1</td>
<td>.157</td>
<td>1.907</td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td>3.449</td>
<td>42</td>
<td>.082</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3.644</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expansion market</strong></td>
<td>(Combined)</td>
<td>.487</td>
<td>2</td>
<td>.243</td>
<td>3.236</td>
</tr>
<tr>
<td>Between Groups</td>
<td>Linear Unweighted</td>
<td>.000</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>
During KII with leaders of women groups, it was revealed that gender differentiation contributes to the existing variability within the entrepreneurship information needs of women farmers. Based on findings it is clear that information needs of women farmers differ due to several reasons. Irrespective of socio-economic status, their information needs also revolve around education, gender division of labour and access and control over resources. The difference partly implies that less educated women farmers in Moshi Rural still face social cultural issues and values that are held in a society which is gender biased. This is true as in many societies women are still expected to be home makers. Even when they are engaged in economic activities outside home they should handle almost what the family requires. The finding is consistent with Nchimbi and Chijoriga (2009) who suggest that, in almost all the societies women are still primarily responsible for maintaining the family and are restrained from free movement, decision and control or own resources.

All of these gender issues have implications for women involvement in business as well as their desire and chances of success. It is important to understand that; women would need locality-specific information that could help add value in their respective areas of engagement. Moreover, they would also need a variety of information responsive to their diverse livelihood activities. For example, some of the women entrepreneurs moved all along with their banana bought from Kinyange in Marangu Mashariki and Kisambo in Mamba kusini markets for selling them at Mwika market in Mwika kaskazini ward. This supports findings of the study by Blomqvist et al. (2014) who established that information needs vary spatially and temporally, and with different degrees of specificity. A need for information is critical requirement among women entrepreneurs in Moshi Rural. During FGD with women groups, key informants and leaders of women groups respondents revealed that information related to business record keeping, business decision making, customer care, value addition, (processing of goods), financial skills, farm operations, risk management, and Mobile phone use trainings, financial accessibility and control, knowledge of formal credits with interest rate, and negotiation skills were mentioned as critical needs.

Seasons That Women Farmers Mostly Require Entrepreneurship Information

Respondents were able to state the seasons which the found to have high demand of entrepreneurship information to them. Although requirement of information among farmers differ from one another, there is specific season which necessitates a need for certain kind of information. Women farmers do access entrepreneurship information differently following the business seasons (Peak and low seasons) as shown in Table 4.
Table 4: Seasons when Women Farmers Mostly Require Entrepreneurship Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>During peak season</td>
<td>24</td>
<td>52.2</td>
</tr>
<tr>
<td>During low season</td>
<td>15</td>
<td>32.6</td>
</tr>
</tbody>
</table>

Findings in Table 4 show that more (52.2%) women farmers access such kind of information during peak season while few (32.6%) access during low season. When it comes to the issue of whether the information accessed by women entrepreneurs were helpful or not, responses show that 54.3% of business women who accessed information helped them, while 47.8% said the information did not help them. Those who stated that information was helping them in various ways, argued that they used them to know the area where bananas is sold at low price, used information to upgrade their business and sometimes to avoid risky business environment. This finding is consistent to argument of this study that information needs vary spatially and temporally, and with different degrees of specificity.

Conclusion

The findings have established that, source of credit and customers reach are among of the important information needs for women entrepreneurs. It is partly due to the fact that, less than ten percent of the credits are offered to small-scale farmers and lesser to women entrepreneurs. By linking women to a good source of fund may help them grow, expand and enhance productivity of their produces. They need entrepreneurship information needs for profitability, expansion of the market and sustainability of their businesses. It can be concluded that, survival and prosperity of business, time to deliver to market, channel of distribution, customers’ needs and wants, have weak influence on banana business and therefore conform to the assumptions of homogeneity of variance. It can further be concluded that, there is a significant difference among the three wards in information needs related to desired price, expansion of markets and time for delivering their produces.

The findings corroborate the concept of “two sides of the coin”. This is because some of the information needs are similar among women while others display a significant difference but still needed by the same women. Principally, a realization of information needs for women entrepreneurs that stakeholders need to support and the requirement to have interventions. It is recommended that, there is a need to design local-specific agricultural information systems in order to support agricultural value chains, and more specifically the communication and coordination requirements between farmers and the various stakeholders. Furthermore, strengthening links to high-value markets, access to necessary finance and resources, and sufficient business training are essential requirements for women banana farmers to grow and expand their agribusinesses and be able to compete on an international scale.

Limitation and contribution of the study

This research has limited its scope to women entrepreneurs in Moshi rural of Tanzania with a specific focus on banana farmers hence the results are influenced by the nature of the crop, the control women have over resources, marital status, and socio-cultural set up of the region. However, it is Authors belief that countries of similar produces, cultural and business set up could benefit as well as these needs are among strategic components that contribute to entrepreneurship development of which women farmers belong.

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The human population in Africa is growing at a faster rate in comparison to the meat and food production using the incumbent production technology. In Tanzania, there is a clear unsustainable divergence between population growth and meat production (all meats) since 2016 and the divide between consumption and production is ever increasing. Unless there is dedicated investment and supportive policy environment to catalyze the additional investment in the sector, we might be sitting on a time bomb. In this policy brief, we explore how the integrated and inclusive fish value chain development could be part of the solution. Specifically, we present how a strategic partnership between the Tanzania Agricultural Development Bank (funder), the private sector (supplier of technology, capital and expertise) and smallholder fish farmers (participants in both upstream and downstream production system) could be formed to address the triple bottom line of food security, poverty alleviation, income and job creation. Tanzania Agricultural Development Bank has identified a private sector partner and are seeking support through an intervention the sector by providing patience capital.

Introduction

The population growth in Africa is increasing fast while the rest of the world’s population is stagnant or declining. It is predicted that the population in Africa will be around 4.2 billion by 2100, compared to the current population of about 1.2 billion. On the contrary, the food and meat production in the continent is growing at a very slow rate which creates a time bomb for food insecurity and related social economics menaces. Figure 1 below clearly demonstrates the emerging gap between total production and consumption of all meat types for Tanzania in particular.
Tanzania has the highest population in East Africa and it has maintained an aggressive population growth over the past seven decades (see figure 2, below) however, the food and meat production is lagging behind. Putting things into perspective, the total consumption for meat in the country is more than the total meat production and the gap has been increasing since 2016. It is estimated that by 2021 there will be about 100% deficit in the meat demand (i.e. the consumption will be two folds of the local supply using the incumbent technology). If no intervention is taken, the deficit will grow to 200% by 2031, which means that, the production capacity within the country will only cater for 30% of the total consumption. It is against this background that the Tanzanian Agricultural Development Bank has taken the initiative to craft a strategic partnership with the private sector, the government, and smallholder farmers to develop an integrated fish value chain in the country. Such initiatives are geared towards enhancement in productivity, income generation, job creation and an advancement in achieving food security.

The Fish value chain is one of the several other priority value chains which the bank have developed an intervention strategy. However, the fish value chain has a unique opportunity due to the global decline in fish stock – from natural fishing – while the demand is ever increasing. The implication of a declining fish stock in the traditional fish sector imply that there is a
significant opportunity for aquaculture development. Indeed fish is one of the most traded food commodity in the global market with revenues well above $153 billion. The declining fish stocks from traditional sources creates a huge opportunity for countries like Tanzania which is well endowed with water bodies ranging from sea, lakes to rivers. The ever increasing population growth could only make the demand even better. The objective of this brief is to explore the documented challenges on aquaculture value chain development and borrow the best practice from global fish farming superpowers to develop an integrated, and inclusive, fish value chain in the country. The next section identifies the challenges and proposed solution for fish value chain development in the country.

3 Other value chains supported by TADB are: cotton, coffee, cashew nuts, dairy, poultry, beef, cassava, maize, tea, sugar cane, sunflower

Challenges and Solutions

The main challenges for the fish value chain, like many other value chains, can be categorized into the following main categories: Genetic potential and seed multiplication; managerial competencies and technical knowhow; access to finance; feed stocks; technology; animal health and quality control; regulatory framework. The problem with developing countries is that most of these pillars are missing or are inadequate which creates a wall between the potential benefits from an enhanced value chain, and the actual benefits from existing fragmented and inefficient value chain. To effectively develop an integrated and inclusive value chain entails a dedicated development of all of these key pillars which are required for successive implementation of the integrated and inclusive values chain. The next section articulates the proposed intervention on fish value chain development in the Indian Ocean and the Lake Victoria

Development of the Integrated and Inclusive Value Chain

A successful fish value chain is expected to be integrated or linked into high quality and reliable markets both locally and internationally. For this to happen the value chain ecosystem need to deliver the top class products and services in response to the market needs. This entails the need to have a world class fully developed and integrated value chain. To achieve this, there is need for strategic partnership of the key stakeholders locally and globally along the fish value chain while benchmarking our best practices to the industry leaders.

All these factors are sufficient conditions for the industry transformation to happen, however the necessary conditions are political will and social license to operate both from local and international community. Our role as a Tanzanian Agricultural Development Bank is to identify and recruit the world class players in the fish value chain and facilitate the development of the local value chain. We are ready and willing to extend patience capital to the right partners and we expect that by unlocking access to finance it will be relatively easy to achieve other pillars. We envision our role as a strategic funding institution to support the initial stage of the project through the development of off-takers while ensuring the smallholder farmers are strategically integrated in the fish farming ecosystem, and through leveraging the social economic potential of the industry.

The major intervention will lead to development of seed and optimal genetic breed’s production centers in the country. These will be responsible for the following:

The selection and multiplication of the best fingerlings for optimal fish production;

The development of large scale fish feeds production facility for local consumption and potential for export across Africa. The fish feed industry is expected to creates a number of jobs through forward and backward linkages including the demand for soya beans and other intermediate material required as inputs to fish meals preparation;

Development of nuclear farmers/out grower’s scheme for fish farming;
Development of fish processing, packaging, and sales facility for both local and international markets.

In addition, the fish research institutes will be motivated to generate up-to-date knowledge and insights on technological and production innovations along the fish farming industry.

The bank has identified a private sector partner from Norway and potential local partners. The efforts are ongoing to identify potential out growers to effectively participate in the fish farming production system.

**Recommendations**

There are significant socio economic benefits if Tanzania that could develop and improve her fish farming industry. The potential for food security, income generation, job creation and socio economic stability cannot be overemphasized. However, since most of the required pillars for a successive integrated fish value chain are missing, or undeveloped, there is a need for collaborative engagement and intervention across the government, the private sector, and local communities. The preliminary intervention should include:

- Development of a business friendly and pro-growth regulatory framework in the fishing sector by the government.
- Training and capacity building by the private sector, the government and local communities on the best practice for commercial and small holder fish farming.
- Provision of capital for both commercial and small holders’ farmers by government, private sector, international communities and development institutions.
- Development of the feed stock and food supply by private sector and small holders farmers
- Development of seed multiplication centers by private sectors
- Development of processing and storage facility by the private sectors
- Market identification and development both locally and globally.

**About Tanzania Agricultural Development Bank**

This policy brief has been prepared by Tanzania Agricultural Development Bank directorate of policy, research and planning. Tanzania Agricultural Development Bank. Tanzania Agricultural Development Bank Limited (TADB) was established under the Company Act, 2002 CAP 212 in September 2012. The establishment purpose of the Bank was to lead capacity-building strategies and programmes to strengthen the agriculture financing value chain and to support the Government of Tanzania initiatives to shape and implement policies and initiatives for agricultural and rural lending.

The Banks as a key stakeholder in the development and envisaged revolution of the agricultural sector, it is committed to delivering on undertakings made in the context of the national agriculture related strategies consistent with its Vision, Mission and Objectives. Further the bank was tasked with implementation of the Government’s Second-Generation Financial Sector Reforms, the national policies and strategies for the development of the agricultural sector.

Our mission is to facilitate development and support transformation of the agriculture sector by providing short, medium and long term finance to agriculture projects in Tanzania that promotes economic growth, food security and reduction of income poverty. Our vision is to be a world-class model agriculture development bank that supports and promotes Tanzania’s agriculture transformation from subsistence to commercialized modern farming and agri-business for economic growth and poverty reduction. For details about the bank visit our website at: https://www.tadb.co.tz/mission-vision/

For more information about the policy brief contact: nyankomo.marwa@tadb.co.tz
FROM INFORMAL ECONOMY TO ENTREPRENEURSHIP: TOWARDS MEANINGFUL ECONOMIC INCLUSION OF WOMEN TRADERS IN THE HIGHLANDS OF LESOTHO

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A review of literature on entrepreneurship activities among women in Lesotho indicates a geographical research bias towards the lowlands area which includes Maseru. This paper’s focus is on the economic situation of Basotho women from the less-developed highlands region, in particular the villages of Kao and Liqhobong. In this region barriers to the growth of informal entrepreneurial activities and therefore also to expansion into the formal economy are significant: education levels are low, there is poor access to information and finance, and infrastructure is poor. In addition, women in these remote rural areas are subject to a patriarchal hierarchy that has the effect of confining them, even within the informal economy, to the lowest positions. As a result, women in the highlands region have for the most part failed to move from the informal sector into formal entrepreneurship. The contention of this paper is that while informal entrepreneurial activities do contribute positively to the livelihoods of women in the lowlands of Lesotho, the barriers to entry into formal entrepreneurship are much greater for women in this region than they are for their counterparts in the Lesotho lowlands. In order to migrate to the formal economy Basotho women entrepreneurs in general, but most particularly those in the highlands area, need to overcome key challenges.

Keywords: Basotho, entrepreneurship, informal sector, gender, women.

INTRODUCTION

With the high rates of unemployment in developing countries, a substantial proportion of the poor most rely on their own survival strategies to meet basic needs. This has pushed people into the informal sector because its capacity to generate employment is viewed as a possible solution to unemployment and underemployment (Kasseeah & Tandrayen-Ragoobur 2014; Kasseeah & Tandrayen-Ragoobur 2015). Within this sector women create their own employment by engaging in informal work as street vendors, hawkers or home workers. These informal jobs are associated with low and unstable earnings and consequently a high risk of poverty as well as social and health risks (Bekele & Worku 2008; Kasseeah & Tandrayen-Ragoobur 2014; Kyalo & Kiganane 2014).

Lesotho is no exception when it comes to an increasing reliance on the informal sector and consequently the increasing involvement of women in informal entrepreneurial activities. Since the 1990s the number of Basotho male migrants to South African mining jobs has dwindled, leaving Lesotho households that were dependent on migrant remittances struggling to make ends meet (Botea, Chakravarty & Compernolle 2018; Maliehe 2016; Makhetha 2017; Matsie 2013; Motšoene 2014). Basotho women who depended primarily on migrant remittances have been seriously affected. In response these women have turned to the informal sector in search of new forms of livelihood for their households (Maliehe 2016; Motšoene 2013; 2014).
This paper focuses on the informal sector and demonstrates how Basotho women in the highlands of Lesotho have been unable to step up their businesses by engaging with the formal sector of the economy. Thus far there has been no study that has looked specifically at the involvement of women in the informal sector in the highlands area of Lesotho, and this study therefore seeks to address this gap. It also critiques the dominant misconception that Basotho women in business are a homogenous group and the related misconception that women from the highlands have access to the same opportunities as those from the lowlands region into which Maseru falls.

Maliehe (2017) argues that in the colonial era prior to independence in 1966 the Basotho people faced a myriad of challenges in local business. These challenges included problems of access to credit, supply of stock and equipment, discriminatory laws, poor business infrastructure, lack of information and poor business opportunities. However, women in business suffered more than their male counterparts: they experienced gender discriminatory laws, they were affected by patriarchal socio-cultural attitudes, they were isolation from most business networks, and they had household responsibilities that conflicted with their business aspirations (Maliehe 2017). This is still the case today, for the majority of women in the rural villages of the Lesotho highlands.

**Study Background**

In Lesotho, out of the total 20 000 job seekers that enter the labour market annually from different institutions, including tertiary, the formal sector absorbs only 10 000. The remainder are unemployed or self-employed in the ever-growing informal sector. About 9 per cent of the total labour force is employed in the formal sector, and 15 per cent in the South African mines (Motšoene 2014). The unemployment rate ranges between 26 and 29 per cent and is found to be more severe among youth, who form the largest proportion of the population (Motšoene 2014; Makhetha & Mnguni 2018). Lesotho has graduates queuing to find jobs in industry while other graduates claim to be working as domestic workers in South Africa (Motšoene 2014). This trend of increasing unemployment has been observed across Africa where the worst levels of unemployment are among the youth, who are said to constitute 60 to 75 per cent of the unemployed, though they account for only one-third of the labour force (Motšoene 2014).

**Problem statement and objectives**

Education in Lesotho has benefitted women more than men; this is because when the migrant labour flow to South African mines was at its peak Basotho males went directly from herding to working in the mines. Nonetheless girls in the highlands region faced challenges to accessing education; among these was the fact that they had to travel long distances to get to school. A further barrier to the advancement of females is the patriarchal attitudes that have long prevailed and which tend to be most influential in rural areas (Makhetha & Mnguni 2018; Matsie 2013).

Given the low the fact that migrant remittances have diminished, and the poor earning power of women, for most women in the highlands region the only way to make a living is to get into informal sector.

The aim of this article is therefore to investigate the experience of women informal traders in the highlands of Lesotho, and to explore possibilities for their meaningful inclusion into formal entrepreneurship. In order to address this aim, the objectives are: 1) to explore the factors that motivate women to start their own businesses; 2) to investigate the unique challenges Basotho women from the highlands of Lesotho face in starting and growing businesses.

Previous research includes Motšoene’s 2014 study on women in the informal sector in Maseru; Matsie’s 2013 study which focused on women in the informal sector in the rural part of Mafeteng district, which is in the southern part of the country. A study by Colin Murray (2081) focused on the effect that migrant labour had on households in Lesotho. Maliehe’s 2017 study focused on the history of black indigenous entrepreneurs in Lesotho. In an earlier study in 2016 Maliehe’s research focus was on survival in post-mining communities, looking specifically at women entrepreneurs in Maseru and the lowlands of Lesotho. This paper investigates Basotho women in the highlands of Lesotho who are not able to step up their businesses by engaging with the formal sector of the economy.
women entrepreneurship in the highlands of Lesotho since the retrenchment of Basotho men from South African mines in the 1990s.

The next section reviews the literature on gender and entrepreneurship. This is followed by an outline of the study methodology. The section titled ‘Basotho women informal traders’ analyses the findings from the extant literature on the factors which encourage women from the highlands of Lesotho to get involved in business and the challenges they come across in their businesses.

**Gender and entrepreneurship**

Entrepreneurship can be categorized as opportunity entrepreneurship or necessity entrepreneurship. Opportunity entrepreneurship refers to those who start a business in order to pursue an opportunity, while necessity entrepreneurship is more requirement-based and is seen as the best option available in the absence of employment opportunities (Reynolds et al., 2005). Similarly, there are both push and pull factors that encourage people into entrepreneurship (Ellis 1998; Kasseeah & Tandrayen-Ragoobur 2014 citing Ritsila & Teryo 2001). A push-entrepreneur is an individual who is faced with the absence of alternative employment opportunities, whereas pull factors encouraging self-employment include individual choice and agency, with workers voluntarily seeking greater independence (Kasseeah & Tandrayen-Ragoobur 2014 citing Ritsila & Teryo 2002). Basotho women can be referred to as ‘necessity or push entrepreneurs’, for the most part they are informal traders who started their businesses to replace migrant remittances. The situation of these women is not unique: in Sub-Saharan African economies women are much more likely to be driven by necessity than men when starting a business (Kasseeah & Tandrayen-Ragoobur 2014).

It is important to understand why women are over-represented in the informal sector and why they are concentrated in certain segments within the informal sector (Kasseeah & Tandrayen-Ragoobur 2014). Some scholars argue that women are less able than men to compete in labour, capital, and product markets because they have relatively low levels of education and skills, or are less likely to own property or have market know-how. Other scholars argue that women’s time and mobility are constrained by social and cultural norms that assign the responsibility for social reproduction to women and discourage investment in women’s education and training (Kasseeah & Tandrayen-Ragoobur 2014).

**The informal economy and women**

The informal economy, also referred to as the ‘informal sector’, is a concept that was coined by Hart in his study among unskilled migrants in Northern Ghana who migrated to the capital city Accra in search of wage employment (Chen, 2012; Hart, 1973; Hart & Sharp, 2015; Motšoene, 2013). Hart (1973, 2010, 2015) defines the informal economy as unregistered small-scale economic activities. These economic activities are largely invisible to bureaucracy. Hence, the distinction between formal and informal income-generating opportunities is based essentially on that between wage-earning and self-employment (Hart, 1973). Formal economic opportunities include public sector wages, private sector wages and transfer payments (pensions, unemployment benefits) and monthly mortgage payments (Hart, 2010).

The issue of criminality is often used to demonize the informal sector and justify draconian interventions (Potts, 2007). By definition, criminal activities are illegal, and the informal sector is typically unlicensed/unregistered, which means it is also ‘illegal’ (Potts, 2007). To claim that the entire informal sector is criminal is another matter however. The people themselves know how to distinguish between criminality and the informal sector (Mpofu, 2015; Potts, 2007). For instance, rich countries have criminal activities that relate to drugs, theft, fraud and these are not seen as informal sector activities (Potts, 2007). In poor cities, some criminals live in poor, unplanned settlements where many people work in the informal sector. Obviously, that does not mean the criminals’ activities are informal, any more than formal sector workers living in such settlements automatically become ‘informal’ (Potts, 2007: 6). To illustrate the point, Potts (2007: 6) makes the following distinction: ‘For example, he drives an informal, unlicensed taxi cab (a legitimate livelihood), he steals cars (a criminal).’ Likewise Hart (1973) argues that
Informal income-generating opportunities include legitimate and illegitimate activities. Legitimate opportunities include farming, shoemaking, petty trading, shoe shining and hair cutting. Illegitimate opportunities include smuggling, bribery and petty theft (Hart, 1973).

The term ‘informal economy’ is also used to describe insecure forms of activity in the developing world. Entrepreneurs operating in the informal sector are referred to ‘necessity entrepreneurs’, that is, those who do not find alternative employment opportunities and take up unemployment in the informal sector (Kasseeah & Tandrayen-Ragoobur 2013). The composition of the women informal workforce varies somewhat across the world’s economic regions. In many African countries, almost all women in the informal sector are either self-employed or unpaid workers in family enterprises which are informal sector activities. Self-employment and female entrepreneurship has been growing in Africa as a means of survival (Chen 2001; Kasseeah & Tandrayen-Ragoobur 2014). Compared to the male informal workforce, women in the informal sector are more likely to be subcontract workers and are less likely to be owner operators or paid employees of informal enterprises. These gender-based differences in employment status within the informal sector have implications for relative earnings and poverty levels (Kasseeah & Tandrayen-Ragoobur 2014).

The majority of women in the informal sector are producers or casual and subcontract workers; relatively few are employers who hire paid workers. Further, men and women tend to be involved in different activities or types of employment even within the same trades: in many countries, for example, male traders tend to have larger scale operations and to deal in non-food items while female traders tend to have smaller scale operations and to deal in food items (Kasseeah & Tandrayen-Ragoobur 2014).

**Methodology**

This article draws on existing literature on women informal traders, the informal economy and entrepreneurship. It focuses specifically on Basotho women entrepreneurs, who are informal traders from the highlands of Lesotho in the villages of Kao and Liqhobong. The article further explores how gender, location and social class influences women’s experiences in entrepreneurship in Lesotho, highlands areas. The paper reports drawn from the review of literature on women entrepreneurship and on the researcher’s own observation of informal sector activities in Kao and Liqhobong villages in the highlands of Lesotho. Evidence from the reviewed articles shows the following as barriers to women’s entrepreneurial activities: lack of education, lack access to information, poor marketing skills and lack of access to marketing expertise, minimal infrastructure.

**Basotho women informal traders**

It was only after the 1951 Proclamation that a wider number of women were able to own businesses of their own. Prior to that, they were operating as informal street traders – selling traditional beer, food, vegetables, handicrafts and other goods (Maliehe 2017). The operational colonial law, Native Proclamation No. 3 of 1911, allowed only taxpayers to get a trader’s licence. Basotho women were not recognized by this law as they were not tax payers. However, the introduction of the 1951 Proclamation exempted women from the tax prerequisite on the basis that their husbands and fathers were taxpayers. The 1951 law did not immediately change the economic fortunes of women. Even though the colonial laws permitted them to apply for such licences, available information suggests that very few Basotho women owned and ran such stores prior to independence. By far the majority of Basotho traders were men (Maliehe 2017).

Nonetheless, for the largely marginal Basotho women, the passing of the 1951 law was a major breakthrough. However, due to lack of records, information about the direct political involvement of women in business is absent. This was because the leadership of Basotho’s political and business associations was dominated by men – a patriarchal heritage. Ultimately, 1951 was a significant year for Basotho in business, and even more so for women (Maliehe 2017).
After independence in 1966, the number of Basotho-owned businesses increased, and so did the number of women in business. Many women started from the informal economy and worked their way into formal businesses, especially women from the lowlands around Maseru. Others used migrant remittances to start their businesses. In some cases, both partners started businesses. In this scenario, the husband would be employed in South Africa, or even locally as a teacher or civil servant and the wife would then manage the business on a daily basis. Though there are some who started their businesses from the informal economy, this has predominantly been a women’s route (Maliehe 2016). Some women in the lowlands and Maseru moved from the informal sector into the formal sector by entering into various credit arrangements with European traders who were able to start them off. The arrangement was widespread and not limited only to women. Though such an arrangement helped some Basotho entrepreneurs in starting off, such deals also reproduced the monopoly of the Europeans. As a result, some Basotho resorted to the alternative of importing stock from South Africa (Maliehe 2016). In this process women in the highlands area were doubly disadvantaged because of their remote location and lack of access to information. As a result, they were not involved in the business arrangements, which, as Maliehe (2016) mentions were widespread among Basotho. Information about business and business opportunities in the formal entrepreneurship circulated primarily in the entrepreneurial networks the lowlands including Maseru. This has meant that women in the rural highlands of Lesotho have not had the same opportunities to migrate from the informal sector to the formal entrepreneurship. As a result, women in the highlands region have remained in a cycle of unsustainable informal economic activities.

Women in Lesotho have also been known to use collective credit-rotating schemes such as ‘stovels’ to start and support their businesses. They are locally known as mekholisano or mpate-sheleng (though the latter is more specific to burial schemes) (Maliehe 2016; 2017). Women in the highlands also practice these forms of collective saving to help them to move from informal to formal business; nonetheless because of the small scale of the businesses and their consequent lack of access to credit the women in the highlands almost never reach the formal entrepreneurship position.

The most typical informal entrepreneurial activities in the highlands include gathering and selling of bundles of sehalahala (shrubs)6 for fuel, selling of home-made beer, and trading in imported clothes. Women normally collect shrubs from the mountains and use them as firewood or sell them. A woman would sell a bundle of shrubs for ZAR 20.7 In the highlands area (for example Kao and Liqhobong villages) women normally brew home-made beer to generate an income. People from the surrounding villages, artisanal and commercial miners normally buy the locally made brew (Makhetha 2017).

Women in Lesotho are known for beer brewing; although Motšoene (2013) in her study discovered that some men living in urban Maseru also engage in brewing and selling beer to generate cash to sustain themselves. This means that beer brewing can no longer be associated with women only, but rather with the need to make a living (Guy 1980; Makhetha 2017).

Some women purchase cheap clothes in the South African cities of Durban or Johannesburg with the sole purpose of reselling them for profit in their village. Sometimes clients buy clothes on credit and make arrangements with traders regarding repayment. However, if a debtor fails to pay, a trader reports him/her to the chief (especially in the villages like Kao and Liqhobong) who then arranges the terms of repayment with the debtor. Traders report clients to the chiefs or community councillors rather than to the police station because there is no police station in either of the villages (Makhetha 2017). The money they use to buy their stock is normally

6 Shrubs are sold to other local villagers. They are collected mainly by women of all ages in the morning or afternoon just before women prepare daily meals for their households. They are collected along the mountain at the communal area.

7 Prices as of 2013
borrowed from family members or through credit-rotating schemes such as mokholisano. These women normally do not have access to credit from the bank because of their location and their financial status. Kyalo and Kiganane (2014) agree that women entrepreneurs mostly rely on personal savings and family to finance their business.

Another informal activity, especially in the highlands villages of Kao and Liqhobong, is unlicensed artisanal mining, primarily of diamonds, and the unlicensed selling of diamonds and other minerals such as rubies (lirubi) and ilmenite (sekama). The women from these villages measure out rubies by the cupful to buyers of precious stones, with prices ranging from ZAR 250 to ZAR 350. They sell ilmenite mainly to families of initiates or owners of initiation schools. This mineral is crushed into powder and mixed with other ingredients such as petroleum jelly to form a cream or lotion that is used by initiates prior to their graduation. It is important to emphasise that women artisanal miners, although they dig primarily for diamonds, also mine for rubies and ilmenite. The sale of precious stones and minerals contributes to household income. Women also sell diamonds to buyers in the mining sites or from their homesteads (Makhetha 2017). Since these activities are illegal it goes without saying that they receive no assistance from the state.

According to Kyalo and Kiganane (2014), personal background factors such as age, education and work experience play a part in women’s entrepreneurship. The low level of education and work experience of women in the highlands contributes to the fact that they have failed to enter the formal entrepreneurship economy.

They are trapped in a cycle within the informal sector. By contrast women with higher levels of education, more knowledge of the market, and business practice, are much more likely to identify a business opportunity and engage in entrepreneurship (Kyalo & Kiganane 2014). This is the case among women in Maseru and the lowlands, who normally have access to education, information, and training on marketing. These women have managed to graduate from the informal sector to the formal entrepreneurship (see Maliehe 2017). Access to finance also influences women’s entrepreneurship. Kyalo and Kiganane (2014) argue that women face discriminatory treatment by bank officials, who often prefer dealing with husbands and do not taking women seriously. Most of the Basotho women from Kao and Liqhobong villages do not have bank accounts; hence, they already have a problem of accessing finance from the bank. They also do not have assets that could be used as guarantees if they did have bank accounts.

CONCLUSION

The general observation from this article is that the informal economy is central to the economic lives of women in the highlands villages of Kao and Liqhobong. Women in particular find refuge in the informal economy and their chances of escalating their businesses to formal entrepreneurship are low given the circumstances that prevail at present.

Evidence from my own research (Makhetha 2017) and the reviewed articles shows that lack of education, and lack of access to information, marketing and infrastructure are all barriers to entry into the formal entrepreneurship market. Furthermore, the reviewed literature critiques the dominant misconception that Basotho women in business are homogenous, and that they are treated equally in the highlands and lowlands regions. Women in the highlands are less educated compared to those in the lowlands, even though in Lesotho women are generally more educated than men. As a result, women in the highlands have fewer opportunities compared

8 Of minerals which have been mined on a small scale in Lesotho over a long period, the best known is sekama or ilmenite, a shiny mineral used for cosmetic purposes. Crushed and mixed with sheep fat, it adds lustre to the hair. Ilmenite is always found in association with kimberlite (Ambrose, 2004).

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with the women in Maseru and the lowlands. This study demonstrates that women in the highlands predominantly occupy the informal sector.

It is recommended that the government establishes a programme to empower women in the highlands area of Lesotho. In this programme women should be trained on entrepreneurship skills and be given financial support to make their businesses sustainable.

This paper unsettles the narrative that opportunities for Basotho women are widely and evenly distributed. It is quite clear that women in the Lesotho highlands have been and still are doubly disadvantaged because of their location and their lack of access to information. The paper argues that any attempt to rethink the development of Basotho women beyond wage labour, remittances, agricultural and livestock production and informal sector employment has to place women in the highlands region at the centre.

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TRACK 4

Exporting, Internationalization and Foreign Direct Investment
WHITHER CHINA IN AFRICA: INVESTMENTS, POLICY AND RESEARCH?
Ellis L.C. Osabutey

Chinese investments in Africa have been on an upsurge over the last two decades with significant related attention in the international business and development studies literature. Existing scholarly work on Sino-African relations observe the prevalence of state-owned enterprises with little attention to private Chinese firms operating in the formal and informal sectors within African economies. Various studies have evaluated the social, trade, competitive and employment effects. Others have observed the benefits and challenges to growth and development for the African side. Some limited studies have also reviewed the policy framework of both sides and note that there is so much room for improvement from the African side. This conceptual paper uniquely contextualises these and reveals that the African side also lacks the institutional framework required to gain the full benefits from Chinese engagement. We develop a framework that shows the interaction between key actors and then ask ‘where do we go from here?’ to proffer policy and research implications.

Keywords: Chinese investments in Africa, policies, institutions, research

Introduction
Over the last two decades the presence of Chinese investments in Africa has seen a significant increase; China has propelled from being a relatively insignificant investor to the major economic partner on the continent (Jayaram, Kassiri & Sun, 2017). The trend has prompted considerable attention in the international business and development studies literatures (Alden, 2007; Davies et al., 2014). Chinese policymaking has resulted in the development of an integrated FDI, trade, aid, migration, and geopolitical influence (Alden & Alves, 2008; Jackson et al., 2013). China is a large and fast-growing source of aid and the largest provider of construction financing for most ambitious infrastructure in Africa (Jayaram, et al., 2017). This has been welcomed as China’s commitment to building long-term partnerships without political preconditions (Yin & Vaschetto, 2011) has encouraged many African countries to engage in mutually beneficial business and development initiatives. Political leaders in Africa welcome the promised south-south cooperation. This has created heightened expectations from African countries. Whilst China delivers on many projects, the impact of Chinese presence on development is less evident (Grim, 2014).

Investments have been geographically concentrated in oil rich countries such as Nigeria and Angola and in the transport and energy sectors. Although China’s interests in Africa are viewed with skepticism by some authors Africa’s political establishment, predominantly, share a different view. This is captured in a statement by Cyril Ramaphosa (President of South Africa), co-chair of the Forum on China-Africa Cooperation (FOCAC) summit that: “In the values that it promotes, in the manner that it operates, and in the impact that it has on African countries, FOCAC refutes the view that a new colonialism is taking hold in Africa, as our detractors would have us believe” (Sow, 2018). Therefore, the political elite in Africa welcome China’s presence as an unparalleled source of cooperation and economic development (Mohan and Lampert, 2012). These pertinent developments call for a closer look at the relationship and an evaluation of the trends, benefits and challenges with respect to Chinese investments in Africa. In addition,
there is an urgent need to evaluate how policymaking from both China and Africa is fostering the ability of both sides to increase benefits and manage related challenges. Whilst it is important to evaluate existing research it is, perhaps, more pertinent to undertake further studies aimed at enhancing our understanding of the nuanced China-Africa relations.

The remainder of the paper is organized as follows: First, we synthesise existing literature on Sino-African relations. Second, we review the China-Africa trade and investment policy. Third, we examine the benefits and challenges of Chinese investments in Africa. Fourth, we examine the roles of African institutions and then discuss and conceptualise the emerging literature and, finally, conclude by reviewing the implications and setting an agenda for future research.

Existing scholarly work on Sino-African Relations

The establishment of FOCAC in 2000 has increased trade and business relations between China and Africa. There has been growing related research as a result (Ado & Su, 2016; Ado and Osabutey, 2018). Gu (2009) observe that the bulk of studies focus on state-owned enterprises (SOEs) and extractive industries with much less attention given to private Chinese enterprises. However, Jayaram et al. (2017) discern that, although SOEs were bigger and operated in specific sectors such as energy and infrastructure, around ninety percent of firms are privately owned. Indeed, anecdotal evidence suggests that the Chinese firms have presence in both the formal and informal sectors of African economies. Most studies rely on data from Chinese and African government departments (Yin, 2009; Ado & Su, 2016) with little representation of the activities of private Chinese firms in the formal and informal sectors. Evidence from Botswana, Nigeria and Zambia raise issues related to poor working conditions and labour force agitations in a number of Chinese-owned firms with related anti-Chinese sentiments (Hess & Aidoo, 2014). There is, however, limited literature that reveals how host countries have resolved or attempted to ameliorate these issues. There is a degree of diversity of the perspectives in framing the wider implications of the Sino-African relationship for the continent’s economic development (Ojo, 2016). It is pertinent for African governments, and their wider policymaking community, to develop policy frameworks that could help ensure that investments from China make positive economic and societal contributions (Gu, 2009) both in the short term and long term. In particular, the literature lacks adequate perspectives on how the presence of Chinese firms, whether SOEs or private (formal/informal) affect similar African SOEs and private enterprises. There appears to be no dedicated state agencies in Africa addressing these issues and there are no policy frameworks to evaluate monitor and control the positive and negative impacts to local industries and firms and the society as a whole.

Various studies have evaluated the social, trade, competitive and unemployment effects (Kaplinsky, McCormick, & Morris, 2007, Adisu et al., 2010;). Emerging literature highlight potential gains and challenges of investments from China to Africa (Adisu, Sharkey, & Okoroafo, 2010; Kaplinsky & Morris 2009; Ado & Osabutey, 2018). Some studies observe negative economic and development outcomes for Africa (Elu and Price, 2010; Wang, 2010) yet others suggest positive and impactful outcomes (Wu and Cheng, 2010; Yin and Vaschetto, 2011). Earlier debates raised questions about Africa’s capacity and capability to take advantage of Chinese presence to fully harness opportunities to reduce poverty and improve economic development (Zafar, 2007). In other related literature, the presence of Chinese firms is argued as having significant effects on African workers with implications for HRM policies and practices (Jackson, 2014; Cook, 2014). These studies have often stopped short of evaluating the nuanced impact of SOEs and private enterprises from China (Gu, 2009). The upsurge of Chinese investments in Africa is also characterised by, inter alia, unprecedented immigration, labour issues and institutional and legal challenges which pose new challenges that require renewed policy attention.
China-Africa trade and investment policy review

Since the inauguration of FOCAC, China has effectively and consistently implemented 3-year Africa engagement plans (Davies, et al., 2014). China’s growing influence has resulted in a great number of African nations, generally, preferring to deal with China rather than the West (Yin & Vascchetto, 2011). China’s involvement in Africa is part of a long-term strategic commitment driven by economic needs as well as the transfer of development experiences (Alden, 2007). At the beginning of 2006, the Chinese government publication of a China Africa Policy signalled a new and unique dimension of Sino-African political, economic and socio-cultural cooperation. To this end, China’s Ministries of Foreign Affairs and Commerce has, effectively, been coordinating and implementing Africa-specific foreign and aid policies. Arguably, resource-rich countries such as Angola, Sudan, Nigeria, and Zambia receive noteworthy attention. In addition, to enhance reach and influence on the continent, the more politically and geographically strategic countries such as South Africa, Ethiopia and Egypt receive priority in China’s broader African engagement (Davies et al., 2008).

These observations emphasise that China appears to develop and implement separate and dedicated policies and strategies for each African country. For countries with needed natural resources, China’s policies on contracted engineering projects are generally perceived as following the state-driven strategy of exchanging infrastructure development for natural resources (Cheung, et al., 2014). Forster et al. (2009) suggested that several infrastructure projects in Africa, between 2001 and 2007, were paid for by natural resources. So while state-driven investments fulfil Chinese development agendas private firms from China explore and exploit gaps in the African market. In a sense, most of African countries have, arguably, failed to develop suitable and deliberate policies and regulatory framework to deal with these different types of (SOEs and private) Chinese firms. They are, therefore, limited in their ability to monitor the activities of Chinese firms adequately to ensure long benefits whilst at the same time reducing potential short term and long term negative impacts on local industries and development. African governments need to develop policies to address these issues. The consensus is that, whilst China has a strategy for Africa, Africa lacks a deliberate strategy or policy for China (Kaplinsky & Morris, 2009). African governments, policymakers and researchers need to consciously evaluate how the net benefits from Chinese engagement could be accrued in addition to how negative effects could be managed, controlled and reduced.

The benefits and Challenges of Chinese investments in Africa

Chinese investments can be beneficial to private firms and economies in Africa (Maswana, 2009; Shen, 2013). The increasing dependence of Africa on investments from China presents both potential opportunities and threats. Bandara (2012) observes investments from China enhance growth in Africa and that export to China from Africa also influences economic growth in countries with more Chinese investments. Even though the impact is more significant for resource-rich countries, Drummond and Liu (2013) note that an increase in China’s domestic investment growth is associated with an equivalent increased export growth from Africa. They argue that with the diversification of more African trade towards China and the consequent reduction in trading with advanced economies, Africa is potentially exposed to both positive and negative impacts from China. Ruch (2013) found industrial production spillovers from China to South Africa. Busse et al. (2012) also observed negative impact on economic growth in some African countries. There are also studies that show sector-specific positive and negative impacts and influences across the continent. To this extent, we can argue that some win and some gain. Jayaram et al. (2017) argue that China’s growing engagement with Africa has positive influences for their governments, economies and workers. They note the differences in the nature of engagement with difference countries in Africa. They point out that robust partners like Ethiopia and South Africa have integrated national development strategies into specific initiatives related to China. Solid partners like Kenya, Nigeria, and Tanzania now recognise the need to translate increasing engagement to developing explicit China strategy. Unbalanced
partners like Angola and Zambia have narrowly focused engagement with poor regulatory oversight. Other countries in Africa are yet to develop partnership models or policy frameworks which have led to uncoordinated and unregulated activities of Chinese firms. Although the related literature suggests that the power dynamics across Africa differs, evidently, it also reveals positive examples of Chinese engagement that can be used as benchmarks by other countries.

Mohan and Lampert (2012) observe that China appears to be the dominant partner in the relationship. Power relations between partners determine bargaining power. The bargaining powers of some African countries are weakened further because they have limited alternative funding sources. Countries, such as Angola and Sudan (Alden, 2007), who are unable to meet stringent requirements from traditional investors and donors rely on China. However, Mohan and Lampert (2012) show that it is possible for African states to create institutions to facilitate investment projects with a good example being how the Angolan state used state engineered institutional frameworks to broker Chinese investment projects. There are also African entrepreneurs, in countries such as Ghana and Nigeria, who have relied on the opportunities the relation presents to start and grow their businesses (Mohan & Lampert, 2012). This emphasises that, to a large extent, the impact of Chinese presence on local SOEs and private enterprises appear to have been ignored in the current China in Africa debate. As observed earlier existing evidence with regards to the gains and losses to the African side as a result of China-African relations are mixed. For example, Wu and Cheng (2010); Zhao (2008) and Pratt and Adamolekun (2008) observe that there are gains for both China and Africa but others suggest losses for Africa (Taylor, 2006; McKinnon, 2010; Elu and Price, 2010). This emphasises the need for a closer monitoring and evaluation of Chinese engagement with attendant critical review of policy formulation and implementation. This raises a question about the nature and capability of existing institutions in Africa to address this issue. Are the existing institutions in Africa equipped to address the issue or is there the need to create specific institutions dedicated to Chinese engagement?

The role of African institutions

The economic activities of firms and organisations require oversight of institutional arrangements. Institutions are needed to regulate and enforce the activities of business organisations (North, 1990; Scott, 1995). Khanna and Palepu (2006) argue the operations of domestic and international firms are hindered by developing country institutions such as those in Africa which are generally weak and often fall short in undertaking their regulatory and enforcement responsibilities. Although Ramasamy et al. (2012) observe that Chinese investments from state owned enterprises were less susceptible to contract failures because of more reliance on government-government relationships, our analyses in this paper points to private Chinese firms in both the informal and formal sectors as well. Although some countries in developing countries and Africa are characterized by weak institutions which and fails to offer required legitimacy and rights (Globerman & Shapiro 2002) Chinese firms have the ability to navigate the institutional voids in African economies better than firms from advanced economies. In addition, the institutions in Africa lack the capacity to ensure that the presence of foreign firms engender the needed impact. For example, existing institutions fail to support the facilitation of foreign firm led technology and knowledge transfers (Osabutey, Williams & Debrah, 2014). This means there are no deliberate policies aimed at gaining the full impact from the presence of foreign firms. But Osabutey and Croucher (2018) argue that since state institutions and agencies in Africa are weak and lack the capacity, capability and, indeed, the motivation to fulfil institutional functions that would ensure positive outcomes from the presence of foreign firms to the host country, stakeholder driven intermediate institutions, such as industry associations and professional bodies, could fill the gap to play more active roles. Effective relationships between institutions, organisations and government are essential for economic development, particularly in developing countries. The role that firms and policymakers play is important but the role played by stakeholders and intermediate institutions...
cannot be ignored (Osabutey and Croucher, 2018). Researchers can undertake studies of Chinese and African firms and their interaction with state actors and policymakers to ensure that the long-term benefits for Africa are realised. Researchers can point out the opportunities and threats and also offer evidence-based policymaking support to governments and their agencies.

**Discussion and Conclusion**

This conceptual paper synthesised the existing literature on Sino-African engagement and reviewed the policymaking framework from both sides. It was evident that the increasing presence of SOEs and private entities from China in Africa was ubiquitous. We also observed that ninety percent of Chinese firms in Africa were operating in the private sector and that they participated in both the formal and informal sectors of the African economies. FOCAC has been a good instrument for promoting China-Africa relations and there are evident benefits. The platform has been hailed by the African political actors as mutually beneficial. Some commentators and researchers argue that China has a strategy and policy for Africa but not the other way around. However, our review reveals that although the majority of African countries have failed to develop China-specific strategies and policies, a few notable countries have. Fortunately, there is evidence from authors such as Jayaram et al. (2017) that some African countries have developed specific strategies for China. They note that some of the strategies and policies from the African side are more robust than others. Some African countries have successfully created specific institutions for projects whilst others have no strategies, policies or institutions to monitor and evaluate the presence of Chinese engagement. Therefore, to improve Africa’s position in the relationship, there is the need for strategic policymaking. For example, policies that formulated and implemented to ensure that the impacts on local African industries and firms are largely positive. It is important that these policies are sector specific and also address local labour, immigration and institutional challenges. Policies should evaluate specific sectors where Chinese experience and expertise could support development objectives. This approach to policymaking would ensure that the increasing presence of Chinese firms could help fulfil long-term development objectives in African countries.

Unregulated access and operation of small private Chinese firms, in the formal and informal sectors, is causing havoc in some countries. There is the need for regulatory infrastructure to monitor and evaluate these to ensure benefits to the host countries whilst at the same time reducing the adverse effects. We point out in this paper though that there are good examples that other African countries could learn from with respect to specific strategies and institutions in line with national development agendas. With a good evaluation of the benefits and challenges of Chinese engagement this paper posits that Chinese engagement is far-reaching and has short-term and long-term economic and developmental impacts on the host countries. There are HRM, skills development and wider societal implications which cannot be ignored. These implications raise issues that existing institutions in Africa appear ill-equipped to address. We follow Osabutey and Croucher (2018) to suggest that intermediate institutions could support state institutions to ensure positive impacts of foreign presence. Stakeholders as captured in Figure 1 all have a role to play.

Figure 1 presents conceptualisation and contextualisation of the Chinese presence in Africa and the related emerging dynamics raised in this paper. The current state of play, on the African side, suggests that there are many actors who could influence the China-Africa investments and policy making debate. Unfortunately, because most of these actors appear to be passive the connections between actors are fragmented. Chinese presence in Africa needs to be looked at holistically. How the various elements in Figure 1 interact is important. Researchers need to draw on the various elements of the interaction to reveal the nuances that could support evidence-based policymaking. For Africa to enhance benefits from Chinese presence a more integrative policymaking framework is required.
Figure 1: Government policy and the interaction between institutions and firms

This paper contributes to the literature by highlighting potential long-term benefits that could be achieved through evidence-based policymaking. In addition, there is the need for China-Africa policies developed and driven from active participation from the African side. Therefore, since Chinese presence in Africa is inevitable, it is important to ask the question ‘whither China in Africa?’ Where do we go from here? Can Africa develop policies that would improve the benefits drawn from Chinese presence? Can African policymakers ensure that the objectives of FOCAC are aligned to African development initiatives? Do we monitor and evaluate current and future Chinese investments in terms of short term and long term positive and negative impacts? Is there a need for a paradigm shift in policymaking? Is there a need for more research? These are questions that remain, largely, unanswered. In terms of research responsibility, what are academics and researchers interested in Africa doing? In particular what are researchers from Africa, or those who identify with Africa, doing? Perhaps we need to agree with Chinua Achebe that ‘until the lions have their own historians, the history of the hunt will always glorify the hunter’. The following questions set an agenda for future research:

What policies do African governments develop independently or collectively through FOCAC to ensure mutual benefits?

What local content laws need review to improve impact in areas such as technology and knowledge transfer?

What immigration and labour laws could influence employment creation, labour practices and skills development?

Which areas of research demand immediate and urgent attention?

What else do we need to know about China-Africa relations? Etc.
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TRACK 5

Public Policy and Health Care Management
SOCIAL COMMERCE, VALUE CO-CREATIONS, AND CONSUMERISM IN DEVELOPING NATIONS: AVENUE FOR FUTURE STUDIES

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The emergence of digital marketing has introduced many opportunities to the business world. Businesses and consumers are now connected very closely in unprecedented form, making it possible for stakeholders to be involved in value co-creation in the marketplace system. An upshot of this development is the advent of socio-commerce in which consumers engage with one another vis-à-vis marketplace issues. This conceptual paper explores this phenomenon in relation to developing countries. It specifically challenges the stereotype and conventional stance and argues that these developing nations also explore the explosive development in technology; the consumers in the context embrace socio-commerce as facilitated by globalisation and acculturation. Overall, the paper suggests that while there are some notable differences between developed and developing nations, the consumption pattern of consumers in the latter tends to mirror that of the former in many ramifications and this facilitates value co-creation in the marketplace. The theoretical and managerial implications of the paper are highlighted accordingly.

Keywords: Socio-commerce,

Introduction
The popularity of e-commerce is now well acknowledged both in academia and in practice. This also extends to socio-commerce which has been described as a new stream in e-commerce (Hajli, 2015). A similar observation has been made by Liang and Turban (2011) who note that social-commerce could be explained as a subset of e-commerce involving the use of social-media to facilitate transactions. So, it is greatly linked to the popularity of social media networking sites, which constitute a platform that allows customers not only to discover market offerings but also to rate, share, and recommend them (Hajli, 2015; Featherman and Hajli, 2016). Available evidence suggests that social commerce has generated sales to the tune of 5 billion USD in the US while the estimated sales for 2014 and 2015 were 9 billion and 15 billion respectively (Morrison, 2014; Zhang and Benyoucef, 2016). In specific terms, the earning of the top 500 retailers from social commerce in 2013 was put at $2.69 billion (Workman and Adler, 2014; Sun et al, 2016). Moreover, quoting the 2015 Mckinsey report, it has been shown that consumers in China spend approximately 78 minutes daily on social commerce (Liu et al., 2016). Similarly, it has been estimated that approximately 50% of the UK population would be embracing social commerce by the year 2021 (Liu et. al, 2016). This growth in social commerce is expected to reach USD 80 billion by the year 2020 in terms of global revenue (HnyB Insight, 2012; Farivar et al., 2017). This is not surprising as social commerce site provides fertile ground for communication of opinion and exchange of information related to various market offering among consumers. The social element associated with this phenomenon such as online communities, customer ratings and review distinguishes it from the traditional e-commerce (Liu et. al, 2016). Indeed, it is a great development with huge potential for many companies and has brought huge changes to consumers (Zhang et al., 2016; Zhang and Benyoucef, 2016).
Meanwhile, developing nations are becoming increasingly relevant in the global marketing system by the day (Khanna and Palebu, 2010; Ichii et al. 2012). Based on Goldman Sachs’ forecasts, Ichii et al. (2012) indicate that while the market growth in developed economies is estimated at 2% (average annual forecast) for period between 2011 and 2020, developing economies have a forecasted average annual growth of 7% for the same period. The marked positive move of China towards a consumer society and globalization in recent times is also noteworthy (Hooper, 2000). Similarly, it is also noted (See Forbes, 2010; Adnan, 2014) that the online sales in China for the year 2009 were over £36 billion. Also, Kathuria and Gill (2013) in their study on purchase of branded commodity products in relation to India note that more consumers now aspire and can afford different products that they could not in the past, such as personal care products, motor vehicles, and home furnishing (Singh, 2005; Kathuria and Gill, 2013). Accordingly and with reference to a number of available evidence, it could be argued that, in terms of scale and significance, consumption activities in developing nations are needed for a healthy world economy.

However, despite the increasing interest in social commerce highlighted earlier, research attention has not been adequately directed to its synthesis in relation to consumerism in developing nations vis-à-vis value co-creation. Accordingly, this is the overarching aim of this paper. The remainder of the paper is arranged as follows. The theoretical background which follows this introduction presents a synthesis of social commerce and consumer value co-creation, and consumerism in developing nations. This is followed by the discussion section, while the conclusion, and the implications of the study follow immediately in respective order. The segment entitled direction for future research ends the paper.

Theoretical Background

Social Commerce and Consumer Value Co-creation

The notion of value co-creation is the bedrock of contemporary marketing. Lacoste (2016) traces the origin of the concept to 1980s. He then specifically pinpoints that the notion features in the definition of terms of American Marketing Association of 2013 in which marketing is defined as ‘...the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large’ (Lacoste, 2016: p.154). While this is very helpful to open up this discourse, it is relevant to state that a number of interesting contributions in marketing have emerged around this construct. For example, the work of Vargo and Lusch (2004) on the new dominant logic for marketing has received considerable attention in the marketing parlance. One of the key points in their contention is that rather than marketing to buyers and other partners, firms should market with them - the notion of value co-creation (Yi and Gong, 2013; Hammervoll, 2014). A related contribution is made by Prahalad and Ramaswamy (2004) that also echoes the co-creation of value between the ‘producer’ and the ‘customer’. Remarkably, these streams of research on value co-creation have been extended in various contexts with notable findings. Prebensen et al.’s (2013) study for instance, shows that tourist resources as well as personal service, environment, and other visitors result in significant enhancement of the experience value. Hence, the tourists’ participation in producing the experience exemplifies value co-creation in the tourism context.

Meanwhile, by its nature, social commerce, the use of Web 2.0 for enhancing the participants of social media users for great economic value (Wu et al., 2015) seems amenable to value co-creation as it brings stakeholders together albeit in the online context. This is especially so, as it has been explained as exploring social capital in social media platforms (Liang et al., 2011; Xiang et al., 2016). As an internet-based social media, it allows activities participation in the sales of products and services (Hajli et al., 2015). So, this activity which emphasises value co-creation between consumers and the firm constitutes a key advantage in the social commerce
era (Hajli et al., 2014; Wang and Hajli, 2014). It constitutes a fertile platform for consumers to share opinions and exchange information related to market offerings (Liu et al, 2016). The emergence of social commerce has been traced to 2005 as the commercial use of social networking sites continues to grow (Curty and Zhang, 2011; Zhang and Benyoucef, 2016) when the term was first introduced by Yahoo to describe circumstance in which people can get advice from one another, share various experiences, find goods and services, and buy them (Marden, 2010; Lu et al., 2016). So, it is clearly a game changer in term of the interactions between businesses and other stakeholder (Raujiar et al., 2014; Hew et al., 2016).

The supportive environment associated with social media has made it particularly both informationally and emotionally valuable (Hajli et al, 2015). In a further detailed perspective provided about social commerce, Zhang and Benyoucef (2016) and Hajli et al (2017) emphasise that while the consumers interact with online shopping sites on their own separately on one-to-one, social commerce entails users’ interactions and being part of online communities. This explains why it is described as a marriage of electronic word of mouth (WOM) and e-commerce (Dennison et al., 2009). In fact, Liu et al. (2016) argue that the functionalities of social commerce sites (SCS) including social shopping tools, referrals, online communities, and reviews are what lead to trusted environment in which the stakeholders such as family and acquaintances contribute content (Liu et al, 2016).

One of the detailed explications of this phenomenon shows that it has three trends (Lin et al., 2017). From this perspective, the first of the three trends involves adding commercial features to social media tools while the second is the features of social media to e-commerce sites. The third trend, as given in this postulation is increasing the use of social media by the conventional offline organisations for improving business performance. In their paper on deriving value from social commerce networks, Stephen and Toubia (2010) posit that social commerce involves sellers connecting on online social network in which these sellers are individuals rather than firms. They specifically emphasise the potency of network in this arrangement such that it makes the online selling outlets more accessible. This network sounds somewhat similar to the claim which emphasises friendship and social group climate because of the frequent interaction and the associated emotional support (Li and Laim, 2014; Sun et al., 2016). Moreover, Farivar et al. (2017) found that trust developed towards social commerce website boosts the purchasing intention of the users and trust towards the members of the site also increase purchasing intention indirectly. In a study on building brand loyalty in social commerce, Zhang et al. (2016) emphasise social factor as one of the three factors that strengthen customer relationship quality with a brand. The other two factors are self-factor and the characteristics of the brand pages of the firm (Zhang et al., 2016). Nevertheless, this issue is not without some noteworthy concerns. Some of these have been identified as internet-based fraud and identity theft (Featherman and Hajli, 2016). Clearly, this phenomenon has grown tremendously in the past couple of years. However, the extent to which these are embraced for value co-creation in developing nations remains unexplored

Consumerism in Developing Nations: A critical overview

Statistically, developing nations are defined by the Word Bank in relation to Gross National Income (GNI) per capital which is currently noted as countries with less than US $12,275 (The Balance, 2018). Hence, they are nations with lower economic development compared to industrialized countries (Akam and Muller, 2013). Accordingly, this could have impact on consumption pattern in this context. Meanwhile, the discourse of consumption can be delineated along a number of issues. This could be by the nature of the product consumed, the individuals consuming them, the circumstances surrounding the purchases and a host of other factors (Zaichkowsky, 1986; Sudbur and Simcock 2009; Solomon et al., 2016; Gbadamosi, 2018). As indicated by Solomon et al. (2016), consumers’ choices are affected by factors which could be categorised into antecedents, purchase environment, and product disposal. In this schema, factors such as moods and emotions, shopping orientation, temporal factors, and situational factors are antecedents of consumption decision choices whereas, purchase environment encapsulate issues such as the shopping experience, social and physical surroundings, trends in

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the purchase environment, servicescapes, sales interactions, and servicescapes. As presented by Solomon et al. (2016), the product disposal phase of influence on consumption relates to disposal options and lateral cycling. From a different perspective, Gbadamosi (2019) categorises these factors into three which are social cultural factors, personal factors, and marketing stimuli. These viewpoints are somewhat closely linked, especially in relation to the scope of these influences. Meanwhile the complexity that characterises consumption decisions indicates that there are areas of convergence and points of idiosyncrasies associated with consumer behaviour in different milieu. So, it is very essential to unpack these in relation to specific settings such as developing countries as a way of extending the extant literature.

As individuals, consumers in developing nations are influenced by many factors personal to them which consist of their age, lifecycle, lifestyle, income, occupation, personality, and self-concept (Gbadamosi, 2019). From the perspective of consumer’s age, some consumption activities could be distinguished from another. For example, a number of studies (see for example McNeal, 1964; Ward, 1974; John, 1999; Lawlor and Prothero, 2011) indicate some interesting studies that show the importance of consumers’ age in consumption. A related study of Burt and Gabbort (1995) posit that gender tend to be more important attribute that influence shopping patterns of elderly consumer for non-food purchase than their age. A link to consumers’ age is their life cycle which revolves around transformation experienced by people over time vis-à-vis specific factors such as their marital status, age, number of children in the home and their age, retirement and death of spouses (see for example, Murphy and Staples, 1979). So, in this context, it is expected that some patterns of consumption of Singles will most likely be different from that of married couples, while those who are married without children would also likely exhibit consumer behaviour that could be at variance from those with children (Neulinger & Rádó, 2018). Similarly, those consumers at retirement age would most likely have consumption dynamics that is different from those at the early stage of their careers. The notion of consumer personality and self is also very crucial to consumption.

Consumers’ personality refers to a combination of characteristics that determine his or her uniqueness and how the individual respond to the environment (Schiffman and Kanuk, et al, 2010; Bosnjak et al., 2007; Kotler and Armstrong, 2018) and influences consumers’ choices of market offerings. It is closely to linked to self-concept which is about the belief an individual has about their attributes (Solomon et al., 2016) the desire of consumers to bridge the gap between their desired selves and actual selves propel some consumers to act in a particular way. While the desired-self depicts who the consumer would like to be, his or her actual self is who they really are. This is inextricably linked to their self-esteem. Hence, it has been established that consumers engage in symbolic consumption which are driven by crave for consumption-associated meanings beyond the functional value associated with the market offerings (Belk, 1988; and Sirgy and Johar 1999). It is therefore not surprising that , more often than not, consumption and postmodernism are being linked. As shown in the literature, as far as postmodernism is concerned, consumers could also be driven by de-differentiation, hyperreality, fragmentation, pastiche, chronology, pastiche, anti-foundationalism, and pluralism (Brown, 1999; Parsons et al., 2018). In view of the changes in the marketing environment, these characteristics, and symbolic consumption in general are also amenable to consumption activities in developing nations. Hence, they are likely to influence social-commerce activities of consumers in this specific context.

The lifestyle of the consumer refers to their patterns of living as indicated in their activities, interest, and opinion (AIO) (Jobber and Ellis-Chadwick, 2016). There is a plethora of literature arguments that indicates that this phenomenon usually known as psychographics, influences consumption. It has even been argued that different consumers could have the same demographic profile, yet exhibit the same psychographic characteristics (Solomon et al, 2013). Hence, the remote interconnectedness nature of social commerce which suggests that it is not
specifically limited to geographical location has the potential to extend understanding in the explication of consumption practices of various individuals in developing nations. Similarly, consumers’ income and occupation as factors personal to individuals could also explain social commerce activities of people in developing nations. The extent of disposable income available to people is most likely a measure of their consumption (McLaughlin, 2017). Similarly, while occupation is closely linked to income, the impact of occupation on consumption transcends economic value and could be an explanation of the level of engagement with technology and by extension social commerce activities. Similar argument could be made concerning psychological factors which are also categorised as part of personal factors as shown in Figure 1, that influence consumption in various ways. These are mainly motivation, perception, learning, beliefs and attitudes, and learning (Kotler and Armstrong, 2018).

Given the interactive nature of social commerce, the relevant of social-cultural factors to gauging how it is embraced in developing nations is significant. Primarily, social cultural factors revolve around how individuals and social structures of a particular setting function around a number of issues. Factors under the broad social factor are culture, sub-culture, reference, groups, and social class (Gbadamosi, 2016). Cultural values define and separate a particular social setting from another (Eglitis, 2011; Mason, 2018; Kotler and Armstrong, 2018). It is explained as the collective memory of a society (Solomon, 2016). Culture is arbitrary, prescriptive, enduring, and dynamic. It has a defining influence on people’s consumption. What people eat, wear, processes of approaching things and a good number of other issues are underpin by culture values (Petruzzellis and Craig, 2016). While there is evidence that underscore some changes in terms of the divide between consumption pattern of developing nations and developed societies (de Mooij, 2017), increasing literature items are also pointing to the changing role of culture in such scenario. Meanwhile, the case of social commerce is one of the core points that show that the old view of the difference between different cultural contexts are waning in that the development in the digital world is spreading at a faster rate. So, customers are able to relate to one another and engage in their various value-oriented transactions in a much easier way than it used to be several years ago. Closely related terms on this are consumer acculturation and enculturation. While the latter is about learning one’s own culture, the former is about learning other people’s culture. Fundamentally, the notion of acculturation has its root in anthropology to depict what takes place when two or more autonomous culture interact with each other such as having an understanding of how immigrants adapt in the new social-cultural environment (Park, 1928; Berry, 1980; Martin, 2005). It has been argued that in that context, it is possible for immigrants acculturation disposition to range from a total rejection to full assimilation (Phinney, 2003). Extant literature pinpoints many cases of how cultural values in developed countries and being transferred to developing nations (Penaloza, 1994; Durvasula and Lysonski, 2008; Gbadamosi, 2018). An example is the work of Durvasula and Lysonki, 2008) which report about Indian and Chinese consumers who are becoming conscious of their physical appearance and professional development which is prompted not only by the rising level of stand of living but also their exposure to the cultural values and media of Western societies. Similarly, Ahmed et al (2010) shows that credit card usage in Malaysia was only embraced by business people previously but this changed from around the late 1970s to what has been adopted by a larger number of people.

Cultural systems also have sub-cultures which are pivotal to a number of key consumer actions Refaat El Said & Galal-Edeen, 2009; Menon Vadakepat, 2013. A specific example in developing nations is evident in the study of Sun and Collins (2006) whose study is based on Guangzhou which is a greatly developed city in China and Urumqi that is a relatively underdeveloped Chinese city. The study shows significant differences between the two cities in relation to the intended uses of imported fruits. According to these authors while Urmqui best use of the imported fruits is to purchase them to serve as a gift, those in Guangzhou buys the fruit for self-consumption. The influence of this factor is closely related to another social class which is another social-cultural influence on consumption that is not only applicable to developing nations but also relevant could be significant to the explanation of social-commerce and consumer’s value-co-creation in the relevant marketing system. By definition, social class
Classification refers to the division of members of the society in hierarchical order based on the combination of some factors in such a way that members of the same class have approximately the same social standing in the community compared to others outside this class. In view of this, social classification could be specific to different settings. In the study of Durvasula and Lynonski (2008), significant changes were noticed concerning the middle class in China and India in the last few years. Similarly, Bonnefond and Clément (2014) noted some similarities in the urban middle class which demonstrates specific peculiarities that distinguish the rich and the poor.

Meanwhile the role of family in consumption has been a long recurring issue in the marketing literature (Childers & Rao, 1992; Rindfleisch, et al., 1997; Bertol et al., 2017). The key aspect of this, especially for the developing nations is around the changing roles of family members in relation to developing nations. Firstly, the changing role of women vis-à-vis men in household has notably changed with globalisation and the changes in the environmental factors including technology (Brody, et al., 1983; Moghadam, 2004). Similarly the roles of children in their homes are equally changing as they are now becoming more focal in the family consumption systems. The literature suggests that children’s roles now transcends that of mere users of products and services at home but also covers the roles of initiators, gatekeepers, deciders, and buyers in varying circumstances (Gbadamosi, 2018). Accordingly, the interaction with technology this day and age is significantly higher than what it used to be several decades before now. So, this suggests that children will be more attuned to the development of social-commerce in developing nations in a significant way.

Fundamentally, consumers’ actions also are driven by some combination of marketing stimuli. These are often discussed in relation to the marketing mix elements. Hence, some of the key questions on this issues will include, to what extent are consumers motivated to buy a product based on factors such as branding, packaging, or quality? Would changes in prices upward or downward trigger consumption of a particular product? Would consumers be prompted to try new products based on marketing information received from TV advertisements, Salespeople’s effort, or information from social media? A number of other questions could be raised about the process of an organisation’s operations, people, and physical evidence that revolves around the services being provided by the establishment. The seminal article of Malhotra (1986) on why developing societies need new technology is quite revealing and suggests the compelling nature of these new processes for the development of the society. Meanwhile, over the years, after this publication, there is evidence of technological development all over the world including less developed countries (LDC) (Ndzibah, 2010; Hübler, 2016). Accordingly, these have brought about the prevalence of e-commerce and social commerce in the context such as reported by Talat et al. (2013) concerning Pakistan. Hence, it is logical to suggest that consumers in developing countries would be involved in value co-creation through social commerce.

Discussion and conclusion

This paper conceptually explores social commerce activities in developing nations. While this phenomenon has grown significantly over the years, in terms of scale and significance, research idea about its scope of growth and relevance in developing nations remain sketchy. This paper argues that as consumers engage in this practice, their potential to engage in value co-creation with business become enhanced. While this sounds rather general, expected, and typical of social commerce; this paper extends the discourse further by synthesising it with value co-creation in a context that has attracted little research attention. This is very useful in that conventional postulations about developing nations is that given relatively lower economic strength, purchasing power will be significantly impaired. Hence, most of the issues prevalent in the developed nations, including consumption pattern are not applicable in developing nations. Nevertheless, this paper suggest that the changing landscape of global marketing environment as indicated in the changes in factors like economic, technological, economic, and socio-cultural factors are indicative that some of what are observable in developing nations such
as consumption pattern are now becoming noticeable in developing nations as well. Accordingly, the increasing rate of socio-commerce activities among consumers is now gradually noticeable in developing nation’s context. Besides, these are also making it possible for consumers to be more actively involved in services that are provided by businesses.

As shown in Figure 1, the consumer in developing nations is influenced by several factors which are noted as personal factors, socio-cultural factors, and marketing stimuli. The figure specifically shows the consumers’ engagement in socio-commerce is also influence by these factors which determines the extent to which the consumer can be involved in value co-creation with organisations.

![Diagram](image)

**Figure-1: Social commerce and value co-creation in Developing Nations**

Adapted from Gbadamosi (2019)

Theoretically, the implication of this paper lies in the fact that it updates the extant literature on digital marketing, the dynamics of consumer behaviour, and contemporary marketing. Managerially, it suggests that, despite the stereotype associated with developing nations, there are great marketing opportunities for businesses, be it SMEs and multinationals, as socio-commerce encourages word-of-mouth communication among consumers. The developments in global technology circle is breaking down the old barrier between developed and developing nations. Hence, exploring these opportunities will be greatly valuable to these businesses especially in relation to the management of their overall marketing communication strategy.
This paper is conceptual and enlightening to a great extent. Hence, addressing the issue empirically, with the use of primary data could be explored in future studies. This will strengthen the arguments made in this paper.

References


TRACK 6
Human Resources Management and Organizations
The increasing challenge towards improving public service performance despite the existence of talent remains a source of worry and concern to government. Talent development influence on public service performance in Nigeria was the objective of the study. The study relied on extant literature for theoretical and conceptual clarifications. The paper adopted a descriptive design. The accessible population are civil servants on grade levels 13 – 17 in the federal civil service. The study sample is 247 drawn from the application of Taro-Yamani formula on 648 target population. The research adopted internal consistency measure of reliability and construct validity to validate the instrument used in the study. The method of data analysis was multiple regression technique. The study explored Resource-Based View (RBV) and found that talent development has a significant influence on public service performance in Nigeria. Talent training and mentoring are formidable to improve public service performance and should be part of the reforms efforts currently ongoing in the federal civil service. The study recommends there should be increased training activities in the public service, as it will improve civil service efficiency. The public service must encourage coaching and mentoring efforts from the senior colleagues in the services and experiential transfer that allow for ideas sharing, as well as knowledge development of employees in the service.

Keywords: Talent, Development, Public Service Performance, Federal, Nigeria.

Introduction

Today organisations both in the private and in public sectors have come to realise the need for talent management practices may be because of the changing hiring practices, competition, or part of the global changes associated with human endeavours (Casey, 1999). It thus makes it necessary for organisations to ensure that they develop their employee's talent and use same as a strategy for improved performance. Balogun, and Obasan, (2007) opined that talent development is aimed at empowering the employees to improve their skills, knowledge, and competence in managing present and future activities of the organisation in an optimal manner.

Precisely, there are two distinct views on talent development, which are inclusive and exclusive (Aguinis & O’boyle, 2014). The exclusive holds the view that some individuals make little contribution to the overall performance of the organisation (McDonnell & Collings, 2011). The exclusive is a traditional approach to talent development and holds that talent development should be for a subset that makes a proportional contribution to the improvement of organisation performance since organisation’s resource is limited (Gallardo-Gallardo, Dries, & González-Cruz, 2013).
Alternately, the inclusive approaches to talent development support equality in the workplace and creates room for every employee to be part of the organisation's developmental process (Cappelli & Keller, 2014). The inclusive approaches support that development should cover all employees within an organisation. The distinction in both views lies on the emphasis that talent development should be based on either the person or hierarchy or the entirety of the employees (Lewis & Heckman, 2006). However, McDonnell and Collings (2011) opined whichever approach is adopted it should be tailored in line with the organisation's resources, goals and objectives.

Gilley, Dixon, and Gilley, (2008) explain that talent development is future driven, as the focus is not just for the present but also the future needs. It allows future managers cultivate abilities to mentor, coach, communicate, reward, inspire, engage, and encourage others, thus, promoting partnership and teamwork. Hence, it implies that talent development is a deliberate attempt at ensuring that employees are equipped with the right skill, provided capacity for improvement, and allowed to improve on their mental and physical abilities (Garavan, Carbery & Rock, 2012).

Consequently, public institutions have become particularly and increasingly engrossed on the importance of talent development owing to their limited resources, growing expectations, and the need to identify employees for future leadership positions and succession plan of the public service (Lewis & Heckman, 2006). This has become necessary as the public service handles a wide range of activities, as such in the event of retirement or death of a manager, there is need for the availability of suitable persons to take over.

Public service in developing economies are faced with growing talent shortage (Bonnie, & Kehinde, 2007; Ezeani, 2004). In Nigeria, the public service today is worst hit in the talent shortage experience (Onah, 2003). The government seem to have done little to reduce this menace, which has been a challenge that could likely explain the inefficiency observable in the public service.

Further, there has been a widespread outcry and call for attention to the ageing workforce in the Nigerian Public service. The aged workforce are not able to cope and adapt swiftly to current global innovative changes except they are always engaged in development programmes that will steer them and allow them to be abreast with modern governance reality (Onah, 2003).

In addition, the critical question that bothers on talent development has not adequately been explored empirically in the Nigerian public service; such as to determine the extent talent development would influence the effectiveness of public service; and what kind of developmental activities would be most suitable for talent in the public service. Thus, this paper seeks to close this gap.

Studies on talent management seemed recently to focus more on the private sector especially, the issues of recruitment, selection, training, and leadership selection (Cappelli & Keller, 2014; Aguinis & O’boyle, 2014). However, this paper takes on talent development from a broader viewpoint that incorporates managers across varying government levels of federal and states. It is on this premise that this study sought to assess the relationship between talent development and public service performance in Nigeria.

**Research Objective**

The broad objective is to assess the talent development framework and its influence on the public service performance in Nigerian Public Service. The specific objectives are:

1. to assess the influence of training on the efficiency of the Nigerian public service;
2. to determine whether job rotation (posting) affects the efficiency of the Nigerian Public service;
3. to investigate coaching and mentoring effects on the efficiency of the Nigerian Public service.
Literature Review

Talent development

Globally, there is an observable change to the work system, and this explains the shift towards an improved psychological contract between employers and employees in modern organisations (Casey, 1999). It is further a growing issue on the people management on the need for improved learning and development, as a significant component of the contract between the employees and their employers. This because the workers in a knowledge economy do not just want to work and be paid, but they instead want a secured job that offers them platforms for improving their mental and physical abilities.

Casey (2009) stated that organisation might not be able to develop all their employees owing to limited resources at their disposal coupled with stakeholders’ expectations or profit maximisation. Thus, talent is developed in line with the organisation’s needs and sustainable desire for growth and development. Contrarily, Cappelli and Keller, (2014) held that it should be for every employee, as every employee is a potential talent and could be valuable to contribute to the growth of the organisation, as acquiring talents externally would not always be beneficial to the organisation.

McDonnell and Collings (2011) stated that though talent development differs by organisations, its focus and result is often the same. While some organisations want to be restrictive, some others are inclusive and hybrids. Cappelli & Keller, (2014) held that organisations chance for improved retention of talent is anchored on the quality of development programmes it offers its employees.

Dimensions of Talent Development

Garavan et al., (2012) operationalised talent development using three distinct variables or programmes. They are the formal dimension, relationship-based dimension, and job-based dimension. The formal talent development programme is a traditional approach to talent development. This measure is a skill-based development programme that aims for the growth and development of the individual through structured, designed programmes that allows for feedback and action focused interventions to develop a specific skill set in an individual (Bluen, 2013). This study adopts training as a dimension to conceptualise a formal talent development programme.

Further, Balkundi and Kilduff, (2006) stated that relationships-based (mentoring) dimensions are instrumental to talent development. This form of development happens where an individual could have someone to mentor or coach them in their career. Thus, this study conceptualises relationship-based talent development dimension as mentoring. However, how mentoring would influence effectiveness in the public service remains contentious, thus, justifying this paper.

The job-based dimension has been viewed as a vital means to develop employees and endear them towards the growth of the organisation (Bluen, 2013). The work offers so much to employees and can be utilised to influence their growth and development. In the view of Wilson, et al, (2011) job-based development programmes, take the form of job rotation, increased job scope, employee engagement, change implementation and employees’ participation in decision making. This study conceptualises job-based talent development as job rotation; thus, assess the influence of job rotation/posting on the effectiveness of public service. Hence, this paper focuses on training, mentoring, and job rotation as dimensions of talent development adopted in this study.

Training

Training remains one of the first ways of improving employee’s performance. Training is a formal and deliberate approach to better equip employees with basic skills and knowledge that will improve their performance and give them a sense of belonging in the organisation (Bluen,
Lewis and Heckman, (2006) indicate that the integration of training to an employee’s job function is critical to their development and growth in the organisation. Training can be on the job and it can off the job (Lewis & Heckman, 2006). On the job training is a practical talent development approach that allows one to learn while on work, while off the job is preferably a formal learning approach that is not purely practical.

Mentoring

Human nature tends to build better confidence from the actions of others. A critical method for modern talent development is mentoring, and Bluen (2013) indicates that mentoring is significant in developing and improving talents in an organisation. Talent mentoring depends on the organisation's managers’ quest to see improved performance in the activities. Waters, McCabe, Killerup and Killerup, (2002) hold the view that when employees have mentors that guide and support their efforts, there is a tendency to perform better and have a high level of commitment and job satisfaction, which invariably ensure they remain partners to the organisation for an extended period.

Job Rotation

There have been varying views on what job rotation means; however, it is generally agreed that it involves a change from a specific task to another (Bennett, 2003). In the view of Coyne (2011), job rotation is described as deliberate switching or changing of a person from one job to another job over a period. According to Bennett (2003), there are two distinct types of job rotation; rotation within-function and Cross-functional rotation. Rotation within-function implies a situation where jobs rotated have an equal level of responsibility and operational or functional process. Cross-functional rotation is the movement over an entirely new or operational area (Bennett, 2003). However, Campion, Cheraskin, and Stevens (2009) stated that whichever method is adopted job rotation serves to complete improvement development in employees. In this study, the rotation within-function and Cross-functional rotation were the focus of this study. This is because both have a benefit to the employees when implemented in the organisation.

Public service Performance

Public services are common institutions that abound globally. They are often referred to as the hand of government that manages policies and ensure implementation. Randor and Lovell (2003) stated that there is growing pressure for governments globally to reduce cost, ensure effective utilisation of resources, and improve their services rendered to the public. This has made performance in the public service critical as it is expected to be fully accountable and adequately responsive not only to the government but also to the citizens and international stakeholders irrespective of political divides and conflict of interests (Rainey & Steinbauer, 1999).

The argument has always been what constitute an appropriate measure for the performance of the public service. This prompts the views of Randor and Lovell (2003) that in measuring performance in the public service, it must be reflective of the internal managers. Though Rainey and Steinbauer (1999) are of the view that public service should encompass the views of the internal employees, the citizens and stakeholders that the public service offer to serve always. This paper measures public service performance using the efficiency measure from the perspective of the employees in the public service.

Nigeria Public Service

Nigeria, just like any other developing economy, the government plays a vital part in the sustenance and development of rapid economic and social development. However, these tasks of government are often carried out through ministries, departments, divisions, agencies and commissions, referred to as the public service, as their interest is satisfying the general public through government aimed programmes and policies (Bonnie, & Kehinde, 2007). Public service
manages the daily routines of the country through rendering services and implementing government objectives and programmes.

The Nigerian public service has been bedevilled with monumental challenges that have led to varying reforms and re-programming to improve their operations towards offering excellent service (Ajibade, & Ibiitan, 2017). Onah (2003) contend that public service still ranks high for ineptitude, lack of effectiveness, inefficiency, and weak service delivery. It is characterised with poor customer relationship, lack of full accountability, transparency, gross indiscipline, and flagrant disrespect for rules.

Ezeani, (2004) stated that among the likely reasons for the ineffectiveness and inefficiency in the public service is corruption, excessive bureaucracy, lack of work good ethics, poor working conditions, among others. Conversely, Onah, (2003) stated that principal among the causes of their ineffectiveness and inefficiency is the unfortunate human resources practices. This he exemplified in the poor recruitment process in the services, lack of impactful development programmes to update them with a modern approach to customers/citizen care, and lack of mentoring. Prompted with the above, the study seeks to investigate whether development programmes are explanatory factors to improve effectiveness in the public service.

Resource Based View Theory

This paper anchored on the resource-based view theory. The resource-based view theory can be traced to the study of Wernerfeldt (1984), where he suggested a link between firms’ resources and competitive advantage (Susan, 2008). The theory holds that organisational competitive advantage is a function of the quality and capability to utilise its internal resources, hence found to be best suited for public service given its human resource base. The theory seeks to understand how the resources of the organisation can be used to achieve a sustainable competitive advantage.

In this study, the resource-based view is used to build on the assumption that talent in the organisation is intangible, valuable, rare and the ability of the organisation to ensure that the talents continuously develop through training, mentoring, and job rotation, would achieve excellent performance. Thus, the theory justifies the study to assess how the management of intangible resources such as the availability of developed talent in public service would improve their efficiency.

The relationship between training and performance

Happiness and Michael (2014) carried out a study on training and development impact on organisational effectiveness. Their study used correlation, simple percentages, and chi-square to analyse the data obtained. They found that training/development has a definite direct link with effectiveness in the public sector. The authors are of the views that training is an investment that has both immediate and long-range returns to the public service. Further, Jacob and Venkataiah, (2013) assess training in the public service using the ministry of Education in Kenya. The study adopted a descriptive design and questionnaires were used to gather data from the study sample of 364 employees. Data were analysed using standard deviation and analysis of variances (ANOVA), as the study was focused towards varying age groups and experience level. Their study found that gap in the training programme and reality, as opportunities for training was not based on merit and were not taken seriously in the organisation. The study was an opinion paper using a single ministry. Thus, the scope cannot be generalised. This study is a broader study that covers not just a single ministry. Thus, this paper proposes that:

Ho: Staff training has no significant effect on the effectiveness of the Nigerian public service

The relationship between Mentoring and Performance

The study of Ofobruku and Nwakoby (2015) was interested in mentoring on family businesses as SMEs in Nigeria. They adopted a survey research design using a sample of three hundred and sixty-seven construction employees. The study used the Pearson correlation for the analysis of data obtained. The study found that mentoring has significant positive effects on employees’
performance. The technique adopted was for a relationship study and did not show the effect of mentorship on performance. The study was rather on employee’s performance, which differs from this study that is on performance in the public service. Kim, (2011) study was on mentoring effect in the public service. The study used a sample of 1,220 public and non-profit managers. The study adopted ordinary least squares regression and structural equation modelling to analyse the data obtained for the study. The study found a significant relationship between mentoring and job satisfaction. The study was carried out in a developed economy and western context. Thus, it may not be the same when carried out in a developing economy with a growing public service. Thus, this paper proposed that:

Ho: Mentoring has no significant influence on the effectiveness of public service in Nigeria

**The relationship between Job Rotation and Performance**

The study of Patrick, Christine & Dirk (2018) was on job rotation and employee performance in the financial service industry. The study used longitudinal data for the German banking industry. The panel data were analysed using regression technique, and the study found that job rotation has a significant effect on the performance of employees. The study used secondary data, which is entirely different from this study that primary data was adopted to assess job rotation on performance in the public sector. Benjamin (2014) study on Water Board services in Kenya assessed job rotation on workplace performance. The study used an exploratory design using a sample of 276 selected with stratified sampling and simple random sampling. Structural equation model was adopted for analysis of data, and the result found that job rotation significantly predicted high-performance workplace. The study was carried out in a government establishment. However, the study failed to examine whether job rotation significantly influenced public service performance when regressed with other dimensions of talent development. Thus, this paper proposed that:

Ho: Job rotation has no significant influence on the effectiveness of public service in Nigeria

**Method and Material**

This study adopted a descriptive research design. The choice of the design was based on the need to quantitatively assess the problem statement and arrive at an empirical conclusion. The study population are the civil servants in the offices of the Head of Civil Service of Federation and the Federal Civil Service Commission, Abuja-Nigeria. The target population are employees in the service on grade levels 13 – 17. Information from the Directors, Human Resource & Administration indicated that there are 648 in the two offices as combined. The study sample is 247. The sample size was determined using Taro Yamane formula (1967). Simple random sampling technique in selecting participants was adopted. The study adopted internal consistency measure of reliability. Construct validity with the exploratory factor analysis was adopted to validate the instrument used in the study. The Multiple regression technique with the aid of SPSSv25 was used for the data analysis.

**Measures**

The researcher pilot tested the instrument designed for the study with a sample of 30 civil servants. EFA principal axis factoring with varimax rotation was used to assess the validity of the instruments. Seven items were designed to measure training (“I have been selected to undertake seminars outside the service”, “Specialised session are organised within the office” etc), ten items to design mentoring (“I have people who are willing to teach me the rudiments of the job”, There is no opportunity in the service to learn under anyone (reverse code) etc); nine items to measure job rotation and eight items to measure public sector performance using Likert scale ranging from (5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree, 1 = strongly disagree). The result indicated that training is unidimensional as all item loaded on a single factor (see appendix). The sample adequacy KMO and Bartlett’s test of Sphericity test were significant (0.80, p< 0.001), which agrees with the recommendation of Tabachnik & Fidell, (2007). Thus, further analysis would be carried out with the four items that loaded
strongly on the factor. The scale of mentoring had two sub-constructs, and the first construct had two items and was named work mentoring while three items were named relationship mentoring. However, both sub-constructs were summated to make up a scale for mentoring that was used for further analysis. KMO and Bartlett’s test was significant (0.87, p<0.001). The scale for job rotation was unidimensional with four items, and KMO and Bartlett’s test was significant (0.866, p<0.001). The four items were used for further analysis. The scale public sector performance was unidimensional too with five items. KMO and Bartlett’s test was significant (0.875, p<0.001). The five items formed the basis for further analysis. The reliability of the scales staff training, mentoring, job rotation and public service performance were 0.79, 0.92, 0.84, 0.83 and 0.74 respectively. The scale had a high-reliability index as Tabachnik & Fidell, (2007) suggested a 0.70 minimum threshold. The assumption of Normality, multicollinearity, homoscedasticity, autocorrelation were checked to justified the use of multiple regression technique. The assumption was all fulfilled (See Appendix).

Model Specification

\[ \text{PFP} = \beta_0 + \beta_1 \text{TRN} + \beta_2 \text{MET} + \beta_3 \text{JOR} + \epsilon_1 \]

Where: \( \beta_1 \text{TRN} = \) Training; \( \beta_2 \text{MET} = \) Mentoring; \( \beta_3 \text{JOR} = \) Job rotation; \( \text{PFP} = \) Performance; \( \epsilon_1 = \) Error Term; \( \beta_0 = \) Constant.

Result and Discussion

The distributed questionnaires were 247. The instruments retrieved were 190(77%), and 57(23%) were not returned. In the 190 questionnaires retrieved 41(22%) were found to be poorly completed. 149(78%) were found suitable for the study. Hence, given the high percentage of suitable instruments, further analyses were carried out with the 149 retrieved instruments.

Demographic Distribution of Participants

The result shows that male participants for the study are 98(66%) and female are 51(44%). The age grouping was 30 - 40 years are 19(13%), 41 – 50 are 79 (53%) and 50 years and above were 51(34%) of the total respondents. The grade level that was used to indicate the managerial levels, as it starts from 13 and above in the Nigerian Federal Civil Service. The result showed that 69(46%) were level 13 – 14; 58(39%) were level 15 – 16, and level 17 were 22(15%).

Table 1: Influence of talent Development on public service performance in Nigeria

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardised Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>T</td>
<td>Sig.</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.815</td>
<td>.616</td>
<td>2.947</td>
<td>.003</td>
<td></td>
</tr>
<tr>
<td>TRN</td>
<td>.189</td>
<td>.077</td>
<td>.161</td>
<td>2.457</td>
<td>.015</td>
</tr>
<tr>
<td>JOR</td>
<td>.119</td>
<td>.062</td>
<td>.129</td>
<td>1.934</td>
<td>.054</td>
</tr>
<tr>
<td>MEN</td>
<td>.815</td>
<td>.057</td>
<td>.649</td>
<td>14.405</td>
<td>.000</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>.898</td>
<td>.806</td>
<td>F = 425.131</td>
<td>Sig = .000</td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSSv25; 2019

The regression line PER = 1.815 + .189TRN + .119JOR + .815MEN indicates that public service performance increases as talent development increases. The correlation value indicated that the relationship is significant (.898) and talent development accounts for 80.6% changes in public service performance in Nigeria. The model is fit as f-value (425.131, p< 0.000), which indicates
that talent development has a significant influence on public service performance in Nigeria. The F-Statistics and its corresponding P-value of 0.000 indicate the fitness of the model. The Correlation Coefficient (R) of 0.823 indicates the strong relationship between the variables. Mentoring has the strongest impact on public service performance in Nigeria as (B-value = .649, p<0.001).

Hypothesis one that states training has no significant influence on public service performance in Nigeria is rejected. This is because p< 0.005, thus indicating that training has a significant influence on public service performance in Nigeria. This finding agrees with the findings of Jacob and Venkataiah, (2013). Thus, it can be concluded that training is vital to the improvement of public service performance. The resource-based view theory is further supported in this finding, as the theory find talent training as an intangible resource that gives a competitive advantage and improves performance.

Hypothesis two was on the significant effect of mentoring on public service performance in Nigeria. The results support that the hypothesis is to be rejected, as (t=14.405, p<0.001), thus, indicating that mentoring has a significant influence on public service performance in Nigeria. These findings agree with Kim, (2011) findings that mentoring is a critical success factor in organisational performance and talent development in public service. It could be generalised that for improving public service performance, the government must ensure there is a policy framework that supports talent mentoring in the service.

Hypothesis three interrogated the influence of job rotation on the effective performance of public service in Nigeria. The result highly supports that the hypothesis is acceptable, as (t=1.934, p>0.001), thus, indicating that job rotation has no significant influence on the effective performance of public service in Nigeria. The finding differs from the study of Patrick et al. (2018) that was on job rotation and employee performance in the financial service industry. The difference in the findings could be because of the sector where the study was undertaken. The private sector’s intent and purpose of job rotation is traditionally and significantly different and not familiar within the public sector. In the private sector, especially financial institutions, job rotations earn accelerated growth and increase in status as well as responsibilities (Patrick et al, 2018). Further, the public service has a rigid system of operation that is hierarchy in nature, and the fear of one losing their position of authority could explain the difference in the findings.

Conclusion and Recommendations

This paper critically examined talent development and public service performance in Nigeria. The study was underpinned with the Resource-Based View that justified the theoretical perspective of the study. This study validates the resource-based view theory, which is a contribution to knowledge. The paper concludes that talent development has a significant influence on public service performance in Nigeria. Therefore, a vital tool for the sustenance and growth of the public service is through inclusive talent development. Talent training and mentoring had been found formidable to improving public service performance and should be part of the reform’s efforts currently in the public service in Nigeria. The study recommends that:

4. There should be increased training activities in the public service, as it will improve the efficiency of the public service. The training should be both on the job and outdoors inform of study leave with full pay. The regime of in-service training tailored specifically on jobs and career needs around the efficient organisation and smarter workforce be entrenched.

5. The public service needs to encourage, and institutionalise mentoring process from the senior colleagues with adequate compensation in the services. There should open mentoring and experiential sharing sessions that allow for ideas sharing and knowledge development of employees in the service.

6. This study indicates that job rotation has no significant effect on talent development in the service, the paper will recommend that its framework should be put in place with policy backing, as there are tendencies that proper understanding of job rotation is not
known in the service since it is not even familiar among public servants in the country. The current practice of posting of mainstream civil servants from one ministry to another, which has a resemblance of job rotation has primarily been abused. It cannot be relied upon to develop talent.

References


Susan M. R. (2008): Understanding the Resource-Based View: Implication of Methodological Choice and a New Creative Context; Theses of the School of Management, Faculty of Business, Queensland University of Technology, UK.


PERCEPTIONS OF PERSON-ENVIRONMENT FIT (P-E FIT) ON ORGANISATIONAL CITIZENSHIP BEHAVIOUR (OCB) IN A MEDIA COMPANY IN SOUTH AFRICA

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Background: Human capital is a vital component in the productivity of any organisation, and many times companies invest time and other resources in training and developing their employees. The dynamics of perceived person-environment fit (P-E Fit), on organisational citizenship behaviours (OCB), would be apt in exemplifying how organisations can maximise on their human resource capabilities. Scholars have encouraged more studies applying the P-E Fit perspective to improve social integration in various contexts, particularly in non-Western countries. Aims: To investigate the relationship between Person-Environment Fit (P-E Fit) on Organisational Citizenship Behaviour (OCB) in a South African private media company. Method: A descriptive quantitative research design was conducted. This is a cross-sectional study conducted once and reveals a snapshot of one point in time to explore P-E Fit on OCB using questionnaires. From the population of 250 employees in the media organisation, a total 87 participants consented to the survey; however, only 60 were usable. This represents a response rate of 39%. Results: Findings point to the existence of a relationship between P-E Fit and OCB, and that P-E Fit improves the likelihood of employees exhibiting OCB’s. Conclusion: This study elucidated to management and decision-makers, the need to be oriented towards the practices of human resources management most likely to have a positive impact on the OCB of employees

Keywords: ATL, BTL, human resource, managers, media, motivation, people, person-environment fit, South Africa.

Introduction

Research on employee selection has traditionally focused on the assessment of the match between job requirements and qualifications of candidates in terms of their knowledge, skills, and abilities (Sekiguchi and Huber, 2011). Consequently, organisations are increasingly interested in promoting employee commitment (Lew, 2011). However, researchers have become interested in the potential benefits of selecting employees based on their fit with the culture and goals of an organisation (Bowen, Ledford and Nathan, 1991; Elfenbein and O’Reilly, 2007).

A considerable amount of evidence speaks to the fact that a high level of P-E Fit has a number of positive outcomes including higher levels of job satisfaction (Edwards, 1991; Sekiguchi, 2003), higher motivation, performance, and attendance (Edwards, 1991) and higher organisational commitment (OC) (Sekiguchi, 2003). Organisational literature argues that it is likely that P-E fit has an impact on OCB through job satisfaction (Van Dyne, Graham and

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Dienesch, 1994). These are all desirable outcomes in any organisation that are worth investigating, more so in media companies that are fast becoming digitised and virtual.

The media sector is one of the many workplace environments that are versatile and fast-paced particularly in the midst of the global digitisation phenomenon and this poses the challenge of dealing with an array of different personalities that view the dynamics of the work environment differently. The existing literature concerning the effect of P-E Fit on OCB in the media sector is quite limited (Özdemir and Ergun, 2015) to a certain extent, particularly within studies of organisational behaviour. People’s personalities are varied and dynamic, due to the wide array of work-environments that people find themselves working in.

Against the backdrop of this fast evolution in the media work sector, it is imperative for management to look at creative ways in which they can ensure organisational commitment and low staff turnover for their organisations. Therefore, investigation of the relationship between P-E Fit and OCB in a South African media context, and how P-E Fit could be harnessed to positively affect organisational loyalty and OCB of employees is critical.

**Literature Review**

**Person-Environment Fit**

The term P-E Fit refers to congruence between the attributes of an individual and those of environment (Schneider, Smith and Goldstein, 1992). A P-E Fit framework can help understand how employees can fit into organisations, and how a good fit affects individual outcomes in virtual organisations. As far back as 1909, scholars ascertained that individuals varied in their congruence with different occupations (Parsons, 1909). At the inception of community psychology, person-environment transactions and, more specifically, person-environment fit (P-E Fit) were espoused as important concepts for the field (Rapport, 1977). P-E Fit is a complex concept that comprises multiple dimensions.

*Person-Group Fit (P-G Fit)*

Person-group fit is defined most broadly as the compatibility between individuals and their work groups (Kristof, 1996). Reviews by scholars in past years indicate that research on this type of fit has been said to be underdeveloped (Kristof, Zimmerman & Johnson, 2005; DeRue & Hollenbeck, 2007). Muchinsky and Monahan (1987) concluded that supplementary fit is typically assessed as similarity on psychological characteristics such as values, goals, attitudes, or personality traits; alternatively, complementary fit starts from a flaw or lack in the environment if balanced out by the strong points of the individual, and vice versa. Complementary fit often refers to a person possessing the requisite knowledge, skills, and abilities (KSAs) to meet job demands and therefore P-G fit can exist when one is similar to work group members on values (supplementary) or when one possesses job-relevant KSAs (complementary) (Seong, Kristof-brown & Park, 2015).

DeRue and Hollenbeck (2007) also wrote that P-G Fit is best conceptualised as the congruence or alignment between a combined set of team elements that produces a relatively higher level of team effectiveness. P-G Fit studies typically examine supplementary fit as a predictor of individual outcomes and individuals may form discernible types of P-G Fit perceptions in a team context (Seong, Kristof-brown & Park, 2015). A person who is similar to the other members of the group might experience more environmental press to ‘stay in,’ whereas a person who is very different will likely find more reasons to stay away (Luke, Douglas, Roberts & Rappaport, 1993).

*Person-Job Fit (P-J Fit)*

Person-job fit is defined as the match between the abilities of the person and the demands of a job, or the needs, or desires of a person and what is provided by a job (Edwards, 1991). Research on P-J fit is strongly rooted in theories that propose an interaction between person and.
environment characteristics (Ehrhart, 2006). Several conceptualisations of P-E Fit involve the subjective or objective correspondence between persons and jobs, groups, organisations, or vocations. Ehrhart (2006) further opines that subjective P-J Fit refers to individuals’ perceptions regarding how well they fit with a particular job, whilst objective P-J Fit, on the other hand, concerns how well employees’ reported inclinations or traits tally with a job’s characteristics.

Person-job fit is considered in terms of complementary fit. Person-job fit is about an individual’s suitability in the task environment. Strong P-J Fit implies that the employees have the knowledge or competencies to fulfil the job in question, whereas poor P-J Fit means that the employees’ preferences or abilities do not line up with the responsibilities of the job (Caldwell & O’Reilly, 1990). Researchers also studied the impacts of poor Person-job fit on workplace behaviours, and they found that “poor Person-job fit could lead to job dissatisfaction, low organisational commitment and high turnover intention (Boon et al., 2011).

**Person-Organisation Fit (P-O Fit)**

Kristof (Kristof, 1996) in her integrative review defines P-O fit as the compatibility between people and organisations that occurs when at least one entity provides what the other needs or they share similar fundamental characteristics, or both. Person-organisation fit means that a person agrees with the shared values within an organisation (Chatman, 1991). P-O fit refers to an employee’s subjective beliefs about how well their personal values match the organisational culture (Cable & Parsons, 2001; Cable & DeRue, 2002).

The argument in the person-organisation fit literature is that to what extent a fitting in an aspect of environment has an effect on outcomes depends on the value that is attached to that aspect of the work environment (Kristof et al., 2005). Fitting in the organisation means sharing similar values as those of others within the organisation and fitting to the social context of the work environment.

Westerman and Vanka (2005) note that P-O Fit is underpinned by the assumption that attitudes, behaviour and other person level outcomes result not from the person or the work environment being separate, but rather from the relationship between the two. This implies that value congruence between the individual and the organisation, achieved through the determining of good fit when making the employment decision is the central plank of this aspect of person-environment fit (Chatman, 1989; Ostroff, Shin & Kinicki, 2005).

**Person-Supervisor Fit (P-S Fit)**

Person-supervisor fit is defined as attitudinal compatibility between supervisors and their subordinates. Needs-supplies fit is defined as correspondence between employee needs (e.g., for autonomy at work) and what the job supplies (Klaic, Burtscher & Jonas, 2018). Person–supervisor fit is the similarity between the value system of the leader and his or her follower and is supposed to positively affect followers’ attitudes and behaviours (Kristof et al., 2005).

Indeed, similarity is seen to lead to positive sentiments and liking, whereas dissimilarity can engender negative emotions and even repulsion (Byrne, 1971). Van Vianen, Shen and Chuang (2011) indicated the link between person-supervisor value congruence and organisational commitment, and Hayibor et al. (2011) have shown that value congruence is important in the process through which leadership styles influence employees.

**Organisational Citizenship Behaviour**

OCBs can be developed through positive personality traits, attitudes, and motivation (Luthans, Youssef and Avolio, 2007). Organisational citizenship behaviour (OCB), is also known as the ‘good soldier syndrome’ (Organ, 1988). Organisational citizenship behaviour is job-related, but not tied to the formal reward system, and it functions to advance the effective operation of the organisation (Turnipseed, 2015). Behaviour consistent with most definitions of being a ‘good soldier’ includes prosocial behaviours (Brief and Motowidlo, 1986), punctuality, helping

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others, innovating, and volunteering (Organ, 1988), as well as the lack of undesirable actions such as complaining, arguing and finding fault with others (Organ, 1990). Organisational citizenship behaviour of the organisational members is becoming increasingly important in the corporate world.

With regards to organisational citizenship behaviour, there has been a shift in workforce behaviour has resulted in notable impact on several organisational dynamics such as culture, teamwork and even leadership styles for many companies. The rise of freelance consultants in many organisations is a good example. These are generally free agents who can work on contract basis for several companies simultaneously, so they are essentially not permanently bound to any particular organisation outside the confines of their contracts. How then does the organisation ensure that such members of the workforce are good citizens of the company?

OCB is necessary because it is associated with key variables of the workplace such as job satisfaction, system maintenance and productivity. In terms of human resource management, the quest to entrench OCB in the banking sector, for example, has resulted in the retrenchment of employees who do not fit into this initiative, and has furthered interest in ways by which the retained workforce can be made to tolerate the inconveniences of present work realities and to go beyond assigned performance standards (Okurame, 2012). It would seem that some sectors of trade find this trait very essential for employees to have.

At an organisational level, OCB contributes to the effective functioning of organisation by, first, creating social capital; these organisations tend to attract and retain high-performing employees, increase interpersonal cohesion and coordination, and assist with adaptability (Bolino, Turnley and Bloodgood, 2002). This means that teams can be more cohesive beyond compulsory interaction, which most probably makes the work environment pleasant.

OCBO and OCBI

OCB contributes to employees' socialisation in the organisation. Spitzmuller, Van Dyne & Hies (2008) opine that the vast majority of OCB research can be subsumed into two categories defined by Williams and Anderson (1991), OCBI and OCBO. The OCBO’s benefit the organisation in general, for instance, giving advance notice when unable to report for work and adhering to informal rules devised to maintain order; whereas OCBI’s immediately benefit specific individuals and indirectly through this means contribute to the organisation, for example, helping others who have been absent or taking a personal interest in other employees (Williams & Anderson, 1991).

The most common forms of citizenship behaviour identified as OCBI are altruism and courtesy; but cooperating with others (Borman & Motowidlo, 1993), interpersonal facilitation (Van Scotter & Motowidlo, 1996), and peacekeeping (Organ, 1990) could also be included in this category. On the other hand, the most common types of OCBO are civic virtue, sportsmanship, and conscientiousness; but being loyal to the organisation (Graham, 1991), endorsing, defending, and supporting the organisation (Borman & Motowidlo, 1997), and protecting the organisation (George & Jones, 1997) (George & Jones, 1997) could also be included.
Source: Authors

From the literature, one may deduce that -G Fit, P-J Fit, P-O Fit and P-S Fit leads to P-E Fit which affects the OCB.

Methodology

The research objective of this study was to investigate the relationship between Person-Environment Fit (P-E Fit) on Organisational Citizenship Behaviour (OCB) in a South African private media company. Hence this article examined the extent to which a relationship exists between person-environment fit (P-E Fit) and organisational citizenship behaviour (OCB) which required that a positivistic or quantitative approach be used.

Measures

A descriptive quantitative research design was conducted in this dissertation. It was a cross-sectional study. As illustrated in Figure 1, P-G Fit, P-J Fit, P-O Fit and P-S Fit, are all sub-variables of P-E Fit which is the independent variable and OCB is the dependent variable. Characteristics identified from the literature review were adapted into a questionnaire that could be used to evaluate all participants on these two constructs effectively. Constructs were measured using a five-point Likert scale ranging from ‘strongly disagree (1)’ to ‘strongly agree (5)’ or ‘never (1)’ to ‘always (5)’. Organisational citizenship behaviour was measured using a 20-item scale adapted from different scholars’ questionnaires (Organ, 1988b; Williams & Anderson, 1991; Podsakoff, MacKenzie, Beth-Paine, et al., 2000)

Participants and organisations

Data were collected from employees working for a private media company in South Africa, with a multi-cultural staff complement of over 250 employees stationed in offices in Johannesburg, Cape Town and Durban. The sample consisted of 152 respondents who were randomly selected. A total 87 participants consented to the survey and had questionnaires distributed to them via emails and in person.

Results

The sample predominantly comprised females (63%), with 47% of participants possessing higher degrees. There were more female respondents in management positions, which constituted 22%. Non-management comprised 62% of the total sample, with females constituting 42%, and males 20%. Table 1 below gives a more comprehensive summary of the participant's profile.
Table 1: Summarised Characteristics of Participants

<table>
<thead>
<tr>
<th>Item</th>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>22</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>38</td>
<td>63%</td>
</tr>
<tr>
<td>Race</td>
<td>Asian</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Black</td>
<td>15</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>39</td>
<td>65%</td>
</tr>
<tr>
<td>Education</td>
<td>Matric</td>
<td>8</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>20</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>Higher Diploma</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Higher Degree</td>
<td>27</td>
<td>47%</td>
</tr>
<tr>
<td>Job Level</td>
<td>Management</td>
<td>23</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>Non-Management</td>
<td>37</td>
<td>62%</td>
</tr>
</tbody>
</table>

Table 2: Correlation matrix of P-E Fit and OCB

<table>
<thead>
<tr>
<th>Item</th>
<th>P-E Fit</th>
<th>OCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-E Fit</td>
<td>Pearson Correlation</td>
<td>1.058</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.658</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
<tr>
<td>OCB</td>
<td>Pearson Correlation</td>
<td>0.058</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.658</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

Correlation Analysis
If this probability is less than .05 then it is considered very low and will be regarded as statistically significant (Lewis, Saunders & Thornhill, 2012). Values of correlation coefficient close to zero indicate a low association between variables, and those close to -1 or +1 indicate a strong linear association between two variables (Kirch, 2008). As shown in Table 2 below, these two variables were positively and significantly correlated. In this case the correlation between P-E Fit and OCB is 0.66 which indicates a large positive correlation between the two variables. Also notably, P-J Fit was correlated r = .24 (p < .05) with P-S Fit. P-E Fit was also correlated r = .93 (p < .01) with OE.

According to Guadagnoli and Velicer in Deacon and Abramowitz (2004:580), factors with four or more loadings greater than .6 regardless of sample size are acceptable for a factor analysis. The final sample size was N=60. According to Field (2009:731), factor analysis is a technique used to identify whether the correlation between a set of observed variables stems from their relationship to one or more latent variables in the data. Field (2009:731) further suggests that factor analysis is useful for investigating construct validity, and it is known as a model for...
measuring latent variables which cannot be directly measured with a single variable. Babbie and Mouton (2007:472) advise that the exploratory factor analysis (EFA) is generally used to discover the factor structure of a measure and to examine its internal reliability. By performing EFA, the number of constructs and the underlying factor structure are identified. In this study, the EFA was performed to gather information about the interrelationship among the observed variables to identify latent constructs.

*Table 3: Factor Analysis (Communalities)*

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person-Environment Fit</td>
<td>1</td>
<td>0.889</td>
</tr>
<tr>
<td>Person-Supervisor Fit</td>
<td>1</td>
<td>0.403</td>
</tr>
<tr>
<td>Person-Group Fit</td>
<td>1</td>
<td>0.784</td>
</tr>
<tr>
<td>Person-Job Fit</td>
<td>1</td>
<td>0.802</td>
</tr>
<tr>
<td>Person-Organisation Fit</td>
<td>1</td>
<td>0.82</td>
</tr>
<tr>
<td>Organisational Citizenship Behaviour</td>
<td>1</td>
<td>0.597</td>
</tr>
<tr>
<td>OCBO</td>
<td>1</td>
<td>0.699</td>
</tr>
<tr>
<td>OCBI</td>
<td>1</td>
<td>0.701</td>
</tr>
<tr>
<td>Organisational Effectiveness</td>
<td>1</td>
<td>0.513</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>1</td>
<td>0.438</td>
</tr>
<tr>
<td>Job Level</td>
<td>1</td>
<td>0.81</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>1</td>
<td>0.764</td>
</tr>
</tbody>
</table>

Stemming from the results of the Bartlett’s Test of Sphericity, the factor analysis was performed to determine the variables’ inter-correlation. Factor analysis is a statistical method of reducing a larger number of variables into a smaller number of factors by examining patterns of inter-correlation among the variables (Franzen, 2018). It is an attempt to find the simple structure of the data.

The component extraction with Varimax rotation produced the communalities displayed in Table 4.9 below. Communalities can be interpreted as the variances of the "observed parts" of the observed variables (Schönemann, 1981). Higher communalities are desirable and the cut-off point is p > 0.5. In the case of the communalities in Table 4.9 below, almost all of the variables are above the cut-off point.

*Reliability Statistic*

To calculate the research instruments reliability, the Cronbach’s Alpha measure was used. Cronbach’s Alpha provides a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1 (Tavakol & Dennick, 2011). Cronbach’s Alpha is useful in calculating how well a set of items measure a single, one-dimensional latent.

Cronbach’s Alpha is a measure of internal consistency and the coefficient tells us whether the items are measuring the same thing and that there is a relationship to one another (Mitchell, 1996). According to Fujun, et al. (2007) the Cronbach’s Alpha is acceptable at a cut-off point of 0.70; in this study, all 67 items were deemed internally consistent and acceptable because the Cronbach’s Alpha for the instrument was at 0.92 and higher at 0.70.
Conclusions

Perceptions of P-O Fit, which is a prominent dimension of P-E Fit as it appear particularly important. This is also reflected on the literature that P-O Fit and P-E Fit affect both employees’ intentions to quit the organisation and the degree to which they engage in extra role behaviours (Kristof et al., 2005). Research data pointed to the existence of a relationship between P-E Fit and OCB. Moreover, it proves that P-E Fit improves the likelihood of employees exhibiting OCB’s. The media company could consider working with their Human Resources department to interview staff and find if they fit into their work environment and how this fit can be improved. Therefore, as the congruence between individuals and their employer organisations increases, they become more satisfied, committed and productive and are likely to choose to remain in that organisation. On the other hand, when employees do not “fit” into their organisation, they may experience feelings of incompetence, frustration and stress. It is therefore important that organisations take cognisance of the importance of employees’ fitting into their work environment. This study has analysed various aspects of P-E Fit, but there may be other variables that can better explain organisational citizenship behaviour. Many scholars have argued that individuals’ OCB should be studied within the context of higher-level systems, such as teams or organisations (Organ & Ryan, 1995; Schnake & Dumler, 2003). These studies suggest that when members within a unit perform high levels of OCB, they benefit the unit as a whole by increasing its overall performance (Li & Thatcher, 2015).

The revealed results also suggested a strong correlation between person-environment fit and organisational citizenship behaviour. The study raises important perceptions for management not only in the media sector, but across all industrial sectors.

Research Limitation and Future Research Suggestions

With limited number of participants (which were acceptable), the research yielded results that open several avenues for future research. Perhaps with more participants the results may differ since this study did not include any non-permanent staff, contractors nor other stakeholders who were not part of the core permanent staff complement. A number of employees did not participate in the study due to fears of being victimised for their opinions, despite repeated reassurances by the researcher and a detailed information sheet. It would be interesting to carry out a similar study among employees of a different media company or organisation in a non-media sector, and see if the same results apply. It would also be fascinating to study other human resource management praxis, and other possible mediating variables to observe their influence on the organisational citizenship behaviours of employees. The survey was a cross-sectional study, so it was merely a snapshot at a point in time, and the quality of the results may not be as good as those from a longitudinal study.

References


TRACK 7
Sustainability, Business Ethics, Law and Social Responsibility
RESIDENTS’ PERCEPTION OF ECONOMIC, SOCIO-CULTURAL, AND ENVIRONMENTAL IMPACTS OF FESTIVAL ON LOCAL RESIDENTS’ SATISFACTION: A FOCUS ON THE ZANZIBAR INTERNATIONAL FILM FESTIVAL (ZIFF)

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Festivals have been noted to have different effects on the perceptions and satisfaction of local residents where the festival is staged. The purpose of the study reported in this paper aimed at testing the influence of economic, social, cultural, and environmental perceived impacts of Zanzibar International Film Festival and the consequential local resident satisfaction with the festival. Using structured questionnaire conveniently distributed to local Zanzibarians, 299 dully filled questionnaires were used in testing the hypotheses using structural equation modelling through Smart PLS 3.0. The findings reveal local perceptions related to economic, cultural, and environmental and pride impacts of the festival to have positive significant effects on the level of local residents satisfaction with the festival compared to image, entertainment, and social impacts. The study findings uphold the utility of Social Exchange Theory in explaining local residents’ perception of festival. The results add on the festival literature by affirming the multidimensional nature of the social consequences of festival.

Managerially, the results shed light on the possible factors to be acted upon by festival promoters from both public and private sectors in enhancing positive perceptions held by local residents as well as improving festivals in the area or similar contexts.

Keywords: Festival, Locals, Sustainability, Impacts, Zanzibar.

Introduction

Cultural events particularly festivals have existed since time immemorial. Some new festival events are being initiated while some more are succumbing to natural deaths in the scope of time. The continuity of festivals significantly depends on the perceptions of the local residents regarding the festival (Lawton & Weaver, 2015) who can be considered to be the rightful owner of the festival. It has been shown that positive perception of the festival by the local residents enhances their support to the festival and thus increasing the chances of continuity of the festival (Song, Xing & Chathoth, 2015). Thus it is important for festival and the underlying factors in order to design strategies to improve those perceptions to ensure the sustainability of the festival. Festivals do greatly help in tourism diversification drive of many countries. It is invariably argued that festivals have been used since the dawn of time, to mark important events in people’s lives, such as the changing of the seasons, the phases of the moon and the renewal of life each spring (Allen et al. 2000). Festivals are important for they help grow the regional and local economies, promote the specific destination, to contribute to the livelihood of the artists and the local community, displaying different forms of art and to create specific images of the destinations (Van Niekerk, 2016).
While studies on festivals are increasingly gaining popularity in developed countries (Han, Wang, Zheng & Zhang, 2017; Li & Wan, 2016; Song, Xing & Chatoth, 2015; Yolal, Rus, Cosma & Gursoy, 2015), there are very scanty researches that have been undertaken in developing countries and Tanzania in particular regarding impacts of these festivals on communities. Using mainly the Social Exchange Theory (SET), researchers have segregated the perceived impacts of festival into positive and negative in general (Li & Wan, 2016; Pappas, 2014; Song et al., 2015) while others have further grouped them into socio-cultural, economic, and environmental perceived impacts (Pasanen, Taskinen & Mikkonen, 2009) to reflect the triple bottom line conceptualization of sustainability. Yet others have further sub-divided the three main dimensions particularly the social and cultural into entertainment (Chen, 2011; Small, 2007), community attachment (Gursoy & Kendall, 2006) and other sub-dimensions which lead into inconsistencies in the results. Such diverse conceptualization of the perceived impacts of festival might be one of the reasons for the differences in the findings with some indicating positive perceived impacts to have a much stronger effects on local residents overall satisfaction with events (Li & Wan, 2016; Song et al., 2015) while others noting otherwise (Pappas, 2014). Using the triple bottom line approach, studies indicate different impacts of the three factors on local residents’ satisfaction (Hede, 2008); given the multidimensional nature of perceived impacts of tourism and festival included that cannot be simply grouped into positive and negative perceived impacts as well as even the triple bottom line dimension deserving further dimensionalization, this study add local pride (Oshimi et al., 2016), entertainment (Chen, 2011; Park et al., 2015), and image dimensions (Oshimi et al., 2016; Yolal et al., 2016) on top of the triple bottom line factors in testing the impacts of these dimensions on the local residents satisfaction of a festival in Zanzibar, particularly the Zanzibar International Film Festival (ZIFF).

Literature review

Theoretical perspectives
Numerous theoretical lenses have been employed to understand and explain residents' perception and satisfaction with tourism in general and festival inclusive. The dominant theory has been the Social Exchange Theory (SET) which posits that individuals or group of individuals will engage in an exchange if they perceive the exchange processes and outcomes to have more benefits that costs (Easterling, 2004). Despite being informative, the theory focuses on actual exchanges and not the perceived consequences of the exchanges that can be typified by local residents' satisfaction within the context of tourism and festival. As the SET is applicable in any relationship or exchange, it is more of a generic grand theory (Jani, 2018) which compares the benefits and the cost to explain satisfaction in the explained relationship. In using the TBL dimensions to explain residents' satisfaction with festival, it seems inappropriate to use only the SET which necessitates the consideration the bifurcated positive and negative perceived impacts of festival rather than specifically dimensionalizing the perceived effects. Thus it is necessary to incorporate other specific theories reflecting the specific factor being studied or the context (Andriotis & Vaughan, 2003). For instance, the Social Representation (SR) theory has been used to explain residents' perception of tourism (Andriotis & Vaughan, 2003); social representation captures how the social reality is represented by social artifacts and events (Moscovici, 1984). Pulling the tenant of SR theory into festival, festivals which are cultural celebration are part of social artifacts, and if they relates and reflects the social reality of the residents of the place where the festival is staged, then the residents are more likely to be satisfied with the festival. The use of SET in a broader sense with the TBL dimensions of sustainability, the SR theory specifically in this study captures the social and cultural dimensions. Therefore, SET in this study is used in its broadness with the commonly dimensions of sustainability including economic, social, cultural and environmental being easily integrated in explaining exchanges occurring within festival settings while SR is used to explain specifically the social and cultural dimensions of festival sustainability.
Hypotheses development

Some of the reasons in hosting a festival in a particular locality include economic gains and social-cultural benefits. The economic gains that can be derived from staging a festival include employment benefits to the locals, opportunities to sell locally made products and services and general economic boost to the locality. Among the triple bottom line of sustainability, the economic perceived economic impacts of festival is arguably the main factor on local satisfaction with the festival particularly in low level economic development areas. For a place like Zanzibar Island falling under the less developed country category, the impact of perceived economic impacts of festival is more likely to be pronounced as the locals are likely to perceive festival to be an economic opportunity to raise their income and living standard in general.

Traditionally, festivals have been staged for their social and cultural benefits (Small, 2007) including cultural celebrations that offered the locals an opportunity to enjoy and be entertained. Moreover, festivals have been seen as a vehicle in preserving culture by periodically showcasing the traditions which might relate with the sense of pride by the locals emanating from the event (Pasanen et al., 2009). When the social-cultural benefits are perceived to be realized by the locals, it can be hypothesized that such effects to have a positive impact on the local satisfaction with the festival; while for the case of unrealized benefits (e.g. loss of traditions and destabilization of social set up) following the SET perspectives, then the locals are likely to be dissatisfied with the festival.

As festival like general events are periodic in nature drawing huge number of attendees in a particular place to consume the festival ambience and related products, such consumption might have negative environmental impacts typified by different aspects of pollution (Han, Wang, Zheng & Zhang, 2017) like littering, noise pollution and degradation of infrastructures including cultural heritage artifacts used in the festival. If the negative environmental effects of staging a festival exceed a certain perceived levels, the local residents are likely to harbor negative perception of the festival as well as being dissatisfied with the festival.

Despite the fact that the Triple Bottom Line dimensions of sustainability attaining legitimacy as well as becoming mainstream dimensions in events including festival studies (Andersson et al., 2016), their effects on residents' satisfaction and support for events have shown mixed results. For instance, some studies show perceived economic impacts of an event to have a much stronger effects on residents support of an event (Malfas, Theodaraki & Houlihan, 2004) while others have clearly shown the perceived social effects of events to have a significant greater effects on residents' support of an event (Gursoy et al., 2011; Prayag et al., 2013). Unlike events which are much broader and staged primarily for their economic impacts on the destination compared to festivals from definition are more of cultural celebration (Getz, 2007), then it can be assumed the locals will value more of the social and cultural perceived impacts of festival and thus having a much stronger effects on their overall satisfaction with the festival compared to the perceived economic impacts.

From the arguments above and in line with the SET and ET perspectives, the following were hypothesized and tested in this study:

H1: Perceived economic impacts of a festival have a significant impact on the levels of local residents’ satisfaction with festival
H2: Perceived social impacts of a festival have a significant impact on the levels of local residents’ satisfaction with festival
H3: Perceived cultural impacts of a festival have a significant impact on the levels of local residents’ satisfaction with festival.
H4: Perceived environmental consequences of a festival have a significant impact on the levels of local residents’ satisfaction with festival.
H5: Perceived entertainment value of a festival have a significant impact on the levels of local residents' satisfaction with festival.
H6: Perceived image value of a festival have a significant impact on the levels of local residents' satisfaction with festival.

H7: Perceived local pride derived from of a festival have a significant impact on the levels of local residents' satisfaction with festival.

Methods
Overview and background of the Zanzibar International Film Festival

Founded in 1998, ZIFF, a nine-day annual event, is considered one of the largest multi-disciplinary art and cultural festivals in Africa. In addition to promoting and showcasing the culture of the dhow countries, the festival is dedicated to the exhibition of films, music, dance, panorama, and arts. Each year ZIFF exhibits more than 150 films made in almost all continents of the world. With a combo of various activities spread throughout the nine days in several venues and locations in Stone Town Zanzibar, ZIFF is primed to be a local festival with international appeal that provides film screenings, exhibitions, workshops and cultural tours offering a meeting and networking space for young and upcoming filmmakers to interact with experienced and renowned film and media professionals from across the globe. In the words of one of the key stakeholders of ZIFF, Mr. F. Bulbulia, the event acts as, “a hub of cultural exchange for the betterment of filmmaking everywhere.”

In generating data, the study used questionnaires which were administered to respondents. The questionnaire had two sections. The first section captured demographic variables like age, gender, marital status, highest level of education, and annual income. Other items captured were profession, travelling partners, ZIFF attendance experience, expected nights to be spent in Zanzibar and motives for attending the festival. The second section had fourteen (14) Likert scaled items capturing the perception of the respondents with respect to economic, environmental, socio-cultural impacts of the festival and their community satisfaction.

Data collection procedures

Local Zanzibarians residing and doing their daily activities near the staged area of the Zanzibar International Film Festival (Stone Town) were considered to be the working population due to their proximity and interaction with the festival giving them enough knowledge to evaluate the festival. Convenient sampling was used to distribute 350 questionnaires to potential respondents in the vicinity of the festival which yielded 299 dully filled questionnaires that were used for hypotheses testing. Of all the respondents 61.8% were males and 45.5% of the respondents were married; the mean age of the respondents was 28.48 years. Educational-wise the sample had 38.7% respondents who had attained secondary level education or less while 21.6% had high school certificates, 19.9% had college diploma and 19.9% had attained degree levels.

Survey measurement and data analysis

A self-administered structured questionnaire with 2 sections (demographics and study constructs) was used as data collection instrument. The questionnaire items for economic, social-cultural, environmental, entertainment, pride were adapted from the literature (Bagiran & Kurgun, 2016; Han et al., 2017; Scholtz et al., 2018; Small, 2007) in order to ensure reliability and validity of the data. The English version of the questionnaire was professionally translated into Swahili, the local and national language in Tanzania and then back translated into English to cross-check consistency in meaning.

In testing the hypothesized relationships, the data were analyzed using partial least squares modeling using Smart PLS3.0 software. The PLS approach was used due to several reasons including the aim being prediction (Hair et al., 2017) of local residents satisfaction rather than confirming a model. A two stage approach (Anderson & Gerbing, 1988) was used to test the measurement and structural model. The PLS algorithm procedure was used to assess the measurement model by appraising the outer loadings, reliability, Average Variance Extracted (AVE) for reliability and validity checks. Thereafter, the bootstrapping technique with 5000 sampling was used for the structural model to test the hypotheses.
Results

Measurement model

The internal consistency of the items for each construct was appraised using composite reliability and Cronbach’s alpha while the indicator reliability was tested using the indicator loadings (Hair, Ringle & Sarstedt, 2011). The results (Table 2) indicates threshold for composite reliability, Cronbach’s alpha and factor loadings of .70, .60, and .70 respectively to have been crossed indicating acceptable reliability. For convergent validity, Average Variance Extracted (AVE) was used with results indicating all to be above the cutoff point of .50. The mean for the respective items for the constructs are also shown in Table 2 with all the means being above the scale average of 3.

Table 2. Measurement model assessment

<table>
<thead>
<tr>
<th>Latent variable</th>
<th>Indicator</th>
<th>Mean[SD]</th>
<th>Factor loading</th>
<th>Cronbach’s $\alpha$</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>r18</td>
<td>3.492</td>
<td>0.860</td>
<td>0.726</td>
<td>0.878</td>
<td>0.783</td>
</tr>
<tr>
<td></td>
<td>r19</td>
<td>3.264</td>
<td>0.910</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>r13</td>
<td>3.789</td>
<td>0.799</td>
<td>0.641</td>
<td>0.807</td>
<td>0.584</td>
</tr>
<tr>
<td></td>
<td>r14</td>
<td>3.472</td>
<td>0.803</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>r12</td>
<td>2.830</td>
<td>0.684</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image</td>
<td>s16</td>
<td>4.380</td>
<td>0.907</td>
<td>0.727</td>
<td>0.879</td>
<td>0.784</td>
</tr>
<tr>
<td></td>
<td>s17</td>
<td>4.423</td>
<td>0.864</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pride</td>
<td>s4</td>
<td>3.672</td>
<td>0.817</td>
<td>0.738</td>
<td>0.851</td>
<td>0.656</td>
</tr>
<tr>
<td></td>
<td>s5</td>
<td>4.184</td>
<td>0.817</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>s6</td>
<td>4.165</td>
<td>0.795</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural</td>
<td>S1</td>
<td>3.936</td>
<td>0.903</td>
<td>0.793</td>
<td>0.906</td>
<td>0.828</td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td>3.963</td>
<td>0.917</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>s22</td>
<td>3.532</td>
<td>0.783</td>
<td>0.561</td>
<td>0.765</td>
<td>0.521</td>
</tr>
<tr>
<td></td>
<td>s23</td>
<td>3.869</td>
<td>0.647</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>s24</td>
<td>3.480</td>
<td>0.729</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td>s7</td>
<td>3.953</td>
<td>0.766</td>
<td>0.618</td>
<td>0.832</td>
<td>0.714</td>
</tr>
<tr>
<td></td>
<td>s9</td>
<td>3.428</td>
<td>0.917</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The discriminant validity which indicate the extent to which the measure are capturing the construct intended rather than other construct was measured using the Fornell-Lacker criterion (Hair et al., 2011). The criterion compares the AVE of each construct with the construct’s squared correlation with other constructs; with higher AVE’s than the squared correlations indicating higher discriminant validity. Table 3 indicates all the AVE to be well above the squared correlation indicating higher discriminant validity. An alternative measurement of discriminant validity is the comparison of indicator's loadings with loadings with other constructs with the former required to be higher than the latter. Table 4 indicates indicator's loading to be higher than all its cross loadings which further attest the higher discriminant validity.

Table 3. Discriminant validity of constructs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Image</th>
<th>Satisfaction</th>
<th>Cult.</th>
<th>Econ.</th>
<th>Entertain.</th>
<th>Environ.</th>
<th>Pride</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image</td>
<td>0.886</td>
<td>0.280</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.310</td>
<td>0.491</td>
<td>0.910</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural</td>
<td>0.306</td>
<td>0.444</td>
<td>0.380</td>
<td>0.722</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>0.373</td>
<td>0.495</td>
<td>0.586</td>
<td>0.425</td>
<td>0.845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td>0.161</td>
<td>0.294</td>
<td>0.243</td>
<td>0.136</td>
<td>0.173</td>
<td>0.885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>0.444</td>
<td>0.551</td>
<td>0.610</td>
<td>0.382</td>
<td>0.675</td>
<td>0.260</td>
<td>0.810</td>
<td></td>
</tr>
<tr>
<td>Pride</td>
<td>0.212</td>
<td>0.207</td>
<td>0.183</td>
<td>0.080</td>
<td>0.141</td>
<td>0.575</td>
<td>0.243</td>
<td>0.764</td>
</tr>
</tbody>
</table>

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The results indicate the predictors to contribute up to 41.3% of the variations in local residents’ satisfaction with the festival; as per Hair et al., (2011) criteria the contribution is approaching moderate one. Furthermore, the obtained Q2 of .342 which is above 0 indicates the predictors to be relevant in explaining local residents’ satisfaction with the festival. Table 5 indicates the path coefficients and their respective P-values. Basing on the path coefficients, pride, economic, cultural, and environmental impacts of the festival in the respective order have significant impact on the local residents’ satisfaction with the festival. Overall, 4 out of 7 hypotheses were supported.

Table 5. Summary of structural model

<table>
<thead>
<tr>
<th>Hypotheses paths</th>
<th>Path coefficients</th>
<th>t-values</th>
<th>P-values</th>
<th>F2</th>
<th>Hypothesis status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image -&gt; Sat</td>
<td>-0.019</td>
<td>0.352</td>
<td>0.725</td>
<td>.000</td>
<td>NS</td>
</tr>
<tr>
<td>cultural -&gt; Sat.</td>
<td>0.146</td>
<td>2.136</td>
<td>0.023</td>
<td>.020</td>
<td>S</td>
</tr>
<tr>
<td>economics -&gt; Sat.</td>
<td>0.223</td>
<td>3.684</td>
<td>0.000</td>
<td>.065</td>
<td>S</td>
</tr>
<tr>
<td>entertainment -&gt; Sat.</td>
<td>0.114</td>
<td>1.602</td>
<td>0.110</td>
<td>.011</td>
<td>NS</td>
</tr>
<tr>
<td>Environmental -&gt; Sat.</td>
<td>0.135</td>
<td>2.115</td>
<td>0.035</td>
<td>.020</td>
<td>S</td>
</tr>
<tr>
<td>Pride -&gt; Sat.</td>
<td>0.270</td>
<td>5.410</td>
<td>0.001</td>
<td>.054</td>
<td>S</td>
</tr>
<tr>
<td>Social -&gt; Sat.</td>
<td>0.010</td>
<td>0.184</td>
<td>0.854</td>
<td>.020</td>
<td>NS</td>
</tr>
</tbody>
</table>

NS: not supported; S: supported

Conclusions and implications

The study aimed at testing the influence of social, cultural, economic, environmental, local pride, entertainment, and image perceived impacts on local residents’ satisfaction with a festival using Zanzibar International Film Festival (ZIFF) as the study context. The results indicate local pride, economic, cultural, and environmental perceived impacts to have positive significant impacts on local residents' satisfaction with the festival. Conceptually, the study contributes by adding local pride as a separate dimension to be considered in local residents' perception on top of the common triple bottom line dimensions of economic, cultural, and social. Overall, the
results offers support to SET as the locals could weigh both positive and negative elements of the festival and indicate their respective perception and overall satisfaction with the festival. However, the different relative importance of those factors having significant effect on residents' satisfaction and others (image, entertainment, and social) not having significant effects on residents' satisfaction supports the use of SET in its broadest sense and the integration of other specific theories like SR. From the fact that pride had much stronger effect on residents' satisfaction with festival impacts as well as the mean items being well above the scale averages implies the SR theory to be much applicable for the ZIFF festival. This indicates the local residents to consider the festival to be part of their daily life representation and the festival being a platform to showcase their culture.

Specifically on the practical implications of the study, festival managers and the government need to ensure the locals are satisfied with the festival by improving the specific factors. For instance, the strong effects of local pride on local satisfaction with the festival implies that festival organizers including marketers can have greater leverage by ensuring traditional artifacts and cultural elements are showcased during the festival as well as communicated during the promotion. The significant positive effects of economic contribution to the local economy implies that the locals can be further satisfied with the festival if the organizers try to increase the use of locally made products during the festival.

Although the study sheds light on the factors influencing local residents' satisfaction with festivals, some limitations need to be acknowledging for future studies to consider. The use of one type of festival (i.e. Film Festival) in one locality (Zanzibar) implies the results cannot be applied in different context like developed countries where the economic conditions of the locals are better off compared to the African context which might lead into differential effect of economic on satisfaction as well as other dimensions like entertainment.

References


### Appendix: Questionnaire items

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>ZIFF leads into environmental pollution (R)</td>
</tr>
<tr>
<td></td>
<td>ZIFF leads into noise pollution (R)</td>
</tr>
<tr>
<td>Social</td>
<td>ZIFF leads into disruption of Zanzibarian social life (R)</td>
</tr>
<tr>
<td></td>
<td>ZIFF leads into burden on social amenities like road and water (R)</td>
</tr>
<tr>
<td></td>
<td>During the festival, prostitution in Zanzibar increases (R)</td>
</tr>
<tr>
<td>Image</td>
<td>ZIFF enhance good image of Zanzibar as a tourist destination</td>
</tr>
<tr>
<td></td>
<td>ZIFF assist in making Zanzibar known to tourists</td>
</tr>
<tr>
<td>Pride</td>
<td>ZIFF assist in creating unity among Zanzibarians</td>
</tr>
<tr>
<td></td>
<td>I feel proud that Zanzibar is the host of the festival</td>
</tr>
<tr>
<td></td>
<td>The festival improves the local and tourist relations</td>
</tr>
<tr>
<td>Cultural</td>
<td>The festival helps in preserving Swahili culture in Zanzibar</td>
</tr>
<tr>
<td></td>
<td>The festival gives opportunities for locals to showcase their culture</td>
</tr>
<tr>
<td>Economic</td>
<td>Local Zanzibarians have economically benefited from the festival</td>
</tr>
<tr>
<td></td>
<td>The festival attracts tourists during low season</td>
</tr>
<tr>
<td></td>
<td>Local products made in Zanzibar are used during the preparation of the festival</td>
</tr>
<tr>
<td>Entertainment</td>
<td>The festival avails opportunities for locals to be entertained</td>
</tr>
<tr>
<td></td>
<td>ZIFF makes the life of Zanzibarians to be joyful</td>
</tr>
</tbody>
</table>

*R: Reverse code*
TRACK 8
Marketing and Consumer Behaviour
The study sought to understand how service recovery efforts influence passenger loyalty in the airline industry using the case of Rwanda Air. This study was motivated by the fact that service failure and service recovery have attracted considerable attention in the airline industry. The study was premised on the objective to establish whether the service recovery efforts by the airlines influence passenger loyalty. Using a closed ended- on line administered questionnaire, the respondents were asked to rate the different constructs of service recovery identified through literature review. These respondents were only corporate passengers got from the Rwanda air offices in Kampala and Kigali. The questionnaires were then downloaded and entered into SPSS for Analysis. The relationship between Service Recovery and passenger Loyalty were analysed based on four items as independent variables (Reliability, Responsiveness, assurance and Empathy). Results show that there is a statistical significant positive relationship between service recovery and passenger loyalty, F (4, 86) = 2.461, p < 0.05. R Square .061, this implies that 6.1% of variation in passenger Loyalty was explained by the independent variables included in the model.

Key words: Service recovery, passenger loyalty, airline industry.

INTRODUCTION

In recent years, the subjects of service failure and service recovery have attracted considerable research attention during the past decade and there is a growing body of evidence, which indicates that effective service recovery can have a positive impact on both organizations and passengers. Services are heavily people-based, requiring various interactions with the passengers and the coordination of different service providers. Equally so, since production and consumption are taking place at the same time, little or no possibility of supervision exists before the service delivery. Due to those unique characteristics of services, service firms would not be able to eliminate errors. According to Swanson (2001), service failure can be defined as a variety of errors that happen during the service operation. Service failure in the airline industry can be the unavailability of the service person, long waiting time, loss of luggage, delayed
departure, rescheduling of the flight and so on. After the service failure, the service provider should do service recovery in order to avoid the negative impacts of service failure on the passengers. According to Gronroos (1988), service recovery is a process in which the service provider offers additional services for addressing consumer’s complaints that had resulted from service failure.

Service failure from a passenger’s perspective refers to a real or perceived service related problem, or where something has gone wrong in dealing with an organization (Palmer, 2001). The passenger’s expectations of the service encounter are therefore not met by the organization (Chan & Wan, 2008), and the passenger could even perceive a loss as a result of the failure (Patterson, Cowley, & Prasongsukarn, 2006). Mattila and Cranage (2005) suggest that although passengers and organizations increasingly seek a flawless delivery of core and supplementary services, this is virtually impossible in a service setting due to human involvement in service production and consumption. In addition, the inseparable and intangible nature of services also gives rise to service failures (Palmer, Beggs, & Keown-McMullan, 2000, p. 513).

A service failure not only impacts negatively on passengers’ confidence in an organization (Cranage, 2004, p. 210), but it could also result in their defecting from the organization. There are various consequences of service failures, namely: dissatisfaction, a decline in passenger confidence, negative Word of Mouth behaviour, and passenger defection (Miller, Craighead, & Karwan, 2000; Tronvoll, 2010), loss of revenue and increased costs, or a decrease in employee morale and performance. Organizations should therefore identify the probable failure points as well as methods aimed at preventing failures from reoccurring (Cranage, 2004, p. 211). Although it is highly unlikely that organizations can eliminate service failures, they can learn to deal with these failures effectively (through service recovery) in an attempt to maintain and even enhance passenger satisfaction (Bamford & Xystouri, 2005, p. 307; Maxham, 2001, p. 11; Miller, Craighead, & Karwan, 2000, p. 387).

Service recovery is a process in which the Service providers offer additional services for addressing consumer’s complaints that have been resulted from service failure. Service recovery has to do with “those actions designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers” (Miller, Craighead, & Karwan, 2000, p. 38). Swanson (2001) also considers service recovery as those actions instituted by the service provider to ensure that loyalty of passengers is retained through rapid intervention into passenger complaints.

According to Miller, Craighead, and Karwan (2000) in (Michel & Meuter, 2008), service recovery and complaint management both address service encounter failures, the difference between them is that complaint management is based on the firm’s ability to react to a complaint when a mistake has been made, whereas service recovery on top of this also includes the company’s ability to react on a mistake and please the passenger before the passenger finds it necessary to complaint. Most passengers are reluctant to complaint. Therefore, it is important with proactive service recovery efforts to minimize negative outcomes such as loss of passengers when a mistake has been made (Michel & Meuter, 2008).

**Research Objective**

To establish whether the service recovery efforts by the airlines influence passenger loyalty.

**Research Hypothesis**

The study was based on the null hypothesis;

H⁰: There is no statistical significant relationship between service recovery and passenger loyalty

**Review of Related Literature**

Service failures can be defined as the real or perceived breakdown of the service in terms of either outcome or process (Duffy, Miller, & Bexley, 2006). Service recovery involves the
actions a service provider takes in response to a service failure (Grönroos, 1990). These actions are designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers (Miller, Craighead, & Karwan, 2000). Satisfaction with the recovery effort is defined as an individual’s subjectively derived evaluation of the service recovery experience (Duffy, Miller, & Bexley, 2006).

**Service Recovery Efforts and its Influence on Passenger Loyalty**

Service recovery involves the actions a service provider takes in response to a service failure. These actions are designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers. Management should support service recovery in the organization, since poor or ineffective service recovery implies that the passenger is let down for a second time. This could result in passengers spreading negative word-of-mouth communication, defecting from the organization for a competitor (Lewis & McCann, 2004), or rating organizations lower than they would have immediately after experiencing the failure (Maxham, 2001). Despite the possible consequences of a service failure, the outcome does not necessarily have to be negative. Research suggests that an effective service recovery could result in a win–win situation for the passenger and the organization. Miller et al. (2000, p. 387) explain that well-executed service recovery could enhance passenger satisfaction and loyalty; may have a direct influence on whether dissatisfied passengers remain with or defect from an organization. Service recovery could therefore possibly be seen as equal to, if not more important than, initially providing good service.

Literature suggests a number of strategies that organizations can implement to achieve successful service recovery, including: recovering the service failure immediately or offering passengers alternative options that will meet their requirements; communicating with passengers who are experiencing service failures (including providing feedback and offering an explanation for the reasons for the service failure); and ensuring that service recovery personnel are professional in their actions (La & Kandampully, 2004, p. 394; Boshoff & Staude, 2003, p. 11). Organizations should also provide an apology for the service failure and consider presenting passengers with some form of tangible compensation, for example, offering discounts or vouchers (Boshoff & Leong, 1998, pp. 40-42; Mattila & Cranage, 2005, p. 276; Smith, Bolton, & Wagner, 1999, p. 356). Since the success of the service recovery will largely rest on the actions, decision-making skills and judgement of employees, (Magnini, Ford, Markowski, & Honeycutt, 2007, p. 221; La & Kandampully, 2004, p. 392; Boshoff & Leong, 1998, p. 40) recommend that employees must be trained and empowered to deal with the service failure effectively. Magnini and Ford (2004, p. 281) suggest that service recovery training should include the following: assuring passengers who have experienced a service failure; managing employees’ emotional response to these passengers; employee empowerment; and paying attention to how employee satisfaction can be enhanced through effective service recovery.

Service recovery is especially relevant in the airline industry, as airlines will, by effectively recovering from service failures, minimize passenger defections and strengthen relationships with their passengers (Christopher, Payne, & Ballantyne, 2002, p. 60).

**Methodology**

The researchers used a closed-ended, mail administered questionnaire that was anchored on a five-point scale to collect Primary data. This questionnaire considered the attributes of a service as developed by (Parasuraman, Zeithaml, & Berry, 1988). The questionnaire was emailed to 115 corporate passengers of Rwanda air in both Uganda and Rwanda who were considered to be the study population. These corporate passengers were obtained from the list of corporate passengers from Rwanda air offices in Kampala. From the 115 questionnaires sent, only 94 responded which is 82% that was considered to be sufficient enough to generalise the results.

The questionnaire assessed what constitutes service recovery efforts and how these efforts influence passenger loyalty. Respondents were asked to rate the level of agreement using a 5
point Likert scale as regards the service recovery efforts by Rwanda air and whether they
decision to remain with the airline company is due to the service recovery efforts. Data was first
coded so as to make it easy in analysis and presentation. Data was analysed using SPSS version
20 and through regression analysis, the results are presented in tables as shown in the subsequent
section. Analysis was done in different phases but presented according to the objective of the
study.

Analysis, presentation and Interpretation of Results

In order to present an empirical result, both the descriptive and inferential statistics were used
to provide in-depth and clear conclusive illustration. In effect, the study made use of cross
placement, Correlation and Linear Regression analysis for convenience.

4.3.1 Cross tabulation Analysis

In order to perform a cross tabulation, Total score on all items on Service recovery were
categorized into two levels, based on passenger level of satisfaction (Low level of satisfaction
and High level of satisfaction as an independent variable), while Passenger loyalty was also
categorized into two (Passenger being less loyal and passenger being More Loyal as the
dependent variable). The two variables were thus cross tabulated and the result presented in
Table 1 below.

<table>
<thead>
<tr>
<th>Categorization of Passenger Level of Satisfaction * Categorization of passenger Level of loyalty Cross tabulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Low Level of satisfaction</td>
</tr>
<tr>
<td>Categorization of Passenger Level of satisfaction</td>
</tr>
<tr>
<td>% within</td>
</tr>
<tr>
<td>Categorization of Passenger Level of satisfaction</td>
</tr>
<tr>
<td>% within</td>
</tr>
<tr>
<td>Categorization of passenger Level of loyalty</td>
</tr>
<tr>
<td>% of Total</td>
</tr>
<tr>
<td>Categorization of passenger Level of loyalty</td>
</tr>
<tr>
<td>% of Total</td>
</tr>
</tbody>
</table>
From the cross tabulation Table 1 above, the study revealed that 16(69.9%) of respondents were less loyal to Rwanda Air due to their low level of satisfaction with services, while only 7(30%) of the respondent indicated that the more loyal in spite of being less satisfied with the services. This possibly implies that their level of loyalty is not dependent on the services provided by Rwanda Air.

Similarly, out of 68 respondents, 38(56%) indicated that they were more loyal to Rwanda Air due to a high level of satisfaction with their services, and only 30(44%) indicated that in spite of their high level of satisfaction with services of Rwanda air, they were still less loyal.

Major finding: The study revealed that, true, the level of passenger satisfaction is a very crucial factor in passenger loyalty to the company; however, there are still cases where passenger’s level of satisfaction may not explain his or her level of Loyalty to the Company.

Studies have showed that passenger’s perceived level of loyalty is always very much dependent on his/her level of satisfaction with the quality of services provides. This indeed has explained why many companies have attracted or pulled many passengers from other service providers. In some cases, though, it’s not uncommon to find a passenger whose level of loyalty is totally not hinged on the quality of services provided by the company, but rather for a different reason.

This finding however, seems to be in disagreement with a related study, whereas this finding revealed that passenger loyalty to a company is multifaceted, (Morrison, 2002) “Breaking the barrier to passenger loyalty in the service sector” revealed that, the Quality of services that a competitor provides will always have a profound impact on the level of passenger loyalty other than anything else. In essence, this explains why every competitor strives to offer the best in the market, its thus not surprising to find, a competitor with the best service pulling off a large number of passenger in thus increasing their market share.

However, Morrison (2002) “Managing passenger loyalty in a competitive landscape and fragile Market” seems to approve of the finding of this study, in their finding: “Understanding passenger Loyalty is a double edged undertaking, whereas the Quality of services have great milestone in this dream, in some cases, there are passengers who are indifferent, whose level of loyalty is underpinned by unique reasons. It’s therefore not surprising that the cross tabulation results in this study revealed similar result to (Morrison, 2002)

### 4.3.2 Linear Regression Analysis

The Relationship between Service Recovery and passenger Loyalty were analysed based on four items as independent variables (Reliability, Responsiveness, assurance and Empathy).

The Hypothesis to be tested was the Null Hypothesis;

\[ H_0: \beta = 0, \text{ There is no significant statistical relationship between service Recovery and Passenger Loyalty.} \]

**Table 2: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.320a</td>
<td>.103</td>
<td>.061</td>
<td>3.96180</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), (the level of; Reliability, Responsiveness, assurance and Empathy by Rwanda Air)

**Table 3: ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>154.514</td>
<td>4</td>
<td>38.629</td>
<td>2.461</td>
</tr>
<tr>
<td>Residual</td>
<td>1349.847</td>
<td>86</td>
<td>15.696</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
a. Dependent Variable: Passenger loyalty

b. Predictors: (Constant), (the level of; Reliability, Responsiveness, assurance and Empathy by Rwanda Air)

Table 4: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>10.891</td>
<td>2.892</td>
<td></td>
<td>3.766</td>
</tr>
<tr>
<td>Reliability of the services</td>
<td>.936</td>
<td>.593</td>
<td>.167</td>
<td>1.580</td>
</tr>
<tr>
<td>Empathy of the Airline staff</td>
<td>.855</td>
<td>.522</td>
<td>.195</td>
<td>1.639</td>
</tr>
<tr>
<td>Responsiveness or Receptiveness of the staff</td>
<td>-.130</td>
<td>.590</td>
<td>-.027</td>
<td>-.221</td>
</tr>
<tr>
<td>Assurance/ Guaranteed safety by the Airline</td>
<td>.476</td>
<td>.480</td>
<td>.112</td>
<td>1.992</td>
</tr>
</tbody>
</table>

From the Regression Result, the following observation can be reported:

From Table 2, \( R(0.320) \) indicates that there is a positive relationship between passenger loyalty and service recovery (reliability, responsiveness, assurance, and empathy). In addition, Adjusted \( R^2 \) 0.61, this implies that 6.1% of variation in passenger Loyalty was explained by the independent variables included in the model.

Of all the 4 independent variables included, only 1 was found to be insignificant (Responsiveness of the Airline staff, \( t < 2 \)), the remaining variables were found to be significant in explaining the change in passenger loyalty because, \( t \geq 2 \)

Note; for Linear Regression, for a variable to be significant, then, \( t \geq 2 \), (Refer to Table 4)

Based on the ANOVA, the model is found to be Significant at 5% degree of freedom (Refer to Table 3)

Therefore, based on the above findings, we fail to accept the Null Hypothesis and Fail to reject the alternative Hypothesis.

Conclusion: \( \beta \neq 0 \), there is a significant statistical Relationship between Service Recovery and Passenger Loyalty

References


APPLICATION OF STRATEGIC MARKETING ON TOURISM MANAGEMENT IN NIGERIA

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The work is on concepts of strategic thinking that are central to the efficient conduct of marketing-led organizations in travel and tourism. It stresses on the competitive future orientation of strategy in an era of globalization, constant change and the redrawing of traditional industry sector boundaries facilitated by information technology. Tourism growth is generally rapid although at varying degrees depending on the level of attention given, to the industry and technological advancement in the country.

Key Words: Strategic marketing, Tourism management.

Introduction

The rapid development in technology and sciences has brought about unprecedented transformation in modern transportation and communication hardware that has turned the world not just to a global village but to one neighbourhood (Benson-Eluwa and Kajang, Joshua 2016). Tourism has become an important and widely accepted and practiced human activity globally. Importantly, the contribution of tourism sub-sector to the socio-cultural, economic and political development of most countries in both developed and developing blocs of the world is no longer an issue in contention.

Tourism had a global output of US$ 4.2 trillion and employed about 192.2 million people making the subsector the largest employer in 2013 (Gilamnia & Mohammadi, 2015; Esu, 2015). Tourism subsector contributed directly to the Gross Domestic Product (GDP) of United States of America to the tone of USD 457.9 billion, China 263 billion and Germany 112.4 billion dollars in 2014 - (WTTC report in Punch, Tuesday, June, 7, 2016).

Tourism generated 53 million jobs in USA, 28.4 million jobs in Germany, 23.1 million jobs in China and 18.9 million jobs in the United Kingdom in 2014. The Punch also revealed that one hundred million (100m) Chinese tourists spent about one hundred and sixty four billion dollars ($164b) in 2014. In Africa, South Africa, grossed $35.00 billion; Morocco, $34.00 billion; Namibia, $33.80 billion; Kenya, $32.00 billion; Tunisia, $31.80 billion, while Nigeria trailed with a depressing $2.79 million earnings! Indeed, Nigeria ranks 131 out of 141 countries with tourism competitiveness index in 2015 (Wikipedia free encyclopedia, in Muyiwa, 2016).

Marketing strategy and tourism management relationship

Marketing relationship partners may include end-user customers, marketing channel members, suppliers, competitor alliances, and internal teams. The driving force underlying these relationships is that a company may enhance its ability to satisfy customers and cope with a rapidly changing business environment through the collaboration of the parties involved. Relationship strategies gained new importance in the 1990s as customers became ‘more demanding and competition became more intense. Building long-term relationships with customers and value-chain partners offers companies a way, to provide superior customer value. Although building collaborative relationships may not always be the best course of action, this avenue for gaining a competitive edge is increasing in popularity.
Treat the elements of the marketing mix in details and separately does not underscore the importance of their interdependence. One of the major problems involved in gaining a proper understanding of the nature of the marketing mix lies in its treatments in marketing literature. Authors tend to devote discrete each of the elements of the Four Ps, stressing initially on the product/service and then moving successively through price, promotion and place.

Based upon the sequence or starting point in a series of decision adopted in many organizations (country), the sequential treatment beginning with product, price, promotion and distribution can be justified, otherwise, it is important to recognize that decisions made with regard to one element of the marketing mix, inevitably affect other elements of the mix. Certainly product, promotion and place, all have cost implications to the consumer. The channel of distribution will affect both promotion and the product/service.

The interdependency that exists among the elements of the marketing mix and strategic marketing necessitate the need for these elements to be integrated in a harmonious manner to achieve the greatest possible attractiveness of the total mix to its target market segment. It would look ridiculous to advertize the Lexus car in Ikebe magazine. Such high-priced, high-class products such as Lexus or Rolls-Royce cars can only be purchased by particular members of the higher income bracket. Their promotion certainly has to be through reputable exclusive dealers. BMW cars are selectively marketed in Nigeria by COSCHARIS with their display office located in Victoria - Island. When the elements of the marketing mix are integrated, the chances for dissonance and confusion in messages disseminated to the target markets are drastically reduced. Services can also enjoy harmonious integrated elements of the marketing mix just like physical products. For instance, one of the long-distance luxury bus operators added many new modern buses to his fleet. The fares were reasonable and competitive. They were among the lowest on their route and the frequency of service was excellent. Information on all the bus services were readily available. One would expect everything to go accordingly as the ingredients in the service mix look harmoniously integrated.

Marketing mix can also be seen as a means to an end according to supra authors. In other words, the marketing mix elements are a set of variable inputs to a process which are transformed to generate desirable results.

Marketing mix, information input should be drawn from marketing research to influence marketing decisions. It is therefore expected that product/service features should reflect identified customer needs and wants; advertising should be pre-tested to ensure impact and retention of desire - arousing messages; products should be properly placed in prime locations; accompanied by cost effective point-of-purchase display materials. From this perspective, strategic management of tourism will benefit Nigeria immensely as Nigeria is a country abounds with abundant natural and man-made tourist’s products across the breadth and the length of the country. Nigeria’s abundant tourism assets ranging from natural, historical, cultural and artificial attractions offer priceless opportunities for huge investment in the sector and other supportive services and can stimulate the economy productively.

But Nigeria with over 250 ethnic cultural diversity and other fascinating tourist products is not mentioned among the first ten destinations in Africa in 2013 (Esu, 2015). Research reveals that Egypt is the most visited country in Africa, Kenya and Tanzania are the most visited countries in East Africa, and Gambia and Senegal as the most visited countries in West Africa. In 2013 Morocco, South Africa, Tunisia, Algeria, Mozambique, Zimbabwe, Kenya, Uganda, Swaziland and Tanzania are the top ten destinations in Africa. Morocco had 10 million international arrivals while the tenth Tanzania had 1 million international arrivals but Nigeria had 600 thousand international arrivals in 2013. Nigerian tourism poor performance is precarious (Esu, 2015).

Esu (2015) also, posits that poor product packaging, poor product quality, poor skilled and requisite labour in the sector, inadequate modern tourism infrastructure and facilities are the reasons for poor tourism performance in Nigeria. Most importantly and seriously is the...
unpredictable, dynamic and sophisticated business environment that is encouraging high consumer taste.

From the above assertions, tourism in Nigeria has been plunged with many internal and external marketing environmental forces that strategic marketing stands out as the panacea to address the industry. Thus, with the right marketing mix (product, price, place and promotion), strategic marketing has the propensity to re-position and reclaim the Nigerian tourism industry to be what it was known for in the previous years. Strategic marketing will introduce strategic approach to proper management of the tourism industry. Strategic marketing will introduce flexibility, adjustability and adaptability as well as predictable measures that will enable destination management organizations to meet up with challenges in the present tourism environment that characterized by many upheavals. Strategic marketing is a tool that is used to analyze environmental components, forces, competitors and predicting future trends in high interest areas of business.

World Tourism Organization (WTO) defines Tourism as the activities of a person travelling outside his or her usual environment for less than a specified period of time and whose main purpose of travel is other than the exercise and activity remunerated from the place visited (WTO, 1991).

Page (2006), views tourism as a temporary movement of persons away from their immediate home/communities and daily work environments for business, pleasure or personal reasons. In the same vein, Lic Korish and Jenkins (2003), view tourism as the sum of phenomena and relationships arising from the travel and stay of non residents in so far as they do not lead to permanent residence and are not connected to any earning activity.

On the other hand, strategic marketing as reviewed by Etuk (2003) is an aspect of marketing process that is concerned with ensuring that an organization (in this context, Destination Management Organization - DMO) is viable and its resources are adopted to its environment in a manner that permits efficient attainment of organizational stated goals using appropriate courses of actions within acceptable degree of risk. Achison (2002), reports that strategic marketing is concerned with interactions between firms and their environments as well as the interplay of major forces like customers, competitors and other organizations.

However, strategic marketing concentrates on future market trends to be observed and served, the competition to be confronted and appropriate timing of market entry and exit as well as related moves. It is concerned with building strong sustainable competitive position in selected market segment.

The marketing principles again apply to the whole economy and all economic activities. It is a golden role in marketing to know what business organization or individual is into. Marketing success is envitable when the focus of the company is customer oriented rather than product oriented. Thus, for business operators in tourism to be successful, they must be customer oriented.

Lickorish and Jenkins (2003), submit that understanding the business of tourism means appreciation of its unique characteristics or features, its strengths and weaknesses and in the case of the specific product, its unique advantages. This enables the manager to turn these unique advantages into unique selling proposition in the approach to the clientele.

Page and Connell again mentioned that most commercial organizations in the tourism industry aim to survive make reasonable profits and in many cases grow and expand. To achieve this, firm requires a strategic marketing approach to put in place a strategic marketing plan which is flexible and regular if not a constant feature of managerial activity. Strategic marketing is futuristic in approach and this serves demand need to plan for the future. Tourism Management Agencies need to be forward thinking and innovative while thinking about the markets they serve or will serve, thereby ensuring the organization is outward facing.
Venter (2009), posits that strategic marketing is supportive and enhance identification of tourism markets opportunities for competitive advantage, managing and marketing existing tourism products for customer satisfaction. Ebitu (2015), states that strategic marketing approach concentrates on the future rather than the present or immediate past.

Strategic marketing in its characteristics is futuristic, facilitates effective growth, builds and controls appropriate strategies for long term effective demonstrative management of tourism firms in the present dynamic, sophisticated and competitive business environmental pressures and treats. It calls for concentration on what business to be involved with, searching for new opportunities and achieving synergy among functional organs of organization both vertically and horizontally. Strategic marketing attempts to establish a fit between the organization and the environment. Thus, it entails matching the organization core values, competencies with the opportunities in the environment while creating substantial efforts to eliminate or at best to avoid the effects which its weakness and environmental threats could create in the organization.

Advantages of Strategic economic marketing in tourism management

7. To streamline organization activities Strategic marketing emphasis will enable tourism organizations to streamline activities towards essential external influences. This will assist the nation/organization to build or create a focus on market driven strategies that are strictly anchored to customer’s needs satisfaction.

8. Anticipate changes in business environment: strategic marketing will enhance effective sustainable competitive position in the selected market segments, anticipation of changes in the business environment rather than tourism organizations to react only when challenges occur. It is predictive and enables the destination management to take long term view of the external environment. The ability of the management to penetrate the market shows that the marketing strategies adopted must have both internal and external influence in the industry.

9. Strategic marketing will compel decision to be taken about destinations plans on strategic alternative and choice

10. Strategic marketing assists tourism organizations to recruit and match products or markets with the right managers mix in order to achieve profitable high performance.

11. It enables and assists destinations management to properly and efficiently monitor and scan the environment, deciding which customer market segment it focuses, selling product specification and closing the rival to attack or avoid.

12. It will provide tourism organizations with specific and authenticated direction. This enables the organization to focus on a particular choice among competing or alternative options.

13. It enables tourism organization to focus on long term view and make visible the resource allocation decision that is directed by accounting system, political strength or inertia.

14. It provides effective and efficient communication and coordination system for both horizontal and vertical line in tourism system, detects problems and strategically offer means to solve this problem within the organization.

15. Strategic marketing and future of tourism in Nigeria. It is obvious that destinations management organizations are charged with the responsibility to develops promote and sustain the growth of tourism in Nigeria. Unfortunately, the destination management organizations are yet to exploit tourism potentials to the nation’s advantage and development significantly.

16. Page et al (2006) states that strategic marketing approach especially planning that is flexible and a regular feature of management activity must be put in place to ensure organization’s growth, and survival as well as to satisfy the needs of the tourism. Strategic marketing attempts to analyze not just the available resources but the entire unpredictable marketing or business environment in order to chart a course of direction through prediction of the future. This strategic marketing enables the management of destinations or attractions to address their concern and have a specific tourism
philosophy to pursue. Strategic marketing enables the organization to audit or identify the destination’s strengths, weaknesses and ability to reach to opportunities and possible threats.

**SWOT Analysis**

Swot analysis provides the arsenals of strategy in business. It is an acronym for strengths, weaknesses, opportunities and threats. SWOT analysis offers a platform for firm to assess and identify their position within the market in connection to composition in the market. SWOT analysis has two components internal and external components. The strengths and weaknesses are the internal, components. This refers to the advantages and short coming in the provision of tourism products, the physical evidence, the people in the organization and the quality of services delivered especially during moments of truth. (Kotler, Bowen & Markens, 2010). The firm financial position has a strong place in the determination of the strength of the firm as well as assets amongst others. Opportunities and threats are external components. Opportunities refers to these areas of needs that are yet to be addressed and met that an organization can provide and satisfy the target market while threats are these obstacles that impede the growth and operations of the firm.

Thus, opportunities include nature of the market, new technology available, favourable economic opportunities while threats may be in form of unfavourable government policies, political crises and instability, culture deficiencies and unfavourable legal framework. In essence SWOT analysis is very virtue to the tourism destinations.

**Importance of Tourism in Nigeria**

Adora (2010). States that tourism importance is manifested in the following ways, namely:-

a. Stimulates the exchange of educational, recreational and cultural values in Nigeria. Travel helps widen their horizon and appropriate other people’s culture because as visitors travel to Nigeria to stay, they endeavour to meet and learn different culture and tradition of the various ethnic groups and on the other hand the tourists bring their own value system which equally influenced the environment.

b. Tourism is a great economic development catalyst. It is a source of revenue and income generation of government, organizations and individuals. Thus, it generates foreign exchange earnings, bring about a favourable balance of payment in the international market and business in favour of the country. Visitors spending generate income through the income multiplier effect.

Tourism stimulates infrastructural development in form of good network of roads, airports, water supply, electricity, and hotels, among others. It equally brings about maintenance culture of the existing tourism infrastructure. Tourism stimulates employment opportunities because tourism trade is an important job creation avenue globally (Bhasia, 2006). The development of new infrastructure offers opportunity for job creation. Other subsector of tourism equally generates huge opportunities for citizens to be engaged in livelihood for daily living.

Akpan and Obang (2012) support that tourism

- Promotes domestic cultural developments
- National unity since tourism is human activity that thrives well in peaceful environment.
- It strengths diplomatic relations with other countries
- It equally leads to urban renewal and maintenance of clean environment.

**Problems of Tourism**

The prime problem of tourism is infrastructural development. Poor infrastructure hike airports access roads, electricity among others make most of the destinations inaccessible to tourist. Another important problem is that of security. Insecurity in the form of violence, kidnapping.
tourism armed robbery make the destination to be unsafe for tourist. Also political ethnic and religious crises further worsen the state of insecurity, making tourists’ visitation threatened.

Other effects include destructive effect on culture of the host community as youths tend to copy the way of life of the foreign tourists.

It leads to increase crime. Some hoodlums use destinations as hide out to commit serious crimes. Also, it is difficult to obtain visa among other reasons.

Thus, the place of strategic marketing becomes inevitable in the face of this unstable and unpredictable business environment. The destination managers and tourism experts have to analyze tourism market and make strategic plans that are flexible to the target market, adjustable and predictable in other to have competitive advantage over competitors and as well as confront the challenges in the environment.

Tourism is a great economic development catalyst. It is a source of revenue and income

**Conclusion**

Strategic marketing approach is very essential in tourism management and development as to analyze and predict the future of both internal and external variables of marketing environment in particular and business environment in general.

Strategic marketing application is very important in tourism since is human activity and more so a social activity that involves groups and individuals seeking leisure, business and other needs satisfaction. In essence it strives to take care of long term plans to aid the sector to grow, survive and sustained.

**References**


OUT-OF-HOME ADVERTISING MEDIA CAMPAIGNS MEASUREMENT IN SOUTH AFRICA

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Out-of-home advertisers demand measurable and reliable results to better determine and control the success of before and after the launch of an advertising campaign. The evaluation of out-of-home media effectiveness as part of advertising campaigns remains a largely unexplored field of study, especially in a developing country such as South Africa. By analysing the contents of 79 out-of-home advertising campaigns’ media planning strategies and results, this study aimed to investigate whether the effectiveness of OOH media formats are evaluated and validly confirmed by South African advertisers. Findings of the study revealed the continuous lack of effective evaluation techniques for reliably measuring out-of-home media formats’ effectiveness in achieving stated communication objectives for South African advertising campaigns. Furthermore, results confirm the significant campaign evaluation opportunities provided by the integration of out-of-home media with technology and other mechanisms to receive on- or offline interactivity from audiences with advertised brands. This is particularly useful while the investment in and development of sound out-of-home media measurement metrics are still underway across the globe.

Keywords OOH advertising, OOH advertising media, OOH media measurement, OOH campaign evaluation, success of OOH advertising

Introduction

Out-of-home (OOH) advertising media evolved from simple outdoor advertising signs or billboards aimed at vehicular traffic (Biraghi et al., 2015), to an ever increasingly wide variety of advertising on building- and construction-site wraps, vehicles, train stations bus shelters, dustbins, escalators, elevators, park benches, side-walks, shopping bags, restroom mirrors, eggs and even drinking straws (OHMSA, 2015). Nowadays just about any structure, platform or object imaginable is used to communicate with consumers in the OOH environment (Martinson & Semenesescu, 2012).

Contemporary OOH advertising has become one of fastest-growing mediums across the globe (OAAA, 2015a:1; OAAA, 2017a; USA Touchpoints, 2014 in Swisher, 2017), whereas media spending in traditional advertising media such as television, print, and radio is declining (OAAA, 2017b). Investment in digital out-of-home (DOOH) advertising is one of the key drivers behind this growth. The DOOH advertising inventory has increased by 30% in the past two years (PQ Media, 2017). Significant growth in OOH advertising is also experienced in Sub-Saharan Africa. This is being driven by specific market dynamics such as real rapid rates of urbanisation, increase in international travellers and regular commuters due to the rise in termini offered by international and national airlines and car ownership rates; high penetration and visibility; improved literateness among the population and investments by large international and local media companies (Roux, 2018).
Unfortunately, the increasingly fragmented media environment and the ever-expansive OOH landscape, introduced some challenges. Despite its progression and rising popularity, OOH media remain undervalued, underutilised and underappreciated; from both an academic and practical standpoint (Joseph, Davey & Soman, 2016; Veloutsou & O’Donnell, 2005; Wilson & Till, 2011). Compared to other media, OOH advertising remains one of the least researched media classes (Khang et al., 2016). This may be as a result of the high costs involved in conducting field experiments and the extended time it takes to conduct them. Only a handful of researchers overcome this by connecting with the industry to sponsor large scaled field experiments and national surveys to study this medium (Donthu and Bhargava 1999; Bhargava, Donthu and Caron 1994). Other contributing factors are the wide variety in this media class and the supporting role it plays in campaigns that make it complex to assess performance and its overall contribution to campaign success (Joseph, Davey & Soman, 2016).

Furthermore research on advertising success over the past decade focus predominately on new media such as mobile advertising (Chowdhury et al., 2006; Grewal et al., 2016), in-game advertising (Terlutter & Capella, 2013), while disregarding the progress and practices in assessing OOH advertising media effectiveness (Taylor 2015). Previous studies predominantly examined factors influencing the effectiveness of outdoor advertising boards in developed countries (Bhargava, Donthu & Caron, 1994; Donthu, Cherian & Bhargava, 1993; Klerkx & Van Meurs, 2006; Taylor & Franke, 2003; Taylor, Franke & Bang, 2006). Recently a few researchers commenced to examine contemporary OOH advertising types (Veloutsou & O’Donnell, 2005; Wilson & Till, 2008, Roux, 2015; Van Meurs & Aristoff, 2009). However, all these studies measured consumers’ responses and attitudes and did not consider industry measurement practices. Accordingly, the evaluation of OOH advertising media campaigns remains a largely unexplored field of study, especially in emerging markets.

In light of the identified insufficiency, the current study seeks to investigate the measurement and verification of South African OOH advertising media’s. The hierarchy-of-effects (HOE) theory is one of the most fundamental models in the appraisal and analysis of advertising effectiveness (Barry & Howard, 1990; Lavidge and Steiner, 2000). In HOE models, the aim of advertising is to move consumers through a series of cognitive, affective, and behavioural stages. The purpose of this research is to examine how practitioners measure the success of OOH advertising media campaigns in South Africa using hierarchy-of-effects (HOE) model as a guide. This will done by analysing the content of OOH media campaigns to addressing the following research questions:

Which level(s) of marketing communication objectives is set in OOH advertising media campaigns?

How are the campaign results assessed and verified?

The insights gained, based on an analysis of the contents from the strategies and results of these South African OOH advertising campaigns, will be used to endorse the urgency for reliable evaluation metrics and the significance of measuring the effectiveness of OOH advertising media formats. The outcome of this study could guide marketers and key industry players in critical decision-making concerning investment in developing techniques to evaluate and verify the effectiveness of OOH advertising media.

The structure of this article commences with a discussion of advertising research what constitutes contemporary OOH advertising media, and its key advantages. This is followed by facets to be considered for OOH advertising media campaigns in terms of evaluating its performance. Next, the theoretical aspects of the quantitative research strategy, methods and procedures will be discussed. The findings of the study and the implications thereof for marketers, media owners, agencies and advertisers alike, are afterwards provided, while the study closes with a conclusion based on the study findings.
Literature review

Advertising research

The advertising research process focuses on objectively and systematically collecting, analysing and interpreting data that can be used for strategic advertising decision-making (Arens, Weigold & Arens; 2011). Advertising research is also vital for the development and evaluation of OOH advertising media campaigns (Joseph, Davey & Soman, 2016). Advertising research consists of testing the effectiveness of the advertising content and testing media to measure the effectiveness of the channels used to deliver these messages (Hall, 2004, Shimp, 2010). Khang et al., (2016) explored advertising research published in major journals over four decades. The results showed that the majority of studies examined the cognitive and affective effects of advertising on consumers, while less than 10% concerned themselves with the industrial effects of advertising. Furthermore print was the most-studied medium, followed by television and the Internet. However, OOH advertising was examined in only 2% of these studies, making it one of the least frequently investigated media. The current study aim to overcome this gap in the theory by focusing on OOH advertising measurement practices in South Africa.

Other specialists emphasise that advertising research includes pre-testing and post-testing. Pre-testing also referred to as developmental research (Shimp, 2010), is done before a campaign has been implemented, while post-testing is done thereafter to determine whether the strategies were successfully implemented to achieve the objectives (Moriarty et al., 2012). Business practitioners as well as academic scholars conduct developmental research. Practitioners use developmental research to estimate the likelihood that the message or media components of a campaign will be effective (Sissors & Baron; 2010), and to inform decision-making in all the phases of planning a campaign before large amounts of money are spent on further developments (Belch & Belch, 2012). Academic studies predicting potential advertising effects typically involve developmental research using quantitative methodologies such as laboratory experiments and survey effects (Kim et al., 2014). Scholars contributing to the advancement of science have examined consumer attitude and public perceptions to different types of location based advertising such as mobile advertising (Chowdhury et al., 2006), ambient advertising (Wu et al., 2016) and outdoor advertising (Franke and Taylor, 2017).

Post-testing can be apply to understand the influence of different advertising appeals (e.g. nudity and sexual imagery (Nelson and Paek, 2008), comparative advertising (Jain et al, 2015); spokespersons (e.g. celebrities endorsements (Knoll, & Matthes, 2017), gender and ethnic role portrayals (Prieler and Centeno, 2013; Wolin, 2003) and media (Chowdhury et al., 2006, Wu et al., 2016) on consumers’ cognitive, affective or conative responses (Zarantonello, 2013).

OOH advertising media formats

OOH advertising media aim to reach mobile consumers in public places or commercial locations away from their homes, like next to roads, inside airports, shopping malls (Gambetti, 2010). The wide assortment of contemporary media recognized by global OOH advertising media associations can be classified in four media formats (Roux, 2017): i) Outdoor advertising media are aimed at vehicular traffic next to major roads and highways. They can be placed on free-standing structures like billboards erected specifically for advertising purposes and buildings or structure (Roux, 2017). Outdoor advertising has been proven to be more impactful, attractive and noticeable than advertising on smaller- or traditional media (Taylor & Franke, 2003); increase brand awareness and frequent exposure enhancing the brand’s image (Ju & Chung, 2016), improve package identification (Klerkx & Van Meurs, 2006) and portray the advertised organisation as an important and respected brand (Ju & Chung, 2016). The efficacy and noticeability of outdoor advertising by mobile consumers (motorists, and pedestrians) can be maximised by using readable and concise messages, exceptional sizes, prominent locations and visibility (Donthu et al., 1993; Taylor et al., 2006; Wilson, Baack & Till, 2015). ii) Transit advertising encompass execution possibilities on moving transit (such as on or inside buses, taxis, trains, aeroplanes, trailers and trucks) and static transit media (such as airport terminals,
taxi ranks, bus stations and train stations). Globally transit advertising is the fastest growing OOH platform at 7% (Magna Global, 2016). It is also expanding across the African content that is experiencing a formalization of transit environments (Roux, 2018). Responding to this trend some researchers have started to examine consumer responses to advertising on taxis (Veloutsou & O’Donnell, 2005); motor vehicles (Roux, 2018) and airport advertising (Wilson & Till, 2008). iii) Street-and-retail-furniture advertising media provide advertisers a mean to reach audiences closer to the point-of-purchase. Street-furniture advertising refers to those messages affixed to structures/furniture found in the streets of urban, suburban and metropolitan areas such as bus shelters, dustbins, street-lamp poles, park benches, kiosks and, bicycle racks (OHMSA, 2017). Retail-furniture advertising aimed at shoppers, can be found in leisure and shopping environments (e.g. advertising on elevators, escalators, information booths/kiosks, ceiling- and wall banners, benches, restrooms and shopping trolleys) (OHMSA, 2015) and outside (like parking areas, -booms and -tickets, bicycle-racks and outer shopping mall walls), as well as other central gathering places (such as sport arenas, golf courses, parks, beaches, restaurants, hospitals, pharmacies and educational amenities) (OAAA, 2012). iv) Alternative OOH advertising encompasses both digital- and ambient OOH advertising executions. Digital OOH advertising use digital display technologies such as LCD, LED and plasma screens to provide commercial content in the form of videos or electronic images (Lasinger & Bauer, 2013). Digital OOH advertising is typically placed inside stores to induce behavioural effects from shoppers (Burke, 2009). The effectiveness depends on the content and location. For example Burke (2009) found that shoppers are more responsive to messages related to their present tasks and needs than those delivering traditional brand messages. Roggeveen, Nordfält and Grewal (2016) found that digital OOH advertising have a significant impact on sales in larger store formats (e.g. hypermarkets), but has a minimal impact on sales in medium store formats (supercentres, supermarkets) and even negative effects in smaller stores (e.g. convenience stores). They also established that content with price appeal has a larger effect on sales than those displaying non-price promotions. With ambient OOH advertising the medium itself conveys the message utilizes the environment and its elements, such as public fountains, tee markers on a golf course, and even urinals to elicit consumer surprise and engagement (Jurca & Maria Madlberger, 2015). Ingenuity or creative execution resulting in surprise and cost-efficiency are distinctive requirements of ambient advertising (Gambetti, 2010; Roux, 2018). Several studies on ambient advertising in developed economies have been conducted (e.g., Jurca & Madlberger, 2015; Hutter, 2015). However research on these types of advertising innovations focused almost predominantly on high-income consumers from developed nations, while those considering emerging economies are limited to few. Wu et al., (2016) compared emerging (Indian) and developed markets (USA). Interestingly consumers in the USA did not enjoy the surprising or extraordinary elements of ambient advertising were perceived to be intrusive and hence objectionable. On the contrary, Indian consumers enjoyed these surprising and engaging ambient advertising activities. They did not view them as intrusive and were far more tolerant regarding the use of streets, walkways, pavements for product/brand displays and road shows in their communities. Relatedly, Roux (2018) asserts that disadvantaged communities in South Africa value brand engagements in their neighbourhoods. Thereby offering advertisers the opportunity to offer them affective brand experiences and encourage direct involvement on a street level using ambient advertising.

Hierarchy of Effects in OOH Advertising

The hierarchy-of-effects (HOE) theory is one of the most fundamental models in the appraisal and analysis of advertising effectiveness (Barry & Howard, 1990; Lavidge and Steiner, 2000). In HOE models, the aim of advertising is to move consumers through a series of cognitive, affective, and behavioural stages. OOH advertising campaigns can also be used to obtain communication objectives in each of these stages.

- Cognitive communication objectives focus on exposure and offering information to make consumers aware of a brand or its features (Du Plessis et al., 2010:28). For
example, an OOH advertising campaign aimed at making consumers aware of a new product or mall in an area, typically represents cognitive objectives.

- Affective objectives (emotions) emphasise persuasion and are aimed at stimulating feelings, attitudes, liking and excitement (Lane, King & Reichert, 2011:208). For example, an OOH advertising campaign with more emotional messages could be designed in order to create a deeper emotional affiliation with the brand and what it conveys.

- Conative objectives (behaviours) are aimed at prompting actions from consumers such as purchasing, trying, requesting information or speaking favourably about the brand (Clow & Baack, 2010:150). For example, when OOH advertising media are used close to or in direct proximity to the point of sale in supermarkets or malls to drive trial or purchase of a brand.

The specific OOH media formats used in a media mix, the creative messages and other advertising elements are evaluated using various metrics to establish the OOH audience’s response to the campaigns. In the current study, initial analysis aimed to determine which type(s) of communication objective(s) were set for the OOH advertising campaigns, while further examination focused on establishing whether campaign effectiveness was evaluated and if substantiating proof was provided.

For the purposes of analysis, the communication objectives described in the entries were categorised as cognitive, affective or conative based on the desired consumer responses, as outlined in Table 1 below and the discussion that follows.

Table 1: Variables significant to the study

<table>
<thead>
<tr>
<th>Research objectives</th>
<th>Variables</th>
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<td>1. Communication</td>
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| 2. Evaluation       | Measurement | Assessing of the campaign results in terms of the stated communication objectives |
|                     | Verification | Evidence to verify the results accomplished |

**OOH advertising media evaluation**

Besides being one of the least researched advertising mediums (Roux, 2016), common misperceptions of OOH advertising’s value and impact are largely as a result of the general lack of effective investment and accurate measurement for the medium (Joseph, Davey & Soman, 2016). Thus, a need for techniques and tools that can accurately measure OOH audiences is required in order to gain more interest from local and international advertisers (PwC, 2016:63).

Fortunately, in an ongoing effort to understand the pervasive OOH advertising media class and industry players worldwide are attempting to develop reliable methods for measuring its effectiveness (OAAA, 2017a). The development of such systems and tools has been underway for several years now. Numerous industry bodies and research organisations have established, and are still attempting to develop and improve the efficacy of audience measurement, advertising effectiveness and strategic planning for OOH advertising media (Joseph, Davey & Soman, 2016:1; Taylor, 2010). According to Fletcher and Frank (2016:19) advertisers
commonly review local sales reports, conduct consumer surveys to measure awareness and attitudes towards the campaign during or upon completion of the campaign, while most companies have online proof of performance.

Current OOH media measurement techniques tend to be intricate and siloed, they typically take months to complete and are merely useful for learning from past mistakes to improve strategies for future campaigns, instead of offering improvement tactics during campaign execution (Joseph, Davey & Soman, 2016:2).

To gauge the impact OOH advertising has on sales results, BrandScience analysed more than 60 econometric case studies across 8 countries and found for every dollar spent (R14,50) on OOH advertising, an average of $3 (R43,50) was received in sales (OAAA, 2011). While it is common practice to assess a campaign’s performance by analysing sales results, this standard of measurement is not always reliable because of the numerous factors that could contribute to increased sales levels, such as product performance, pricing, distribution and competitor actions (Duncan, 2005:704; Koekemoer, 2014:197). Consequently, communication-effect measures (like recall and recognition) are often used in an attempt to isolate the impact and overall effectiveness of advertising efforts, among other influential factors (Kotler & Keller, 2009:554).

However, due to the unintentional and underlying nature of consumer contact with OOH media advertising, and the general lack of consent from the consumer to be exposed to it, using measures of recall to determine its effectiveness poses complications with respect to accuracy (Bhargava et al., 1994:54; Wilson & Till, 2011:930).

Ultimately, OOH metrics will often include demographic, geographic and psychographic information that assists advertisers in determining who is being exposed to advertising, rather than how many people are being exposed to a message (OAAA, 2018).

METHODOLOGY

The current study built on a quantitative, descriptive content analysis research method. Quantitative content analysis provides the summarisation of collected and analysed data by producing counts of key categories and measuring the number of variables (Neuendorf, 2002). Content analysis is a well-recognised research method used in numerous publications related to the current study, namely marketing communication (Lombard, Snyder-Duch & Bracken, 2002), advertising (Abernathy, 2000:79; Abernathy & Franke, 1996; Anderson, Dewhirst & Ling, 2006; Frosch et al., 2007; Madden, Caballero & Matsukubo, 1986; Martenson, 1987; Nelson & Paek, 2007; Smith, 1993) and media research (Hardwood & Garry, 2003:13; Riffe, Lacy & Fico, 2014; Taneja & Mamoria, 2012).

This method was applied since it allows for the systematic and objective count and description of the manifest content of almost any piece of writing or occurrence of recorded communication. The texts, or sources, to be analysed in the current study were the documented OOH advertising campaigns entered into the annual AMASA Awards, presented by the Advertising Media Association of South Africa. The AMASA Awards were selected for this study since they represent a diverse collection of effective and award-winning advertising media campaigns (including OOH advertising campaigns) implemented in South Africa.

Furthermore, while awards in the communication industry typically concentrate on the creative design of the advertising executions the AMASA Awards specifically reward the media strategy and planning behind successful campaign design, execution and evaluation. This allows the researcher to identify the specific communication objectives set for the advertising campaigns and whether the OOH media formats employed were evaluated to determine its contribution towards achieving these objectives.

Content analysis includes a thorough analyses of basically any form of written, verbal and visual communication messages to systematically reduce the text (and/or symbols) into a standard set of statistically modifiable and quantifiable symbols (such as numbers or letters) (Cole,
These symbols (presented in frequencies and percentages) represent the existence, intensity and/or frequency of certain characteristics or occurrences significant to the social sciences (Shapiro & Markoff in Krippendorff, 2013:26; Starosta, 1984:185). Furthermore, content analysis aids in drawing inferences about constructs and discovering relationships between variables in order to draw relevant conclusions about them (Krippendorff, 2013:25).

The target population under investigation for this study (full set of cases from which a sample is drawn) (Saunders, Lewis & Thornhill, 2012:205) comprise of advertising campaigns implemented in South Africa between 2000 and 2016. The sample frame (the summarised form of the population under investigation) is the list of OOH campaigns entered into the AMASA awards within the same time-period.

Since a content analysis study can be an expensive, labour-intensive methodology, it is advisable to use the same statistical sampling rules as applied in survey research (Franzosi, 2008:556). Through purposive sampling, an appropriate and practically feasible number of OOH advertising media campaigns were selected for analysis. Purposive sampling includes the selection of sampling units on the basis of the researcher’s judgement, to ensure the sample contains the characteristics most relevant to the research topic (Saunders, Lewis & Thornhill, 2015). For this study, three criteria were used to select the documented OOH media campaigns to be analysed, while the sample size depended on the number of AMASA Award entries that met the following specified criteria:

- OOH advertising media must be a major part, the primary medium used, or used as a secondary medium for the advertising campaign entry.
- The campaign should be documented in sufficient detail to analyse whether effectiveness of OOH media formats in achieving campaign objectives were evaluated, and whether results were verified in the final phase of a typical media planning process.

More than 500 advertising campaigns were entered into the AMASA Awards for the period between the years 2000 and 2016. After excluding campaign entries for other advertising media classes, over a hundred OOH advertising campaigns were screened. A total of 79 campaign entries met all the criteria set for inclusion in the sample. The entries analysed in this study included campaigns for a variety of advertisers from the following industries: i) retail & restaurants (e.g. Exclusive books; KFC); ii) banking & financial (e.g. Absa; Santam); iii) beauty & fashion (e.g. L’Oreal; Adidas); iv) automotive (e.g. Nissan; BMW); v) beverages & food (e.g. Coca-Cola; Bell’s Whiskey; Magnum ice cream); vi) travel, transport & leisure (e.g. Virgin Active Gym; Emirates Airlines; Indian Premier cricket League); vii) household services & telecommunication media (e.g. e.TV; Vodacom), and viii) educational, governmental & charity (e.g. Success Career College; Operation Hunger).

Analysts need a meticulous description of which analyses are to be implemented (Schaeffer et al., 2012:38). According to White and Marsh (2006:29), the units of analysis refer to the basis for reporting the analyses. In other words, they are the variables that are under investigation – i.e. to be statistically analysed with the aim of answering the research question (Riffe, Lacy & Fico, 2014:68). The units of analysis in the proposed study consist of the variables under investigation, namely: the level of communication objectives set, the measurement of OOH advertising media campaign success and the verification of the results.

Without adequate levels of reliability and validity, content analysis measures are futile (Leedy & Ormrod, 2005; Neuendorf, 2002). Thus, pilot testing was conducted in the current study to enhance the quality of the measuring instrument (the coding form) (Krippendorff, 2013:127-8). For the purposes of reliability, two independent human coders were required to record (or code) their objective observations of the campaign entries according to the list of predetermined variables outlined in an established codebook and its corresponding coding forms. Two female coders, specialising in the field of marketing, received intensive training, detailed discussions and practical examples to ensure complete understanding before coding the data independently, as suggested by Krippendorff, (2004:419).
Since the study made use of multiple coders and consisted of nominal measurement scales, the most appropriate inter-coder agreement measure is Krippendorff’s alpha (Hayes & Krippendorff, 2007; Krippendorff, 2004b; Neuendorf, 2002:151). The levels of agreement between coders were analysed for ten randomly selected campaign entries using the Statistical Analysis System (SASTM) to conduct the KALPHA analysis. The reliability values for the pilot study, reported per variable in Table 2 below, verifies that the scores are above the acceptable agreement level of 80% (De Swert, 2012; Krippendorff, 2013:324; Neuendorf, 2002:143) and that one coder (the researcher) was required to perform the final coding (Leedy & Ormrod, 2013:149). After the pilot study, the final coding was conducted and the data were analysed to determine the frequency and percentage values for each coding variable.

Table 2: Krippendorff’s alpha reliability values per variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research objective 1: Examine the level of marketing communication objectives set</td>
<td></td>
</tr>
<tr>
<td>Cognitive communication objectives</td>
<td>1.00</td>
</tr>
<tr>
<td>Affective communication objectives</td>
<td>0.90</td>
</tr>
<tr>
<td>Conative communication objectives</td>
<td>1.00</td>
</tr>
<tr>
<td>Research objective 2: OOH advertising media campaign evaluation and verification</td>
<td></td>
</tr>
<tr>
<td>Results vs stated objectives</td>
<td>1.00</td>
</tr>
<tr>
<td>Verification of results</td>
<td>1.00</td>
</tr>
</tbody>
</table>

STUDY FINDINGS

The content analysis discovered some key findings related to the research question. The first objective aimed to examine the level of marketing communication objectives set for the overall number of campaign entries. The number of campaign entries at each response level in relation to the overall number of campaign entries, is reflected in Figure 1 as percentages.

Figure 1: Marketing communication objectives set

The majority of the entries set conative objectives aimed at behavioural responses such as a purchase, trial, referral and requesting more information (n=68; 86.1%). This was followed by cognitive objectives aimed at thinking or processing of messages (n=64; 81.0%). Only half of the campaigns (n=40; 50.6%) set affective objectives to position the brand in such a manner as to encourage emotional responses. The overall findings and conclusions related to the evaluation and verification of the success of OOH advertising media campaigns are provided in Table 3 and 4 and is discussed in the sections that follow.

The standards against which the success of an advertising campaign should be evaluated depend primarily on the communication and media objectives set for the campaign (Clow & Baack, 2010:434). The last phase of the media planning process deals with measurement and...
evaluation of the media plan with the aim of improving the effectiveness of the strategies employed to achieve organisational objectives (Lane, King & Reichert, 2011:454).

For the purposes of analysis, the post-evaluation and verification were analysed to address research objective 2 of the study. In the following sections, the findings of these two variables are described in more detail.

Table 3: Evaluation and verification of OOH advertising media campaign results

<table>
<thead>
<tr>
<th>Post-testing</th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-testing</td>
<td>74</td>
<td>93.7%</td>
</tr>
<tr>
<td>Verification of results</td>
<td>27</td>
<td>34.2%</td>
</tr>
</tbody>
</table>

From the analysed documents, the majority of the campaign entries provided numerous avowals indicative of the effectiveness of their campaigns (n=74; 93.7%), but very few of these were supported by sufficient evidence. Alarmingly, most of these claims were not substantiated with actual figures to show how the OOH advertising media campaigns contributed to the realisation of the set marketing communication objectives. Only one third (n=27; 34.2%) of the entries provided such validation.

Figure 2: Evaluation of OOH advertising media campaign results

Advertisers can use various options to conclude whether the OOH advertising media formats selected were successfully executed and helped achieve the stated campaigns objectives. The successes of the OOH campaigns were verified through various post-testing techniques, including survey research (onsite and telephonic interviews) to measure increase in the levels of awareness, knowledge and understanding about a brand; the measurement of behavioural responses such as sales analysis, brand tracking, WOM (online and offline), website- or store visits, information requests, competition entries and number of samples distributed for trials.

Evaluation of OOH advertising media campaign effectiveness through various post-testing techniques

The results in Table 3 show that the vast majority of the campaigns analysed (n=74; 93.7%) claim to have successfully achieved their communication objectives through the execution of the selected OOH advertising media. However, only a few advertisers provide objective evidence of the claimed successes achieved (n=27; 34.2%). The effectiveness of these 27 campaigns were evaluated through research either conducted by professional market research companies, OOH advertising media owners or the advertisers themselves. The evaluation (or post-testing) techniques employed depended mainly on the marketing communication objectives set for the campaign. For instance, to determine the level at which cognitive objectives (such as impact, exposure and awareness) were attained, levels of recall, recognition, awareness or media exposure were measured.

The achievement of affective objectives (such as brand positioning, positive feelings or attitudes, interest, excitement or desire) was commonly determined through a combination of evaluation metrics including the recording and analysis of physical reactions from audiences on
the scene of the OOH executions, the extent of online activities (such as “likes”, tweets, competition entries, etc.) received on social networking platforms and company websites and the nature of comments posted online. Affective responses like changes in attitudes, perception, intention to buy and brand preference levels were determined by use of telephonic and onsite survey interviews.

Frequent use of measures that evaluate success based on behavioural responses from audiences. Behavioural response levels seemed to be the most frequent measure of the effectiveness of the OOH advertising campaigns, especially sales/revenue increases. In today’s highly technological and interactive world, many advertisers focus on eliciting several other forms of favourable behaviours from OOH audiences in addition to increased sales and store traffic. Some of the conative objectives set for the analysed campaigns included direct-response mechanisms such as invitations to visit websites, enter competitions, play games, view, upload or download content, leave comments and retrieve coupons. Success can be established by simply counting the frequency of the desired responses obtained and comparing the results with the forecasted numbers. Thus, using direct-response mechanisms such as these could allow advertisers to more accurately determine the effects of OOH advertising campaigns.

Advertisers can therefore make use of these opportunities for engagement. This was corroborated in the findings of the current study in which 24.0% of the analysed campaigns were aimed at stimulating online activity via mobile smartphone devices. Without requesting specific online activities from their audiences, some unique and impactful OOH advertising media executions are also able to determine the effectiveness of campaigns based on the often unexpected online publicity generated around the brands and their distinctive OOH advertising campaigns. This is especially true for campaigns that encourage interaction with the OOH advertisement for audiences to gain positive experiences with the brand.

Several analysed campaigns expressed success both in terms of marketing communication and media objectives, providing estimated reach, frequency and opportunity-to-see (OTS) figures determined through technologically sophisticated tracking systems, mechanisms, procedures and research projects. A campaign by Adidas, for example, branded hundreds of SA Taxi Media’s taxis, each equipped with devices that could capture location, mileage and movement data for the duration of the campaign. Advertised television programmes provided approximated audience ratings (AR’s) as indicative of the OOH campaign’s effectiveness.

**Figure 3: Verification of OOH advertising media campaign success**

![Verifiication of OOH advertising media campaign success](image)

**Table 4: Verification of OOH advertising campaign success**

<table>
<thead>
<tr>
<th>Of all the OOH campaigns claiming success through post-testing, how many of them provided proof?</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verification of results</td>
<td>27</td>
<td>36.50</td>
</tr>
<tr>
<td>No verification</td>
<td>47</td>
<td>63.50</td>
</tr>
</tbody>
</table>

Findings reveal that there is a lack of reliable measurement and regulation techniques for evaluating and verifying OOH advertising effectiveness. The study further indicated that, although the majority of the entries claimed that their campaign success had been evaluated, the
results of only one third of the campaigns were verified with legitimate evidence (n=27; 36.5%). The evidence that were deemed legit included tables and graphs depicting the findings of the post-testing research conducted, images of consumer audiences’ online activity and even images and/or videos of audience reactions on the site of the OOH advertising execution.

This finding confirms the growing concern about insufficient effective metrics for the formats in the OOH advertising media class (OAAA, 2017a:2; PwC, 2016:60). Advertisers maintain the need to ensure that their advertising budgets are spent on OOH advertising media formats with credible audience data measures appropriate for achieving the communication and media objectives of an advertising campaign. The biggest challenge facing the OOH advertising media advertising industry in the contemporary media environment is probably the need for legitimate measurement tools and media-audience data for OOH advertising media buyers, owners and agencies to evaluate the effectiveness of selected OOH advertising media formats. It is critical to address this matter, because without the verification of results, advertisers have no reliable information with regard to what they spend their resources on.

Recent developments in technology have provided significant possibilities for the improvement of accurate measurement tools for OOH advertising (ESOMAR, 2009:4), yet such tools still seem to be lacking in the South African OOH industry. Various innovative measuring techniques have been developed to assist in determining who, when and how many consumers are exposed to an OOH advertisement. These kinds of techniques are being further developed and adopted in more developed countries such as the UK, Australia and the USA (Brackins & Stanton, 2017:7; OAAA, 2017a:1). New measuring techniques and ongoing developments in technology (especially the ease of access to online information across the globe), including DOOH advertising media, are directly influencing and contributing to the global growth of OOH advertising media (Hendrix, 2015:4; Joseph, Davey & Soman, 2016:6; Nicklin, 2017:1). Yet, although DOOH media execution possibilities are growing fast, they still represent only a fraction of the current South African OOH media landscape (PwC, 2017:142).

**LIMITATIONS AND RECOMMENDATIONS**

This study was restricted to South African OOH advertising campaigns entered into the AMASA Awards between the years 2000 and 2016. The OOH advertising campaigns of all other brands sold in South Africa and launched over the same time period were not included in the sample. Furthermore, the researcher could only assume the success of the selected OOH campaigns, given the fact that they were deemed remarkable enough to be considered for a reward. Finally, the amount of details provided in each campaign entry document differed between brands and the study could only report on the details that the person who submitted the entry decided to include in the documentation.

The limitations of the current study could open up pathways for many future research studies on the progressive OOH advertising industry, especially given the constant developments in technology and DOOH advertising media formats. Future research could include a broader selection of successful South African OOH advertising media campaigns randomly selected from a preselected list of popular South African brands or even OOH advertising campaigns entered into international media awards. Another approach includes conducting in-depth, personal interviews with selected advertisers to investigate the precise measurement and evaluation tactics behind the same OOH advertising campaigns.

Based on the study findings, the following recommendations are provided on the measuring techniques to be considered in successfully evaluating OOH advertising media performance.

Employ legitimate pre-testing and post-testing techniques to improve the verification of OOH advertising performance. Advertisers should employ industry-recognised pre-testing techniques in order to assess certain elements of their OOH media mix selection before implementing an advertising campaign. Depending on the nature of the campaign and OOH advertising media formats selected, practitioners can include pre-testing of the execution in a controlled environment.
environment or in the actual OOH environment with a small audience representing the target audience of the brand. After performing a pre-test as well as after the actual campaign execution, surveys, focus groups and/or observation studies can be conducted to determine the results of the OOH advertising media platforms and formats. If applicable, budget re-allocations are recommended where optimal post effectiveness, efficiency, and allocation analysis can be implemented. Such an analysis may include providing descriptive advertising and media suggestions for each OOH media format independently.

Improve OOH advertising media measurement through joint collaboration between industry players with respect to resources and audience data. High levels of investment in understanding human perceptions, increasing developments in technology and the development of reliable OOH advertising media audience measurement tools could make it possible to produce more accurate and detailed measurements of OOH audiences. Decaux (2017) insists that, based upon globally recognised standards, OOH measurement will become more common in developing markets such as South Africa, as it is already widely present and used in the leading developed markets.

Major industry players in South Africa could combine their efforts and resources to design and develop a valuable and reliable currency for OOH advertising media measurement, which would allow the OOH advertising media category to compete with traditional media on an equal footing. According to Kym Frank (2018), President of Geopath, an audience location measurement organisation that generates standard audience measurements for OOH media, there is general agreement that all countries must collaborate to advance OOH and overcome shared challenges. Industry players should strive to merge data platforms, since access to data and the intellectual application thereof have become vital in this progressively location-based marketing world.

Use DOOH advertising media to assist in real-time OOH advertising media evaluation. The opportunities for more credible measurability of OOH advertising media are expected to increase as more digital platforms are developed and utilised by South African advertisers (Adlip, 2014; The Media Online, 2014). Digital displays with interactive features should be designed to collect relevant real-time digital footprints of interested parties, allowing the display to adapt to its surroundings and providing marketers with valuable data. DOOH advertising media could provide significant opportunities for the real-time measurement of advertising effectiveness using advanced techniques; for example, tracking eye-movements, facial expressions and even gender identification. Interested parties and companies should assign resources for investment in collecting data and building tools that can utilise data sets in real-time for the planning, delivery and evaluation of OOH advertising media.

**CONCLUSION**

As the popularity of the OOH advertising media class grows, advertisers are realising its potential creative possibilities to stimulate immediate action, engage consumers through interactive platforms, as well as allowing implementation in both the physical and online landscape (via mobile smart-phones) (McLarney, 2017). In effect, some agencies and brands are recognising not only the value, but the necessity of OOH advertising media as part of any multi-media plan (OAAA, 2015a).

As with all research studies, this study is not without its limitations. The study was not only limited to the South African context, but further limited to the AMASA Awards campaign entries implemented between the years 2000 and 2016 alone, and only those that matched the inclusion criteria set for the study objectives. Furthermore, based on the fact that the analysed OOH campaign entries were deemed sufficiently remarkable to be considered for an AMASA Award, the researcher could only assume the success of these campaigns and their suitability for realising the study objectives.
The aim of the current study was to examine the evaluation and verification of OOH media used for advertising campaigns. In this increasingly fragmented media environment, OOH advertising media are still unfortunately unorganised, underappreciated and underutilised. One of the main reasons is that OOH advertising media tend to provide very few means for marketers to effectively and reliably predict and track OOH advertising performance (Joseph, Davey & Soman, 2016:1-3). Lack of performance data are particularly evident for ambient OOH advertising media such as advertising on shopping bags, soap dispensers, cups, fruit, eggs and bus seats.

Thus, despite the majority of the campaigns’ claims of success, very few were actually able to verify their effectiveness with legitimate proof, which confirms the lack of reliable and efficient measuring techniques for OOH advertising media in South Africa (Muller, 2012; PwC, 2017:142).

Given the history of poor measurement tools and techniques, however, the measurement and regulation of OOH media advertising is projected to remain one of the primary challenges facing the South African OOH market (PwC, 2016). Nonetheless, a few sophisticated OOH advertising media measurement tools have been developed and used, and will be improved in the years to come (PwC, 2016; FEPE International, 2016). Furthermore, in South Africa’s near future, the shift to DOOH advertising media could potentially decrease the measurement problems encountered with this medium (Decaux, 2017; PwC, 2016).

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CORPORATE BRANDING AND CONSUMER ATTITUDE: THE ROLE OF BRAND POSITIONING

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The study measured the impact of Brand Positioning mediating between Corporate Branding and Consumer Attitude in the Ghanaian banking sector. The study adopted Structural Equation Modeling using AMOS20 to analyse responses from 310 bank customers who were selected using Convenience sampling approach. The findings of this study have confirmed a significant relationship between Corporate Branding (Business Activities, Corporate Image, and Employees Actions) and Consumer Attitude. Brand Positioning mediates partially between Corporate Branding and Consumer Attitude. Business Activities and Corporate Image directly and indirectly influence Consumer Attitude through Brand Positioning. However, Employees Actions requires full mediation with Brand Positioning to influence Consumer Attitude. This study offers empirical findings to support the assumption that Corporate Branding and effective Brand Positioning strategies have a significant role in influencing Consumer Attitude in the banking sector. The findings provide practitioners with worthwhile steps in building strong brands in order to enhance positive consumer attitude towards the bank. Attitude in the Ghanaian banking sector. The study provides a good understanding of Corporate Branding differential effect on Consumer Attitude and the role of Brand Positioning.

Keywords: banking sector; brand positioning: consumer attitude: corporate branding: Ghana.

Introduction

The banking sector deregulation in the 1990s, global financial crisis in 2008 have changed the banking industry significantly, and has made consumers to become discriminatory in their bank selection (Ohnemus, 2009). Attitude towards a brand is dependent on the trust that the consumer has developed about the organization (Sichtmann, 2007). Unfortunately, Lantieri and Chiagouris (2009) study identified a steady decline annually in the manner in which consumer trust brands. Ruediger et al. (2012) study confirms that doubts and distrust of consumers towards brands are increasing in recent times. Therefore, businesses are entreated to build trust and satisfy customers’ requirements effectively (Narteh, 2013). Thus, understanding consumers in terms of what they want has become the major task for managers (Hinson et al., 2009). This calls for the adoption of corporate entity practices that engender trust (Hinson and Hammond, 2006).

Despite the growing advocacy of Corporate Branding adoption in literature (Anisimova, 2013; Hatch and Shultz 2003; Souiden et al. 2006), there seem to be no consensus on what the components of corporate branding is. Different dimensions have been used to discuss the concept. This confirms Theng So et al. (2013) study which indicates that literature is not clear on the dimensions constituting Corporate Branding. For example, Souiden et al. (2006) discussed Corporate Branding by using Corporate Image as a dimension in their study in America and Japan and found corporate image of the company as a basis for product decision. Anisimova’s (2013) study conducted in Australia considered corporate associations and organisational values as dimensions of Corporate Branding which has a significant effect on
consumer satisfaction. Hatch and Shultz (2003) also used Strategic Vision, Organisational Culture and Corporate Image to constitute dimensions of corporate banding in assessing brand management approach of British Airways. Again, Abratt and Kleyn (2011) study highlighted visual identity, brand promise, brand personality and brand communication as critical to build a strong corporate brand. Against this background, there is a need for an appropriate model that constitute Corporate Branding in the Ghanaian banking context as the multiplicity of dimensions presents an unclear picture.

Hatch and Shultz (2003) model was adapted for this study. Though the model was conceptual and not based on empirical data, it provides a framework that the authors consider depicts a better understanding of Corporate Branding. Again, the model is in line with Fetscherin and Usunier (2012) interdisciplinary literature review on corporate branding between 1969 and 2008, which revealed that within this period, scholars have used three dimensions of Transactional (product, service and sponsorship), Internal (corporate identity, employment image and application) and External (public image) as main approaches to corporate branding in literature. Thus, Strategic Vision and Transactional Dimension discusses management decisions regarding the operations of the company, while Organizational Culture and Internal Dimension looked at the values and beliefs exhibited by the members of the organization. Corporate Image and External Dimension also considered the impression of stakeholders regarding the activities of the company.

The role of Brand Positioning on the relationship between Corporate Branding and Consumer Attitude appears to be missing in the literature. Brand Positioning indicates the value the company wishes the brand to project in the minds of consumers (Knox, 2004; Singh et al. 2014). Effective Brand Positioning activates the brand in the minds of consumers which enhances consumer brand awareness (brand recognition and recall), facilitate purchase decisions (Hakala et al. 2012) and increases brand value (Fuchs and Diamantopoulos, 2010). Hence, the role of Brand Positioning mediating Corporate Branding and Consumer Attitude is worth studying.

However, in order to test the model empirically in the Ghanaian context from consumers’ perspective in the banking sector, the strategic vision and organizational culture of Hatch and Shultz (2003) model were renamed as business activities and employees’ action respectively whilst corporate image was maintained for this study. The rationale behind the renaming of the two constructs of the model was based on the fact that the model was developed from organisation’s perspective (Hatch and Shultz, 2008; Ruediger et al., 2012). Therefore, the Corporate Branding model adopted for this study is made up of three dimensions; Corporate Image, Business Activities and Employees’ Actions. Therefore, the key objectives of this paper are to examine the relationship between Corporate Branding and Consumer Attitude, determine the mediating role of Brand Positioning between Corporate Branding and Consumer Attitude and ascertain the dimension of Corporate Branding that significantly influence Consumer Attitude the most. The next sections discuss literature review and hypotheses development.

**Corporate Branding**

Corporate Branding emerged in the 1970s (Fetscherin and Usunier, 2012) and hinges on the tradition of product branding but seeks to focus on the organisation as a whole rather than the individual brands (Harris & de Chernatony,2001; Knox & Bickerton, 2003). Souiden et al, (2006) indicated that attention of brand management strategies of companies has shifted from just concentrating on product branding, but rather linking it with Corporate Branding. Corporate Branding is defined as “a holistic brand management approach adopted by firms to craft a unique corporate identity” (Abratt & Kleyn 2011).
Corporate Branding Dimensions

Corporate Image

Bravo et al. (2009) revealed in their study that corporate image represents a great asset for financial institutions and found service offered, accessibility, corporate social responsibility, global impression, location and personnel as corporate image activities which influence consumers bank selection. This confirms Page and Fearn (2005) study which argues that consumers consider the corporate reputation of the company in their purchase decisions. The implication of this assertion is that the performance of the organization depends on the image held about the company in the minds of the company’s stakeholders within a particular sector.

Business Activities

The nature of the company’s business and future intentions of the company as a corporate branding tool support the building of strong corporate brands in the mind of consumers. According to Hatch and Shultz (2003) the vision of the company influences company’s business and future intentions that serve as inspiration to management in order to build strong brand to influence consumer attitude. The authors identified the line of businesses, partnerships and alliances, locations, change initiatives and corporate symbolism representing company’s business and future intentions.

Employees Action

Building corporate branding through employees has become important. Harris and Chernatony (2001) posited that businesses are now focusing on emotional attachment through their employees rather than the functional elements of the brand in building strong corporate brands. In addition, Papasolomou and Vrontis (2006) study in United Kingdom (UK) found Internal Marketing (IM) practices as critical step in building strong corporate brand in the banking sector. Quality Standards, Reward Systems, Internal Customers and Training were the Internal Marketing practices required for building strong corporate brand in the UK banking sector. Thus, engaging in internal marketing activities enhance the delivery of the “brand promise” to the target audience (Punjaisri, Evanschitzky, & Wilson, 2009).

Consumer Attitude

The competitive nature of the business environment calls for the understanding of consumers’ attitude. This helps in formulating and implementing strategies to meet expectations of customers effectively (Makanyeza, 2014). Consumer Attitude towards a brand represent the overall perception that has been developed about a brand and a predictor of consumer behaviour towards the brand (Liu et al., 2012). Consumers’ form attitude towards brands through cognitive, affective and conative processes (Liu et al., 2012). Understanding consumer’s attitude in the banking sector so as to develop effective strategy has become eminent because of the reforms introduced in the banking sector which has changed the industry significantly (Ohnemus, 2009 and Narteh, 2013).

Brand Positioning

Businesses are required to deliver value to customers (Knox, 2004). Value delivery to consumers has become eminent due to the deregulation of business sectors which has increased competition from home and abroad (Narteh & Owusu-Frimpong 2011), and increased market fragmentation (Fuchs & Diamantopoulos, 2010). The fragmented nature of the market has made it difficult for businesses to differentiate brands from competitors. Therefore, the responsibility of managers is to create differential advantage through establishing brand associations in the mind of consumers (Fuchs and Diamantopoulos, 2010). Keller (2012) argued that position of brand symbolizes the attributes, benefits, images, thought, feeling, attitudes and experiences evoked by the brand which enhances consumers’ brand knowledge. To facility consumer brand knowledge, brand positioning strategies have been proposed by scholars. For example, Fuchs and Diamantopoulos (2010) study identified benefit-based positioning, user-based positioning...
and attributes-based positioning. Van Riemsdijk et al. (2017) also identified emotional, functional, epistemic value and public welfare as the positioning strategies in their study. The current study operationalized brand positioning as the benefit to the user and the effect of the brand on the public welfare.

**Corporate Branding and Consumer Attitude**

The first hypothesis examines the direct relationship between Corporate Branding and Consumer Attitude. Bravo et al (2009) found that within the banking sector in America, consumers’ perception of a financial institution is driven by the image held by the consumers and has the tendency to influence purchase decision. On the other hand, Souiden et al (2006) study focused on the cross-cultural analysis of Corporate Branding and consumers’ product evaluation. The study revealed that differences in environmental factors and branding approaches of America and Japan have great influence on consumers’ brand evaluation. For instance, the authors’ study revealed that Japanese consumers’ do not consider products or services they are not familiar with. Silva and Alwi (2006) study in British context focusing on book retailers, also identified the relationship between Corporate Branding and consumers’ response. The authors found that consumers’ cognitive and affective association of brands has a significant impact in determining the level of consumers’ responses in the book retailing sector in British society. Tuškej et al. (2013) argued in their study that brand values identification of consumers has the corresponding effect on consumers’ brand relationship. Based on the discussion above, it is hypothesized that:

H1: Corporate Branding have positive significant effect on Consumer Attitude

**Brand Positioning, Corporate Branding and Consumer Attitude**

The second hypothesis tests the mediating role of Branding Positioning between Corporate Branding and Consumer Attitude. Narteh and Owusu-Frimpong (2011) emphasized that liberalization of market specifically in Ghana has paved way for buyer’s economy. This presupposes that understanding consumers’ needs and providing goods and services to cater for those needs are the surest way to survive. Frank (2012) indicated that customer satisfaction is triggered by the consumer’s perception and intentions towards the brand. This suggests that consumer’s perception and intentions towards brands is facilitated by beliefs which have been developed by the consumer about the brands. Marinkovic and Obradovic (2015) argued that consumers’ belief in the banking institution represent the level of reliability and integrity possessed by the financial service provider and can stimulate consumers’ trust in the brand. This is because, Brand Positioning connotes the values in the brand designed to reside in the minds of consumers in order to influence purchase intention of the consumer (Blankson and Kalafatis, 2007). Against this background, the following hypothesis is developed:

H2: Brand Positioning mediates Corporate Branding and Consumer Attitude

**Research methodology**

A quantitative approach was adopted for the study and structured questionnaire was used to gather data from universal bank customers in Accra, Ghana. Accra was chosen as the location for this study as most banks in Ghana are found in this city. Prior to the collection of responses from respondents, the initial questionnaire was tested on a sample of students from University of Ghana Business School. The rationale behind this approach was to check ambiguity with regards to the wording that could create confusion for the respondents and the outcome of the test informed the researcher to adjust some of the questions. A total of 350 questionnaires were given out and the sample was selected using convenience sampling approach. Convenience sampling approach was adopted for this study due to unavailable sampling frame from the banking sector and as such respondents were selected based on willingness and availability. The researcher engaged in face-to-face interaction with the respondents before issuing the questionnaire. Self-administered approach was adopted; however, the researcher was on
standby to provide clarification to the respondents. 338 questionnaires were returned. A review revealed 28 incomplete questionnaires. Therefore, a total of 310 questionnaires were used for the analysis in this study, representing 88.6% response rate. The measurement scales for Corporate Branding were adapted from the works of various scholars which includes Bravo et al, (2012); Hatch and Shultz, (2003); Kaynak and Harcar, (2005); Marinkovic and Obradovic, (2015); Narth, (2013) and Souiden et al, (2006). The measurement scales for Consumer Attitude were adapted from these scholars; Kaynak and Harcar, (2005); Liu et al, (2012) and Marinkovic and Obradovic, (2015). Brand Positioning measurement scales were adapted from these scholars; Fuchs and Diamantopoulos, (2010); Keller, (2012) and Knox, (2004). These constructs were scored on a five (5) point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Structural Equation Modeling (SEM) using AMOS version 20 was used to analyse the data.

Results

Descriptive statistics was used to provide frequencies on respondents’ age, gender, education, marital status and nationality. This activity was executed using SPSS21. The first item on the demographic information captured was age. The results from the study indicated that majority of the respondents who took part in the survey have their age bracket falling between the ages of 21-30years representing fifty-one percent (51%). The second item was the gender of the respondent. The survey revealed that majority of the respondents were female representing fifty-eight-point seven percent (58.7%). The study indicated that only two respondents had no formal education and this represents less than one percent (<1%) of the total sample interviewed. The rest have had formal education with majority falling within “degree” category representing sixty-six-point five percent (66.5%). The next item on the demographic variable list was the marital status of the respondents. The results indicate that majority of the respondents who took part in the survey are not married and they represent over sixty-six percent (66.6%). The survey also indicated that majority of the respondents were Ghanaians representing about ninety-four percent (94.2%).

Confirmatory Factor Analysis (CFA)

Structural Equation Modelling (SEM) was used in testing the hypothesis arising from the theoretical model. The two-stage approach as endorsed by Anderson and Gerbing (1988) was adopted in this study, given that the accurate representation of the reliability of each construct is best conducted in two stages to avoid any interaction between the measurement and structural models (Hair et al., 2010). The factor loadings table represents an indicator of how well a given set of indicants measure an assigned construct. Loadings with readings of 0.50 and above are deemed to adequately measure the constructs they have been assigned (Hair et al., 2010). Loadings are used in the assessment of convergent and discriminant validity (Sekaran, 2000), and the factor loadings table indicates that there were no issues as far as convergent and discriminant validity were concerned. The factor loadings table is presented below:
Table: Factor Loadings

<table>
<thead>
<tr>
<th>Items</th>
<th>Codes</th>
<th>Loadings</th>
<th>CR</th>
<th>AVE</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORPORATE BRANDING</strong></td>
<td>CB</td>
<td>0.806</td>
<td><strong>0.94</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider the bank’s network of branches</td>
<td>BA4</td>
<td>0.82***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider innovative products/services</td>
<td>BA5</td>
<td>0.83***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employees Action</strong></td>
<td></td>
<td><strong>0.928</strong></td>
<td>0.834</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees provide accurate information</td>
<td>EA9</td>
<td>0.92***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees solve complaints satisfactorily</td>
<td>EA10</td>
<td>0.93***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees show willingness to serve me</td>
<td>EA11</td>
<td>0.88***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Image</strong></td>
<td></td>
<td><strong>0.859</strong></td>
<td>0.753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider banks with good image</td>
<td>CI1</td>
<td>0.83***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider banks with reliable services</td>
<td>CI2</td>
<td>0.90***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CONSUMER ATTITUDE</strong></td>
<td></td>
<td><strong>0.911</strong></td>
<td>0.719</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td>My current bank will be my first choice in future</td>
<td>CON1</td>
<td>0.82***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I may continue using my bank service in the future</td>
<td>CON2</td>
<td>0.88***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I may recommend my bank to friends and relatives</td>
<td>CON3</td>
<td>0.87***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I may increase transaction with my current bank</td>
<td>CON4</td>
<td>0.82***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BRAND POSITIONING</strong></td>
<td></td>
<td><strong>0.908</strong></td>
<td>0.665</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>I consider banks I perceive to be credible</td>
<td>BP3</td>
<td>0.84***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider the benefits of a bank offerings</td>
<td>BP4</td>
<td>0.83***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider the reputation of the bank</td>
<td>BP5</td>
<td>0.86***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider banks with credible partners</td>
<td>BP6</td>
<td>0.80***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider banks that provide support to society</td>
<td>BP7</td>
<td>0.73***</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above presents summaries of the results of the CFA conducted to test the multidimensionality of the constructs. The loadings for the factors fell within range and satisfied the threshold of 0.50 as posited by Hair et al. (2010). CR in the table refers to construct reliability, Internal Consistency (IC) or Composite Reliability (Werts et al., 1974). The CR gives an indication of the measurement of unidimensionality and is considered to be a better indicator than Cronbach’s Alpha (Chin, 1998). The CR values obtained after the CFA was conducted were 0.94 for employees’ actions, 0.86 for Corporate Image, 0.81 for business activities, 0.91 for Consumer Attitude and 0.91 for Brand Positioning. These values were high, ranging between .70 and .95 confirming the reliability of each construct. These results provide evidence of unidimensionality and indicated that the constructs were suitable. The table also reported the Cronbach alpha and the values obtained were 0.94 for Corporate Branding, 0.91 Consumer Attitude and 0.89 for Brand Positioning. These values fell within an acceptable range and indicated a strong internal consistency. According to Gliem and Gliem (2003), Cronbach’s alpha reliability coefficient normally ranges between 0 and 1, and the closer the coefficient is to 1.0, the greater the internal consistency of the items in the scale. Thus, the results from the factor loadings table confirm that convergent and discriminant validity has been obtained.

The measurement model enables one to analyse the causal relationships in the structural model (Bagozzi, 1981). The first stage of the analysis in this work was executed through the specification of the causal relationships between the observed variables and the underlying theoretical constructs. The essence of this stage was to ascertain the veracity of the unidimensionality of the composite and latent constructs. This stage was used to ensure that a set of items achieved their objective of empirically measuring a single dimension. From the table, it can be deduced that the various measures indicate that the fitness of the model is beyond reproach. The Chi-square value was 211.506 and Degree of Freedom (DF) was 94 which indicates a statistical value of 2.25 representing CMIN/DF which is within the threshold of less than three (<3). The Root Mean Square Error of Approximation (RMSEA) was the second measure that was deployed to test for the fitness of the model. The RMSEA value obtained (0.064) was within the acceptable range of 0.80 or less, further corroborating the fitness of the model (Diamantopoulos & Siguaw, 2000). The incremental fit measures were used because
they provide a comparison between the proposed model and the null model (Hair et al., 2010). The Normed Fit Index (NFI) was the first incremental measure reported, and the value obtained was 0.95, which indicated a near perfect fit (Hair et al., 2010). The Comparative Fit Indices (CFI) was also used as a measure to support the NFI given that the NFI does not control for degrees of freedom. CFI values are said to be acceptable when they fall within the range of 0.90 or greater. The CFI value obtained for this study was 0.97, further certifying the fitness of the model. The Tucker-Lewis Index (TLI) had a good value of .96 and this fell within the accepted range of 0.90 or greater (Hair et al., 2010). All the incremental fit measures indicated that the model was fit as indicated in the table above.

**Hypothesized Relationships**

The hypothesised relationship between Corporate Branding and its dimensions on Consumer Attitude were further analysed. The first analysis looked at the direct relationship between Corporate Branding and Consumer Attitude followed by the individual dimension of Corporate Branding on Consumer Attitude. The results are presented in the table below.

<table>
<thead>
<tr>
<th>Path</th>
<th>Std. β</th>
<th>S.E.</th>
<th>t-value</th>
<th>p-value</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate branding → Consumer Attitude</td>
<td>0.63</td>
<td>0.132</td>
<td>3.86</td>
<td>***</td>
<td>supported</td>
</tr>
<tr>
<td>Business Activities → Consumer Attitude</td>
<td>0.43</td>
<td>0.048</td>
<td>8.43</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Corporate Image → Consumer Attitude</td>
<td>0.56</td>
<td>0.045</td>
<td>11.84</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Employees' Action → Consumer Attitude</td>
<td>0.51</td>
<td>0.047</td>
<td>10.44</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

The above table highlights the direct relationship between the conceptualised Corporate Branding and Consumer Attitude, Business activities and Consumer Attitude, Corporate Image and Consumer Attitude, and employees’ action and Consumer Attitude. The results suggest that the direct relationship between Corporate Branding and Consumer Attitude in the banking sector in Ghana is very strong as indicated in the table above. The results also reveal that there is a strong relationship between the individual dimensions of corporate branding and consumer attitude. This indicates that each of the conceptualised dimension of Corporate Branding can influence Consumer Attitude significantly. The beta estimates of the three constructs of Corporate Branding indicates Corporate Image (β=0.56) as the most influential in predicting Consumer Attitude in the Ghanaian banking sector. The mediating effect of Brand Positioning between Corporate Branding and Consumer Attitude was assessed in this study. The table below presents full details of the mediation effect of the proposed framework.

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Direct without mediator</th>
<th>Direct with mediator</th>
<th>Indirect effects</th>
<th>Mediation effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Branding → Brand Positioning → Consumer Attitude</td>
<td>0.63 (*** )</td>
<td>0.37 (0.006)</td>
<td>0.26 (0.005)</td>
<td>Partial mediation</td>
</tr>
<tr>
<td>Business activities → Brand Positioning → Consumer Attitude</td>
<td>0.43 (*** )</td>
<td>0.16 (0.009)</td>
<td>0.28 (0.001)</td>
<td>Partial mediation</td>
</tr>
<tr>
<td>Corporate Image → Brand Positioning → Consumer Attitude</td>
<td>0.56 (*** )</td>
<td>0.25 (0.03)</td>
<td>0.31 (0.001)</td>
<td>Partial mediation</td>
</tr>
<tr>
<td>Employees' actions → Brand Positioning → Consumer Attitude</td>
<td>0.51 (*** )</td>
<td>0.15 (0.57)</td>
<td>0.36 (0.000)</td>
<td>Full mediation</td>
</tr>
</tbody>
</table>
As indicated in the table above, Corporate Branding achieved partial mediation with Brand Positioning to influence Consumer Attitude. The disintegration of Corporate Branding into three dimensions also produced different mediation effect with Brand Positioning to influence Consumer Attitude. Both business activities and Corporate Image dimensions of the conceptualised Corporate Branding model for this study achieved partial mediation effect with Brand Positioning to influence Consumer Attitude in the Ghanaian banking sector. Because the relationships were still significant even though the estimates reduced. On the other hand, employees’ action achieved full mediation in influence Consumer Attitude through Brand Positioning. This is so because, the introduction of the mediator made the relationship between corporate branding and consumer attitude not significant, but the indirect effect of the mediator was significant.

Discussion of results

Changes within the business circles have triggered marketing emphasis to shift from product branding to corporate branding (Anisimova, 2016). The banking industry have had it share of the transformations due to the global financial crises in 2008 (Ohnemus, 2009) and reforms introduced by the regulatory bodies to streamline banking activities (Narteh, 2013). Hinson and Hammond (2006) admonished banking institutions to adopt corporate branding as a result of the passage of the universal banking law. Since literature has not agreed on dimensions constituting corporate branding (Theng So et al., 2013), the study adapted Hatch and Shultz (2003) model and assessed its impact on consumer attitude in the Ghanaian banking sector. The findings of this study have revealed that there is a positive significant relationship between Corporate Branding and Consumer Attitude in the Ghanaian banking sector as the hypothesis one of this study sought to establish. Banking institutions in Ghana are however entreated to focus on building solid corporate brands which has been earmarked as a requisite for influencing consumer attitude significantly. This confirms Anisimova (2016) study in Australia that a Corporate Branding strategy project favorable public perception about the organization.

This indicates that effective management of Business Activities, Employees’ Actions and Corporate image of the banking institution concurrently will have a great effect in influencing Consumer Attitude. The study further sought to assess the mediating role of Brand Positioning between Corporate Branding and Consumer Attitude. Empirical findings of this study imply that Brand Positioning partially mediates between Corporate Branding and Consumer Attitude in the Ghanaian banking sector. Therefore, the bank’s reputation, credibility of partners, support to the society and benefits of the offering, representing Brand Positioning in this study as illustrated in table 2 partially influence the relationship between Corporate Branding and Consumer Attitude in the Ghanaian banking context. This confirms Bashir and Madhavaiah (2015) study in India that consumers’ select bank services based on perception and the nature of the perception (either positive or negative) influence their attitude and purchase intention towards the bank. Therefore, the belief consumers have about financial institution influence their level of trust about such an institution (Marinkovic and Obradovic, 2015).

The study further tested the mediation effect of Brand Positioning on each dimension of Corporate Branding model and Consumer Attitude. The essence of this exercise was to determine the impact of the mediator on each of the dimension and Consumer Attitude. Brand Positioning partially mediate both Business Activities and Corporate Image dimensions in influencing Consumer attitude in this study. However, Employees Actions requires full mediation with Brand Positioning in order to influence Consumer Attitude in the Ghanaian banking sector. Papasolomou and Vrontis (2006) confirmed the outcome of this study when they indicated that in the United Kingdom (UK) the banking industry build corporate brand through Internal Marketing (IM) practices by engaging the employees with training, setting the quality standard and offering motivational packages to boost the performance of employees.
Conclusion

The focus of this study is to assess the mediating role of Brand Positioning on Corporate Branding and Consumer Attitude in the Ghanaian banking sector. The current study has established that there is a positive and significant relationship between Corporate Branding and Consumer Attitude. Branding Positioning partially mediates the relationship between Corporate Branding and Consumer Attitude in the Ghanaian banking sector. The study also concludes that Business Activities and Corporate Image as Corporate Branding dimensions influence Consumer Attitude partially through Brand Positioning. However, Employees’ Actions require full mediation of Brand Positioning in order to influence Consumer Attitude significantly. Based on foregoing discussions and analysis, it is prudent to conclude that banking institutions in Ghana need to focus on building strong Corporate Brands that seek to engender trust in order to influence Consumer Attitude. The argument for adoption of Corporate Branding has become relevant as a result of major transformation happening in the banking sector. Notable changes confronting the banking sector in Ghana include highly competitive landscape, high consumer switching behaviour, government regulations and advancement in technology.

Future research direction

Like any other study, the current study was conducted under certain limitations. Firstly, the study was conducted in one geographical area, that is, Accra metropolis which may not give a true reflection on the outcome of the study. Therefore, future research could expand the scope of the study by conducting the study in other geographical environments. The study also used Convenience sampling technique to sample the respondents for the study. Future researchers could use Probability sampling technique to select respondents that will provide a true representative of the population under consideration. The Corporate Branding model adopted for the current study could be replicated in other sectors like manufacturing or other services sector in order to establish its applicability across industries. Brand trust and brand engagement could be adopted as mediating variables to serve as extra constructs to determine the relationship between Corporate Branding and Consumer Attitude. In spite of all these, the results of the study are deemed reliable and reflective of bank customers in Ghana.

References


Conflict is ubiquitous and inevitable in any organization. Conflict in B2B organizations is no exception. Market-oriented firms cannot thrive and prosper without harmony between marketing and sales. Thus, managing conflict when it arises in a marketing-sales relationship is the lynchpin of a superior customer experience journey and business performance. The purpose of this paper is to leverage a decision support model to quantify and manage conflict in marketing-sales relationships. Data were collected from marketing and sales managers of a multinational electronics firm operating in Africa and the Middle East. Results indicate that task conflict is the most important to manage in marketing-sales relationships relative to information conflict, followed by relational conflict and economic (budget allocation) conflict. For conflict management strategies, collaboration management is the most favored relative to confrontation management strategy, followed by accommodation and compromise to deal with conflicts in marketing-sales relationships.

Keywords: Conflict management, marketing-sales relationship, B2B, AHP

Introduction

No organization is exempt from the prevalence of conflict. Conflict situations do occur in organizations all sizes (Kharadz & Gulua, 2018). In Derr’s (1978) seminal paper, conflicts are defined as the normal and natural influence of human interaction in organizational settings. In another seminal paper, conflict represents “some specific type of interaction, marked by obstruction struggle, constraining or prejudicial act and by resistance or retaliation against these efforts” (Katz & Kahn, 1978, p. 615).” Conflicts are associated with the collision of opposing interests of two or more parties (Cooper, 2006), lack of resources, the division of functions, roles and tasks, power relations and role-differentiation, and organization roles in society (Bercovitch, 1983; Madalina, 2016). Some of the causes conflicts also include lack of communication, different metrics measurement, lack of accurate data on target accounts, lack of common prospect and customer data (Burney, 2018); relational differences, lack of exchanges and cross-functional capabilities (Keszey & Biemans, 2016); differences of thought world (Homburg & Jensen, 2007); unambiguous role definition (Kotler, Rackham, & Krishnaswamy, 2006); mismatch of culture (Beverland et al., 2006); conflict goals and objectives (Strahle, Spiro, & Acito 1996). Tobak (2008) argues that organizational conflict regardless of the form hinders efficiency, reduces morale, and threatens the success of any organization.

Marketing-sales conflicts are conflicts that occur over a wide range of issues such as lack of real-time exchange of information and disagreement over marketing goals to pursue. Indeed,
there is a history of long conflict between sales and marketing in B2B organizations (Aspinall, 2010). Marketing and sales relationship is characterized by conflict due to a lack of cohesion, distrust, and dissatisfaction (Dewsnap & Jobber, 2002). Indeed, the proverbial cat-and-dog relationship between marketing and sales can undermine a market-oriented firm’s objectives to better serve customers, drive business performance and sustain growth. In spite of the traditional dysfunctional marketing-sales relationship (Kotler et al., 2006), there are no parts of a firm more aligned with the first two units than the marketing-sales relationship (Hughes, Le Bon, & Malshe, 2012). Despite the fact that marketing-sales share a similar goal of creating customer value, customer experience, revenue, and profit, they are often at loggerhead with each other (Malshe, Johnson, & Paul Viio 2017; Beattie, 2017; Sivaswamy, 2015; Beverland, Steel, & Dapiran, 2006). Marketing complains of bad lead follow-up by sales, while complains about the quality of leads generated by marketing (Smith, Gopalakrishna, & Chatterjee, 2006). A productive marketing-sales relationship is a quintessential part of delivering superior service to customers and driving sales performance. Moravick (2017a) contends that productive marketing-sales relationship separates the best firm from the rest. Marketing–sales relationship is about the two functional areas supporting one another to help consumers acquire products/services (Rouziès et al., 2005) and linking with customers early on in their buying process to build awareness and generate leads for sales to execute (Sallows, 2017). Le Meunier-Fitzhugh & Piercy (2007) identified five antecedents conductive for effective collaboration between marketing-sales include positive senior management support for productive sales-marketing relationship, the reduction of interdepartmental conflict, the improvement of communications, the establishment of organizational learning, and effective market intelligence systems.

The intent of this paper is to gain an insight into how marketing-sales relationship conflict and conflict management strategies impact the effectiveness to serve customers and business performance. Specifically, this paper explored the effects of five conflict management strategies identified in the decision support framework, including collaboration, accommodation, confrontation, compromise, etc. This research makes a contribution by way of identifying conflict antecedents in a marketing-sales relationship and assessing their impact on serving customers and sales performance. To address these issues, we carried out quantitative analysis leveraging analytic hierarchy process (AHP) model developed by Saaty (1980). The rest of this paper is structured as follows. The literature review is presented in section two. The methodology is described in section three. Data collection and analysis are discussed in section four. Section five presents a discussion of the result. Finally, conclusion and managerial implications are presented.

**Literature Review**

**Marketing-Sales Relationship**

Several authors have examined marketing-sales relationship or interface (e.g. Lionakis, Avlonitis & Panagopoulos, 2013; Hughes, Le Bon, & Malshe, 2012; Hulland & Barclay, 2012; Kotler et al., 2006). Firms are able to create and deliver superior customer value when the marketing-sales relationship is friction-free (Malshe & Sohi, 2009; Dewsnap & Jobber 2009; LaForge, Ingram, & Cravens, 2009). Kolouchova & Rozek (2014) advocate that marketing and sales functional cooperation should be an important part of all market-oriented firms. Goold & Campbell (1998) posit that market-oriented firms are able to create superior customer value and performance through inter-functional synergy.

**Sources of Conflict in Marketing-Sales Relationship**

There is historical bad blood in the marketing-sales relationship. Marketing-sales are often viewed as being different in terms of their individual role, neither collaborative nor harmonious,
and intra-functional conflict (Dewsnap & Jobber, 2000; Workman, Homburg, & Gruner, 1998). According to Lorge (1999) and Cespedes (1995), marketing tends to focus on products relative to sales that focus on customer accounts. Arguably, it is no wonder there is inherent disharmony in the marketing-sales relationship. Therefore, identifying sources of conflict is necessary in order to deploy the appropriate conflict management strategies to effectively manage marketing-sales relationship conflict. Robbins (1974) emphasizes that the identification of sources of conflict can improve the probability of effective conflict management. Kotler et al. (2006) identified economic and cultural as major sources of conflict in the marketing-sales relationship. Conflict emanates from situations of scarce resources, the division of functions, power of relations and role-differentiation (Bercovitch, 1983).

Conflict is inherent in the marketing-sales relationship because marketing focuses on strategy creation activity, while sales focus on strategy implementation (Kotler et al., 2006; Rouzies et al. 2005). Homburg & Jensen (2007) attest that the marketing-sales relationship is conflict-laden in managerial practice. The discord between marketing and sales is due to differences of thought world (Homburg & Jensen 2007), unambiguous role definition (Kotler et al. 2006), mismatch of culture (Beverland et al., 2006), conflict goals and objectives (Strahle, Spiro, & Acito, 1996). Altschuler (2017) identified conflicts between marketing and sales as ineffective/lack of communication, competition for departmental funding, misunderstanding of roles, clashing of personality/culture, unclear/overlapping goals, blame game, and disparate/aligned strategies. Ikeda, Veludo-de-Oliveira, & Campoma (2005) attest that organizational conflicts from the point of marketing executives emanate from communication, differences in expectations, and organizational structure. Keszy & Biemans (2016) identified sources of conflicts in the sales-marketing interface as relational differences (e.g., different thought worlds, cultures and time orientations), lack of exchanges (e.g., lack of coordination and formalization), lack of cross-functional capabilities (e.g., understanding each other's marketplace perspective and functional objectives). Burney (2018) identified sales-marketing alignment challenges like lack of communication, broken/flawed processes, different metrics measurement, lack of accurate data on target accounts, reporting challenges, lack of common prospect and customer data, and lack of accountability on both sides.

Conflict Management Strategies

Managing conflicts in international relationships is a challenging endeavor relative to domestic ones (Ratajczak-Mrozek et al., 2019). For B2B organizations, managing conflict in marketing-sales relationships is important because of the growing imperative to effectively serve customers, boost business performance, and grow revenue. Firms able to manage cross-functional relationships will thrive and prosper (e.g., Malshe & Biemans, 2014; Malshe, Al Khatib, Al Habib, & Ezzi, 2012; Le Meunier-FitzHugh, Massey, & Piercy, 2011). A number of seminal works created the taxonomies of conflict management behaviors (e.g., Blake and Mouton, 1964; Thomas, 1976, 1979; Rahim & Bonoma, 1979; Pruitt, 1983). Managing conflicts can positively affect organizational objectives (Tjosvold, Dunn, & Wong, 1992; Robbins, 1978; Tjosvold, 1985; Rahim, 1986). Roark & Wilkinson (1979) opine that when conflict is managed well, it can result in satisfaction with goals achieved, more creative solutions and improved commitment to relationships. Thomas (1976) recommended five conflict management approaches, including confrontation, collaboration, compromise, avoidance, and accommodation. Lu & Wang (2017) opine that integrating, obliging, and avoidance conflict management styles have a positive influence on relationship quality. Bercovitch (1983) notes that traditional management strategies for interdepartmental conflict include avoidance, institutionalization, rules and procedures, bargaining, and mediation-arbitration.

Research Methodology

Marketing-sales relationship conflict represents a typical multi-criteria decision-making (MCDM) that can be both qualitative and quantitative. The AHP model developed by Saaty (2008) is the most commonly used MCDM methods as a management tool in several industry sectors. Indeed, AHP supports decision-makers faced with a complex problem with multiple
conflicting and subjective criteria. It allows decision-makers to model a complex problem in a hierarchical structure, showing the relationships of the overall goal, criteria (objectives), sub-criteria, and alternatives. There are four steps required in AHP development, including problem modeling, weights valuation, weights aggregation, and sensitivity analysis.

Structuring marketing-sales relationship conflict problem for AHP model

A typical AHP is composed of the following four phases. 1) Construct a hierarchy that describes the problem. The overall goal is at the top of the structure, with the main attributes on a level below. 2) Derive weights for the lowest-level attributes by conducting a series of pair-wise comparisons in which each attribute on each level is compared with its family members in relation to their significance to the parent. 4) Adjusting the alternatives’ scores to reflect the weights given to the criteria.

AHP Steps

First, define an unstructured problem and determine the overall goal depicted in the first level of the hierarchy. Second, build the hierarchy from the top through the intermediate levels (criteria on which subsequent levels depend on) to the lowest level, which usually contains the list of alternatives. Third, construct a set of pair-wise comparison matrices for each of the lower levels. The pair-wise comparison is made such that the attribute in row i (i = 1, 2, 3, 4…n) is ranked relative to each of the attributes represented by n columns. The pair-wise comparisons are done in terms of which element dominates another. These judgments can be expressed as integer values 1 - 9 in which 1) aij = 1 means that i and j are equally important. 2) aij = 3 signifies that i is moderately more important than j. 3) aij = 5 suggests that i is strongly more important than j. 4) aij = 7 indicates that i is very strongly more important than j. Finally, 5) aij = 9 signifies that i is extremely more important than j.

![Hierarchy structure of conflicts in marketing-sales relationships](image)

**Figure 1: Hierarchy structure of conflicts in marketing-sales relationships**

Establishment of Pairwise comparison matrix A

The pair-wise comparisons are accomplished in terms of which element dominates or influences the order. We used the AHP to quantify experts’ opinions depicted as an n-by-n matrix as follows:
If $c_i$, is judged to be of equal importance as $c_j$, then $(a_{ij}) = 1$; If $c_i$, is judged to be more important than $c_j$, then $(a_{ij}) > 1$; If $c_i$, is judged to be less important than $c_j$, then $(a_{ij}) < 1$; $(a_{ij}) = 1/a_{ji}, (i, j = 1, 2, 3, \ldots, n), a_{ij} \neq 0$. Where matrix $A$ represents a reciprocal matrix, $a_{ij}$ is the inverse of the entry $a_{kj}$ which indicates the relative importance of $C_i$ compared with attribute $C_j$. As an example, $a_{12} = 3$ indicates that $C_1$ is 3 times as important as $C_2$. In matrix $A$, it becomes the case of assigning the $n$ elements $C_1, C_2, C_3 \ldots C_n$ a set of numerical weights $W_1, W_2, W_3 \ldots W_n$ that represents the recorded experts' judgments. If $A$ is a consistency matrix, the links between weights $W_i$ and judgments $a_{ij}$ are given by $Wi/Wj = a_{ij}$ (for $i, j=1, 2, 3 \ldots n$).

**Eigenvalue and Eigenvector**

Saaty (1990) recommended that the maximum eigenvalue, $\lambda_{\text{max}}$, is be determined as

$$\lambda_{\text{max}} = \sum_{j=1}^{n} a_{ij} W_j/Wi.$$  \hspace{1cm} (2)

Where $\lambda_{\text{max}}$ is the principal or maximum eigenvalue of positive real values in judgment matrix, $W_j$ is the weight of $j$th factor, and $W_i$ is the weight $i$th factor. If $A$ represents consistency matrix, eigenvector $X$ can be determined as

$$(A - \lambda_{\text{max}}I)X = 0$$ \hspace{1cm} (3)

**Consistency test**

Both AHP and Expert Choice Software do not impose on the firm to be perfectly consistent. Rather, a consistency test is required to evaluate the degree of consistency as well as each judgment once the priorities are determined. The consistency index (CI) and the consistency ratio (CR) are employed to check for the consistency associated with the comparison matrix. To be sure that the priority of elements is consistent, the maximum eigenvector or relative weights $(\lambda_{\text{max}})$ can be determined. Specifically, CI for each matrix order $n$ is determined by using (3):

$$\text{CI} = (\lambda_{\text{max}} - n)/n - 1$$ \hspace{1cm} (4)

Where $n$ is the matrix size or the number of items to compare in the matrix. Based on (4), the consistency ratio (CR) can be determined as:

$$\text{CR} = \text{CI}/RI = [(\lambda_{\text{max}} - n)/n - 1]/RI.$$ \hspace{1cm} (5)

CR is acceptable if its value is less than or equal to 0.10. If it is greater than 0.10, the judgment matrix will be judged inconsistent. To rectify the judgment matrix that is inconsistent, decision-makers’ judgments should be reviewed and improved. Table 1 is the RI representing average consistency index over a number of random entries of same order reciprocal matrices.
Table 1: Saaty’s reference values of RI for different numbers of n

<table>
<thead>
<tr>
<th>n</th>
<th>2</th>
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<tbody>
<tr>
<td>RI</td>
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<td>1.32</td>
<td>1.41</td>
<td>1.45</td>
<td>1.51</td>
</tr>
</tbody>
</table>

**Overall/composite priority**

The composite priority score of the alternatives is determined by multiplying the relative priority of an alternative by the relative priorities of the corresponding criteria and added overall criteria.

Specifically,

$$S_i = \sum_{j=1}^{n} w_j p_{ij} \quad \text{for } i = 1, 2 \ldots n$$  \hspace{1cm} (6)

Where $S_i$ is the composite score for the $i$th alternative conflict management strategy, $p_{ij}$ is the score of the $i$th alternative conflict management strategy with respect to the $j$th sales process attribute, and $w_j$ is the priority weight of the $j$th marketing-sales relationship conflicts attribute in the second level.

**Data Collection and Analysis**

We collected the data from 30 marketing and sales managers of a multinational electronics firm operating in Africa and the Middle East. We used a combination of interview, literature review, and brainstorming technique to seek their opinions on the sources of conflicts in marketing and sales relationship and conflict management. Based on the aforementioned, we developed a survey questionnaire. They provided a response to several pair-wise comparisons, where two categories at a time were compared with respect to the goal. It took a total of 15 judgments (i.e., $6(6-1)/2$) to complete the pairwise comparisons shown in Table 2. The criteria priority estimates used the data reported in the matrix. The priorities provide a measure of the relative importance of each criterion. For the data analysis in Tables 2-3, the AHP-based Expert Choice Software was used.

**Table 2: pairwise comparison matrix of the main Criteria with respect to the goal**

<table>
<thead>
<tr>
<th>Goal</th>
<th>IC</th>
<th>CC</th>
<th>EC</th>
<th>OC</th>
<th>RC</th>
<th>TC</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information conflict (IC)</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0.229</td>
</tr>
<tr>
<td>Cultural conflict (CC)</td>
<td>1/3</td>
<td>1</td>
<td>1/2</td>
<td>1/2</td>
<td>1/3</td>
<td>1/5</td>
<td>0.06</td>
</tr>
<tr>
<td>Economic conflict (EC)</td>
<td>1/2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1/2</td>
<td>1/2</td>
<td>0.125</td>
</tr>
<tr>
<td>Organizational conflict (OC)</td>
<td>1/3</td>
<td>2</td>
<td>1/2</td>
<td>1</td>
<td>1/3</td>
<td>1/5</td>
<td>0.076</td>
</tr>
<tr>
<td>Relational conflict (RC)</td>
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<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1/2</td>
<td>0.204</td>
</tr>
<tr>
<td>Task conflict (TC)</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>0.306</td>
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Table 3: Composite/Overall Priority

<table>
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<tr>
<th></th>
<th>IC</th>
<th>CC</th>
<th>EC</th>
<th>OC</th>
<th>RC</th>
<th>TC</th>
<th>Priority</th>
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</thead>
<tbody>
<tr>
<td>Collaboration</td>
<td>0.440</td>
<td>0.388</td>
<td>0.401</td>
<td>0.399</td>
<td>0.412</td>
<td>0.397</td>
<td>0.403</td>
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<td>Compromise</td>
<td>0.133</td>
<td>0.135</td>
<td>0.124</td>
<td>0.118</td>
<td>0.130</td>
<td>0.117</td>
<td>0.124</td>
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<tr>
<td>Avoiding</td>
<td>0.069</td>
<td>0.068</td>
<td>0.076</td>
<td>0.061</td>
<td>0.067</td>
<td>0.059</td>
<td>0.066</td>
</tr>
<tr>
<td>Accommodation</td>
<td>0.165</td>
<td>0.145</td>
<td>0.148</td>
<td>0.141</td>
<td>0.146</td>
<td>0.128</td>
<td>0.147</td>
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<tr>
<td>Confrontation</td>
<td>0.194</td>
<td>0.264</td>
<td>0.251</td>
<td>0.281</td>
<td>0.243</td>
<td>0.299</td>
<td>0.260</td>
</tr>
</tbody>
</table>

CR = 0.02 < 0.10

Results and Discussion

Figure 2 reports the priorities of the antecedents of conflicts in marketing-sales relationships (top part) and the conflict management strategies (bottom). Results indicate that task conflict is the most important to manage in marketing-sales relationships relative to information conflict, followed by relational conflict and economic (budget allocation) conflict. Specifically, task conflict > information conflict > relational conflict > economic conflict > organizational structural conflict > cultural conflict. For the conflict management strategies indicated in the bottom part, collaboration management strategy is the most favored relative to confrontation management strategy, followed by accommodation and compromise. That is collaboration management strategy > confrontation management strategy > accommodation management strategy > compromise management strategy > avoidance management strategy.

Conclusion and Managerial Implications

The need to resolve the historical conflict between marketing and sales is more than ever imperative if the focal B2B firm desires to effectively serve customers and boost sales performance. While recent studies have looked at causes of conflicts in the marketing-sales relationship, our findings show valuable insights into a group of marketing and sales managers’ perspective on the causes of conflicts in marketing and sales relationship. One of the implications of this study is to increase the understanding of the detrimental impact of marketing-sales relationships can have on the focal firm’s ability to deliver superior customers’ experience journey, enhance business performance and grow revenue. Conflict management between departments enhances a firm’s ability to deliver superior products and services to customers (Tjosvold, 1991). For senior managers of any B2B organizations wishing to develop and improve marketing and sales relationship, they need “… to create unity of effort through aligned goals, shared planning and a collaborative culture to improve business performance, there needs to be a positive attitude to coordination of activities from senior management” (Le Meunier-FitzHugh & Piercy, 2007a). In addition, to effectively manage conflicts between marketing and sales, senior managers need to embrace effective communication, share market
intelligence, organizational learning, and joint marketing planning (Le Meunier-FitzHugh & Piercy, 2007b).

References


THE “GALAMSEY” MENACE IN GHANA: A SOCIAL MARKETING APPROACH TO BEHAVIOUR CHANGE

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The study examines the application of social marketing theory (Motivation, Opportunity and Ability Model) to influence behaviour change towards “Galamsey” activities in Ghana. The study identifies the antecedents of motivation that predict intention and determines the extent intention leads to behaviour change in the context of galamsey activities. Snow ball sampling procedure was adopted for this study and questionnaires were administered to 238 galamsey operators. To determine the relationship between variables in the model, Structural Equation Modeling (SMART PLS) was utilised. The findings reveal that motivation factors that influence intention are belief evaluations and attitudes. The study also establishes a positive correlation between intention and actual behaviour change and demonstrates strong interactive relationships between intention and ability; intention and opportunity and actual behaviour change towards galamsey activities.

Keywords: behaviour change, galamsey, galamseyers, ghana, social marketing.

Introduction

Undisputedly, mining globally has adverse effects on the environment and biodiversity (Bansah et al. 2016; Boadi et al. 2016; Majer 2013). Illegal mining (Galamsey) exacerbates the problem particularly in Ghana where majority of the people are unemployed Ackah-Baidoo (2016) and concerns for environmental protection attract little attention. Boadi et al. (2016); Boateng et al. (2014) assert that communities in Ghana where galamsey activities are prevalent are more susceptible to environmental problems such as fresh water pollution, land degradation, air pollution and negative health externalities. Galamsey also leads to loss of vegetative cover, ecosystem disruption and pose threats to sustainable forest management (Forestry Research Institute 2017). Deadly chemicals such as mercury used in so-called “processing of gold” also have serious health implications for people in galamsey prone areas (JoyNews 2019). It is estimated that about 2.4 million hectors of Ghana’s arable land has been destroyed by galamsey activities and reclaiming such land costs the taxpayer $29 billion yearly (Frimpong-Boateng 2018). To curb the menace, various policy interventions and awareness campaigns have been undertaken. For instance, in 2017, “Operation Vanguard”, a joint military anti-galamsey task force to help prevent galamsey activities was launched and $100 million was allocated under the Multi Sectoral Mining Integrated Project (MMIP) to reclaim lands degraded by galamsey activities (Ministry of Lands and Natural Resources 2017). The highlight was a six-months ban imposed on all galamsey activities. Unfortunately, such interventions have yielded very little positive results and in many cases culminated into deadly confrontations between galamseyers and governments officials. The focus of this study is to explore the role of social marketing theory to influence behaviour change. The extant literature emphasises the application of social marketing in influencing behaviour change (Andreasen 2012; 1994). Over the years, social marketing has also been employed to address broader social problems such as energy and water conservation, pollution and recycling (Fielding et al. 2012; Dolcinar and Hurlimann 2010). However, its application to biodiversity conservation is under
researched (Wright et al. 2015). Indeed, there is paucity of research on the utilisation of social marketing theory to address the galamsey problem as human behaviour becomes the main threat to the environment (Wright et al. 2015; Verissimo 2013). This study investigates the extent to which Motivation-Opportunity-Abilities Model could be used to understand galamsey behaviours in Ghana. The study seeks to achieve the following objectives: (a) explore the relationship between motivation variables (belief evaluations, attitudes and social norms) and intention (b) examine the relationship between intention and actual behaviour change and (c) examine the moderating roles of opportunity and ability on intention and actual behaviour change towards galamsey.

Theoretical Background and Conceptual Framework

In the wake of brutal abuses of the environment by galamsey activities, social marketing, a behaviour change tool provides solutions to changing people’s behaviour toward this activity (Verissimo 2013). Within the context of environmental and biodiversity conservation, studies assert that altering human behaviour can contribute immensely to containing environmental problems (Wright et al. 2015; Verissimo 2013). This is aptly demonstrated by Green et al. (2013) who sought to change landowners’ conservation behaviour toward the clearing of Mexican tropical forest and Martinez et al. (2013) who sampled downstream water users and upstream farmers to conserve riparian forest areas in the Peruvian Andes through behaviour change. These studies trumpet the extent to which conservation activities are more effective when combined with behavioural change principles like social marketing. The constant reliance on social marketing theories without doubt explains the complex nature of understanding and changing human behaviour. For instance, Theory of Planned Behaviour (Ajzen 1991) and Health Belief (Rosenstock 1974) have been used consistently to explain and predict health related behaviours. The current study investigates the effectiveness of the MOA model in predicting behaviour change towards galamsey activities in Ghana. The Motivation, Opportunity, Abilities model by McInnis and Jaworski (1989) integrates the Theory of Planned Behaviour (Ajzen 1991) and Triandis’ model of Choice Behaviour (Traindis 1977) to explain and predict consumer intention towards behaviour change. Although motivation, opportunity and ability are related construct, researchers argue that the lack of theoretical justification of the inter-relationships among their respective variables allows them to be viewed as correlated but very distinct constructs (Siemsen et al. 2008). The model stipulates that motivation, opportunity and ability are fundamental to change in behaviour (Binney et al. 2007). Several studies have employed the MOA model to assess behavioural intentions and actual behaviour change. While Hung and Petrick (2016) contend that the model has explanatory power in investigating travel intentions, Binney et al. (2007) prove that intrinsic motivation combined with ability achieve durable environmentally responsible behaviour. Based on the foregoing; MOA model is adapted for the study and is presented in Figure 1 below:

![Figure 1: MOA Model](image-url)
Hypotheses Development

Motivation Antecedents and Behavioural Intention

Trost et al. (2016) define motivation as basic incentives needed for behaviour change to occur and a force that pushes individuals to achieve their goals and deemed as the driving force behind an individual’s decision making processes regarding behaviour change (Jepson et al. 2012). Ou-Yang et al. (2014) found motivation to have a greater influence on students’ intention to study abroad. Vlek (2000) also argues that attitude and behaviour toward environmental problems largely depends on motivation forces. The components for motivation (belief evaluations, attitudes and social norms) feature prominently in many studies (McInnis and Jaworski 1989). These factors are also found to strongly predict intention to behaviour change (Ajzen 1991).

Beliefs are defined simply as underlying convictions regarding a particular situation (Dillion and Gayform 1997). Divided into behavioural beliefs and normative beliefs, French and Blair-Stevens (2005) postulate that, behavioural beliefs combined with outcome evaluations lead to attitude, which in turn influence intention to perform behaviour. It is assumed therefore that behavioural beliefs concerning galamsey activities will influence intention to behaviour change. Attitudes denote an individual’s positive or negative evaluations of objects or behaviour (Ajzen and Fishbein 1980) derived cognitively, affectively or conatively. In examining the relationship between attitudes and intention, (Ajzen 1991) confirms a significant link. Thus favourable dispositions (attitudes) toward galamsey operations will have positive relationship on intention to stop whereas unfavourable dispositions will negatively influence behavioural intention towards galamsey. The immediate support group and wider social influences on an individual’s behaviour are what is referred to as social norms (French 2017). Barrientos-Gutierrez et al. (2007) see social norms as “group defined standards of appropriate behaviour” and social controls that regulate behaviour. Hence individuals’ sanction themselves when they do not comply with these norms (Stam et al. 2015). Cialdini et al. (1991) group social norms into injunctive norms (a socially shared rule of conduct) and descriptive or subjective norms (the visible behaviour of others).Thus, in the case of galamsey activities, an individual will either follow social guidelines to form behavioural intention or imitate others who have already stopped performing the behaviour. Consistent evidences prove that there is a significant relationship between social norms and behavioural intentions (Rimal and Lapinsky 2015; Bratt 1999). Motivation is thus operationalised as belief evaluations, attitudes and social norms that influence galamseyers’ intention to change behaviour and actual behaviour change. Based on the literature discussed above, the following hypotheses are developed.

H1: Belief evaluations positively influence intention to stop galamsey activities

H2: There is a positive and significant relationship between attitudes and intention to stop galamsey activities

H3: There is positive and significant relationship between social norms and intention to stop galamsey activities

Behavioural Intentions and Actual Behaviour Change

The key precursor to behaviour change is intention (Ajzen 1991). French (2017) buttresses this point by stressing that positive intention to performing behaviour is important to any volitional behaviour change. Thus, while volitional behaviour is preceded by an individual’s intention to engage in that behaviour, behavioural intention is influenced by a person’s attitudes toward the behaviour and subjective norms. In the MOA model, behavioural intentions are influenced by belief evaluations, attitudes and social norms. Therefore, it is assumed that the stronger the intention of a galamseyer to stop galamsey behaviour, the more likely he will stop the behaviour. On that basis, the following hypothesis is formulated.
H4: Intention to stop galamsey positively influences actual behaviour change to stop galamsey

The moderating roles of Opportunity and Ability

Opportunity

Opportunity represents the contextual, situational or facilitating conditions that enable the performance of behaviour (Binney et al. 2007). In social marketing context, opportunity is when an individual is not limited in their desire to act by factors in their external environment (time, financial resources and outside controls) (Binney et al. 2007). Opportunity also describes the availability of relevant information needed to perform behaviour seen as “objective preconditions for behaviour” (Olander and Thogersen 1995). Cary et al. (2002) indicate that lack of time, costs of access to resources, facilities and lack of requisite information to perform behaviour lead to non-adoption of pro-environmental behaviour. In Ou-Yang et al.’s (2014) study, financial factor, culture exposure and career opportunity were identified as factors that explain opportunity to study abroad. Opportunity in this context is operationalised as the availability of relevant information on the effect of galamsey as well as availability of other sources of income that prevents people from engaging in the activity.

H5: The relationship between intention to stop galamsey and actual behaviour change will be stronger when opportunity is positive

Ability

Irrespective of how much an individual is motivated, motivation may not necessarily lead to behaviour change if ability is low (Binney et al. 2007). Hung and Petrick (2016) prove that at any point in time, people must possess the appropriate abilities to be motivated to perform behaviour. Ability is individual’s internal capacities, proficiencies, skills or self-efficacy to perform behaviour (Trost et al. 2016; Hung and Petrick 2016) and reflects the extent an individual is capable of accomplishing a particular task when motivated. Bandura (1977) proffers that people with skills and strong sense of self-efficacy are likely to perform a particular behaviour all things being equal. Ability is also described as habits or accumulated learning developed by individuals and expressed as the number of times a particular behaviour is performed (Bandura 1977). Ability is thus operationalised in this study as the skills, self-proficiencies or efficacies and task knowledge needed to support an individuals’ intention toward stopping galamsey for actual behaviour change to occur.

H6: The relationship between intention to stop galamsey and actual behaviour change will be stronger when ability is positive

Research Methods

The study sets out to explore the role of social marketing theory in addressing galamsey activities in Ghana. To achieve this overarching purpose, a cross-sectional quantitative research design was adopted. The target population for the study was made up of all galamsey operators in Kyebi in the Eastern Region of Ghana. The selection of this region is based on a statement made by a former president of Ghana to the effect that “the headquarters of galamsey activities in Ghana is Kyebi” (Daily Graphic 2014). Data was obtained from 300 people who are current participants in galamsey activities. Snow ball sampling procedure was adopted for this study. Here, because galamsey is an illegal activity and people normally cover their operational traces to avoid being arrested, small number of respondents were first identified. This small group was subsequently impressed on to refer others they know are also into this activity (Wilson 2003). Survey questionnaire divided into two sections was designed to collect data. The first section sought responses on the demographic profile of respondents whereas the second section elicited responses on beliefs, attitudes, social norms (descriptive and injunctive), intention, opportunity, ability and actual behaviour change. Because galamsey activities does not require any formal education, and most respondents can’t read or write, the questionnaire was translated into Twi, a popular Ghanaian language to improve understanding and elicit the cooperation of respondents as suggested by Forsyth et al.’s (2006) translation process. All questions were anchored on a five point Likert scale from “1- strongly disagree” to “5- strongly agree”. Out of
the 300 responses, 238 representing (79%) were used in the final analysis. Statistical analysis of data was carried out using Structural Equation Modeling (SMART PLS).

Results

**Measurement model assessment**
We first conducted a confirmatory factor analysis (CFA) of our model using SmartPLS Ringle et al. (2005), version 2.0 to validate the measurement model. To establish convergent validity, outer loadings and average variance extracted (AVE) were used in showing that measures actually measured their intended constructs. The convergent validity of the measurement scales was found to be acceptable as all the factor loadings were above 0.50 (Fornel and Lacker 1981) and highly significant (See Table 1).

**Table 1: Factor Loadings**

<table>
<thead>
<tr>
<th>Items</th>
<th>Ability</th>
<th>Attitudes</th>
<th>Actual Behaviour</th>
<th>Change</th>
<th>Belief Evaluation</th>
<th>Descriptive S/Norms</th>
<th>Injunctive S/Norms</th>
<th>Intention</th>
<th>Opportunity</th>
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<td></td>
<td></td>
<td>0.787***</td>
<td></td>
</tr>
</tbody>
</table>
Additionally, we assessed the measurement reliability and validity of the proposed measurement model. Construct reliability was evident as the Cronbach’s alpha (α) and composite reliability (CR) scores were above the 0.70 rules of thumb. The AVE for establishing convergent validity for each construct exceeded the suggested cut-off point of 0.50 (Hair et al. 2017) as presented in Table 2.

**Table 2: Reliability and Validity**

<table>
<thead>
<tr>
<th>Details</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability</td>
<td>0.6839</td>
<td>0.9281</td>
<td>0.9062</td>
</tr>
<tr>
<td>Attitudes</td>
<td>0.7058</td>
<td>0.8232</td>
<td>0.6611</td>
</tr>
<tr>
<td>Actual Behaviour Change</td>
<td>0.6334</td>
<td>0.8712</td>
<td>0.8035</td>
</tr>
<tr>
<td>Belief Evaluations</td>
<td>0.948</td>
<td>0.982</td>
<td>0.9754</td>
</tr>
<tr>
<td>Descriptive Social Norms</td>
<td>0.7878</td>
<td>0.9365</td>
<td>0.917</td>
</tr>
<tr>
<td>Injunctive Social Norms</td>
<td>0.5016</td>
<td>0.7298</td>
<td>0.8031</td>
</tr>
<tr>
<td>Intention</td>
<td>0.8154</td>
<td>0.9461</td>
<td>0.9251</td>
</tr>
<tr>
<td>Opportunity</td>
<td>0.6902</td>
<td>0.8696</td>
<td>0.7778</td>
</tr>
</tbody>
</table>

**Table 3: Correlations of constructs**

<table>
<thead>
<tr>
<th>Details</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ability</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Attitudes</td>
<td>0.32</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Actual Behavioural</td>
<td>0.83</td>
<td>0.49</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Belief Evaluations</td>
<td>0.68</td>
<td>0.50</td>
<td>0.72</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Descriptive Social Norms</td>
<td>0.69</td>
<td>0.34</td>
<td>0.70</td>
<td>0.67</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Injunctive Social Norms</td>
<td>0.11</td>
<td>0.26</td>
<td>0.17</td>
<td>0.16</td>
<td>0.27</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Intention</td>
<td>0.11</td>
<td>0.35</td>
<td>0.10</td>
<td>0.11</td>
<td>0.10</td>
<td>0.05</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>8 Opportunity</td>
<td>0.76</td>
<td>0.27</td>
<td>0.64</td>
<td>0.61</td>
<td>0.54</td>
<td>0.21</td>
<td>0.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Note: The inter-construct correlation matrix in Table 3, with square root of AVE on the diagonal, indicated satisfactory discriminant validity of all the constructs.*

After confirming the reliability and validity of the measurement model, we proceeded to test the structural model by testing the hypothesised relationships formulated in the literature review section. Following the bootstrapping resampling method, the structural model was examined to establish the model’s predictive ability and the relationships between the constructs (Hair et al. 2013). The R2 values in the model ranged from 0.232 to 0.738 for intentions to stop Galamsey and behavioural change respectively. Additionally, all paths are statistically significant at the 0.05 level and are in the expected direction with the exception of descriptive social norms (β = 0.0534; T = 0.945) and injunctive social norms (β = 0.0278; T = 0.545) which were not significantly related to intentions to stop Galamsey. The proposed model is considered to have good predictive power, as the remaining paths were significant. The path coefficient between attitudes towards behaviour and intentions to stop Galamsey was (β = 0.547; T = 12.977), while that of belief evaluations and intentions to stop Galamsey was (β = 0.3406; T = 3.9463). We also found intentions to stop Galamsey to be positively associated with behavioural change of stopping Galamsey (β = 0.4884; T = 4.4027). The PLS structural model results are shown in Table 4. We further tested the interaction effect of ability on intentions to stop Galamsey and intentions to stop Galamsey and opportunity which were both significantly related to behavioural change of stopping Galamsey, thus (β = 0.5625; T = 2.9908) and (β = 0.8769; T = 5.9619) respectively (see Table 4).
Table 4: Hypothesis testing

<table>
<thead>
<tr>
<th>Path</th>
<th>Original Sample (O)</th>
<th>T Statistics (O/STERR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes -&gt; Intention</td>
<td>0.547</td>
<td>12.977</td>
</tr>
<tr>
<td>Belief Evaluations -&gt; Intention</td>
<td>0.3406</td>
<td>3.9463</td>
</tr>
<tr>
<td>Descriptive Social Norms -&gt; Intention</td>
<td>0.0534</td>
<td>0.945</td>
</tr>
<tr>
<td>Injunctive Social Norms -&gt; Intention</td>
<td>0.0278</td>
<td>0.545</td>
</tr>
<tr>
<td>Intention to stop Galamsey -&gt; Actual Behaviour Change</td>
<td>0.4884</td>
<td>4.4027</td>
</tr>
<tr>
<td>Moderation effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention * Ability -&gt; Actual Behaviour Change</td>
<td>0.5625</td>
<td>2.9908</td>
</tr>
<tr>
<td>Intention * Opportunity -&gt; Actual Behaviour Change</td>
<td>0.8769</td>
<td>5.9619</td>
</tr>
</tbody>
</table>

Discussion of Findings

In response to calls to influence behaviour change to protect biodiversity Wright et al. (2015); Veríssimo (2013), this study applies a social marketing theory (MOA model) to explore how Ghanaians adopt positive behaviour towards eradicating galamsey. Findings indicate a significant relationship between belief evaluations and attitude and intention toward stopping galamsey corroborating Ou-Yang et al. (2014); Jepson et al. (2012) who found that intention to do a particular behaviour is strongly driven by beliefs and attitude. Specifically, Ajzen (1991) stresses that attitude has positive correlation to and a good predictor of intentions while beliefs relate with behaviour change (Gockeritz et al. 2010). Thus, when positive attitude and beliefs on environmental conservation are formed, galamsey operators are motivated to form intention to change behaviour. On the other hand, social norms were found to have no ties to intentions. The implication of this is that social controls that seek to regulate and prevent people from engaging in galamsey are not adhered to. Again, as shown by the results, what referent groups think about the performance of the behaviour may have had no relevance to galamseyers; hence, their failure to develop intention to stop galamsey. This finding contradicts Nigbur et al. (2010); Ajzen (1991) who have established positive relationship between social norms and behavioural intentions. The study also shows a strong correlation between intention and actual behaviour change indicating that the stronger the intention to perform behaviour, the stronger the performance of the behaviour (French 2017). In this case, it is suggested that galamseyers intention to stop may not be enough to overturn the impact of their activities on the environment until they take steps to actually stop. On the moderating effect of opportunity and ability on intention and actual behaviour change, the study reveals that the interaction relationships were supported. The implication is that galamsey operators’ will change behaviour when intention is influenced by opportunity and ability. This confirms Cary et al.’s (2002) findings that lack of requisite opportunity in the performance of behaviour hampers the adoption of pro-environmental behaviour.

Conclusions and Implications

The study makes significant theoretical contributions in that it recognizes the significant effect that opportunity and ability have on the relationship between intention and behaviour. This is critical in that though intention is a good predictor of behaviour Kibler et al. (2014), intention does not always result in behaviour change (Ajzen 1991). Theoretically, the study enhances the ability of MOA model to effectively influence behaviour change as it provides a prima facie evidence that high opportunity and ability improves the impact of intention on behaviour change towards galamsey. Additional theoretical contribution of the study is that social norms are not relevant motivating factors that influence intention to stop pro-environmental behaviours like...
galamsey. The study also has managerial implications. It is the case that many interventions designed to encourage positive environmental behaviours have not been successful and particularly in Ghana, efforts to discourage galamsey activities have proven a daunting task for both environmental managers and government. Findings show that attitudes and beliefs influence intentions to stopping galamsey and that intention has positive relationship to behaviour change. In view of this, it is recommended that Ghanaians are encouraged to develop positive dispositions to environmental conservation to prevent them from galamsey activities. Beliefs about the environment and the need to preserve it should be indoctrinated into Ghanaians to discourage galamsey. Furthermore, the positive interaction of opportunity and ability on intention and behaviour change demonstrates that the provision of adequate opportunity and policies that concentrate on providing appropriate skills to galamsey operators are critical requirements to change behaviour towards galamsey. As Binney et al. (2007) proffer, “satisfactory behavioural response demands the detailed audit of opportunity and ability regimes”. This will equip practicing galamseyers to stop and “would be” ones to venture to other forms of employment.

Limitations and Future research avenues

While the study makes modest contribution to social marketing research, it is limited in certain key aspects. First, it targeted only one galamsey prone community (Kyebi) in Ghana. Using more communities would have painted a better picture and reinforced the robustness of the data used for analysis. Moreover, the snowball sampling method adopted may have recorded biases in the data as respondents may have recommended others who hold similar views and ideas as themselves to be part of the study (Wilson 2003). These limitations though do not render the study weak; limit the generalizability of the study. Future studies could explore qualitative research methods to understand how behaviour change occurs among galamsey operators in Ghana. Again, avenues exist for future studies to investigate other moderating factors that may influence behaviour change toward galamsey. The model developed in this study can be tested in other contexts such as forest conservation and water resources conservation.

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POLITICAL BRAND ARCHITECTURE MANAGEMENT AND VOTER CHOICE: AN EFFECTIVE RESOURCE ALLOCATION PERSPECTIVE IN GHANA

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This study seeks to ascertain the relationship between political brand architecture management and resource allocation, leading to party performance at elections. It further argues that, if political parties strategically manage the political brand architecture, it will lead to effective allocation of campaign resources, and that will eventually lead to an enhanced electoral performance. Hence, it hypothesizes that effective political brand architecture management will have a significant positive impact on party performance at the polls. This study makes a contribution of resource allocation management to the extant literature on political marketing and campaign management, which is currently lacking.

Keywords: Political Brand Architecture, Political Branding, Political Marketing, Resource Allocation, Campaigns, Ghana

Introduction

The significance and appreciation of branding political parties and candidates has led to some interest towards the conceptualization of political parties as brands (Harris & Lock, 2001; White & De Chernatony, 2002). Evidence within the extant literature reveals that political party brands that demonstrate a high level of precision, reliability, and genuineness always develop a lifetime value with the voters. To this end, Kapferer (2006) notes that brands that build strong relationships with their customers are rewarded with a high return on investment. Yet, it appears most political parties in Ghana lack enough political marketing expertise and therefore, though they spend huge sums of budgetary allocations on their campaigns and branding, it is almost always misplaced and ends up in mis-targeting the voter. Political parties are predisposed to side-stepping some of the political brand elements due to the fact that there has not been any branding framework guiding their activities. For instance, side-stepping an element like the party in the political branding effort can end up in alienating a cross-section of the voters whose allegiances are to the party, but not the candidate or the policy (Mensah, 2011). Accordingly, understanding how political parties build and manage brands becomes expedient. One framework that is capable of explaining how political parties build and manage their brands is the political brand architecture (PBA, hereafter) framework (Mensah, 2016). Political branding/marketing scholars such as Needham (2006) and Lees-Marshment (2001a) argue that the party has lost its influence and capabilities as a result of changes in society (i.e. society growing ever more disloyal to systems and institutions).

Mensah (2016) conceptualizes the PBA framework in the spirit of brand architecture management with the view to assess and align multiple brand portfolios for different set of voter segments. To this end, this study argues that in the era of political convergence where almost all political parties are seen to be the same as they are seen to be doing the same thing over and over, a branding model like the political brand architecture framework will serve to ensure that...
the party, candidate and policy elements are arranged and rearranged in a way that aptly satisfies the needs of the voter (taking specific cognizance of the environmental situation at the time). Additionally, Mensah (2016) suggests that each of the political brand elements (party, candidate and policy) has a role to play as either an endorser or descriptor—which roles must be identified in consonance with the strengths and weaknesses of the three political elements in respect of their relationship with the target voter and the goals of the party. The theoretical relevance of the PBA is premised on the fact that it serves as a guiding principle and structure that shows the clear connections between the political brand elements and how they are used for targeting voter segments, leading to building long-term relationships with voters over time. In spite of the burgeoning state of political branding studies, a gleaning through the extant literature in both the developed and developing contexts (like Ghana) shows a paucity of research that seeks to adapt this framework in empirical research after its proposition by Mensah (2016). This gap presents a critical limitation in the literature. Consequently, we aim at progressing literature by empirically testing the effect of the utilization of the political brand architecture framework on voter choice. Additionally, evidence within the extant literature the fact that resource allocation has been classified as one of the major activities in electoral and political campaigns. For instance, Nagler and Leighley (1992) and Brams and Davis (1973) reckon that rational campaigners allocate their resources in ways that inure to political success. Accordingly, we argue that effective allocation of political resources will positively impact the electoral outcome. To this end, this study is set out to empirically investigate the effect of political brand architecture management on voter choice, while assessing the mediating role of effective political resource allocation on same relationship.

**Theoretical Background**

**The Brand Architecture Theory**

We adopt the brand architecture theory as the theoretical lens for this study. Even though the definition of brand architecture is not firmly rooted in the extant literature, a number of conceptualizations on its constitution have been put across by scholars. For instance, Rajagopal and Sanchez (2003) operationalize brand architecture as an integrated process of managing brands through the establishment of relationships among branding options in a competitive environment. At any point in time, the brand architecture of an organization reflects the realities of the competition and some other challenges such as diverse segments in the market place (Rajagopal & Sanchez, 2004). To this effect, Mensah (2011) notes for example, that celebrity endorsements during campaign periods and cause groups rallying support for presidential aspirants are activities that are very predominant in the UK and the US and are becoming increasingly common in Ghana. This is in keeping with Needham (2006) and Uggla (2005) who contend that through the use of celebrities and cause groups, political parties create political brand associations to promote their campaign messages and candidates. Accordingly, Mensah (2016; 2011) intimates that in Ghana, political parties use prominent people in society whom voters can identify with as endorsers of their campaign messages and election candidates in the full glare of the public. Nonetheless, political parties also attempt to alienate associations that are potentially damaging to the political brand. This approach in persuading the voter, according to Mensah (2011), falls within the ambit of the two main theories in the brand architecture concept: House of Brands (HB) and the Branded House (BH). We argue consequently that when political parties rigorously follow the principles of the political brand architecture concept, they will be capable of strategically matching and attuning the political brand elements to the characteristics of targeted voter segments and through that, appropriately allocate campaign resources towards them.
Hypotheses Development and Conceptual Framework

Political Brand Architecture and Voter Choice

The customer (voter) remains the ultimate target for every branding (and in this case political branding) effort. We posit that when political parties adopt the PBA, they will be able to identify the different segments of voters, identify which of the political brand elements (party, candidate or policy) influences their association and consequently will be better placed to highlight those elements in their campaigns, while strategically managing the others to their eventual political gain. Additionally, we contend that once the voter’s needs and political demands (in terms of which elements influences them) are met, there is a high inclination on their part to act favourably towards the political party by voting for them. This position is in keeping with Mensah (2016) who surmises that once political parties are able to identify the political elements that play the driver, endorser and descriptor roles, they will be able to project them into the voters’ minds; and as the political parties understand and manage the relationships between the political parties and their target audiences, they will stand a high chance of creating clarity in managing its brand and leverage on its brand strength to key voter segments. Consequently, we advance the following hypothesis:

H1: There is a positive and significant relationship between political brand architecture and voter choice.

Political Brand Architecture and Political Resource Allocation

Studies about brand architecture abound in the branding literature. For instance, Rajagopal and Sanchez (2004) in their study operationalize brand architecture as an integrated process of managing brands through the establishment of relationships among branding options in a competitive environment. At any point in time, the brand architecture of an organisation is in large measure, a legacy of the decisions of past management as well as the realities of competition the organisation faces in the market place (Rajagopal & Sanchez, 2004). In his work that proposes the political brand architecture framework, Mensah (2016) highlights the fact that the political brand architecture serves as a response to the diverse voter types. This is consistent with extant literature (Aaker & Joachimsthaler, 2002; Gilmore, 1997; Kapferer, 2004; Mottram, 1998; Nilson, 1998; Riezebos, 2003) which has conceptualized brand architecture to be the organizing structure of a company’s brand portfolio, specifying roles and relationships among brands and their markets in order to establish clarity in the minds of customers to ensure enhanced performance. Accordingly, we argue that a major essence of political brand architecture is to ensure effective political resource allocation. To this end, we maintain that political parties that adopt, say, the house of brands strategy should allocate political resources to each of the brand elements in the portfolio to ensure that as each is acting independently, it is able to strategically target the voter cohorts that are attracted to each of them. Similarly, political parties that adopt the branded house strategy must also allocate resources to the corporate brand to ensure that it leads to enhancing the appeal of the political party. These positions are consistent with extant literature (Leuthold, 1968; Brams & Davis, 1973) which suggest that political resource allocation involves the process of strategically using political resources to (and that can) secure votes. To this effect, we argue that if political parties adopt the political brand architecture model, they will be in a better position to allocate scarce political campaign resources, specifically because the PBA will enable them to avoid mis-targeting the voter through an effective ordering and rearrangement of the political brand elements with the most electoral equity and within a framework that seeks to manage the weaknesses of the other elements. Following from the preceding discussion, the following hypothesis is theorized:
**H2: The adoption and effective implementation of the political brand architecture will have a positive and significant effect on effective political resource allocation.**

**Political Resource Allocation and Voter Choice**

Evidence within the literature highlights resource allocation as one of the major activities in electoral and political campaigning. In lieu of this, Leuthold (1968) opines that a political campaign involves using the political resources that can secure votes. Brams and Davis (1973) in agreeing with Leuthold (1968), also reckon that rational campaigners allocate their resources to states in accordance to the size of the state/constituency’s electoral vote blocs (that seeks to markedly allocate resources to the most populous states/constituencies). However, following the lead of Colantoni et al. (1975) as well as Nagler and Leghley (1992), it is evident that it is not automatically the size of a state’s population that is the key driving factor in determining the level of allocations, but to a certain extent, whether or not that state is very competitive. There appears therefore not to be a clear consensus in the literature as to how political resources should be allocated (i.e. no ideal approach). To this end, we argue that a political resource allocation that is inspired by and premised on the political brand architecture framework will lead toward equitable allocation and consequently inure electoral success. The theoretical relevance of this position is underpinned by the fact that since the voter remains the ultimate target of every electoral/campaign activity, an effective allocation of resources will lead towards satisfying their perceived needs (in terms of perfectly targeting them with the right political brand elements) and hence they will be inclined towards voting for that particular party. Based on the foregoing, the following hypothesis is submitted:

**H3: There is a positive and significant relationship between effective political resource allocation and voter choice.**

**H4: Effective political resource allocation mediates the relationship between political brand architecture and voter choice**

**Conceptual Framework**

**Proposed Methodology**

A quantitative research approach with the use of structured questionnaire is employed in this study. This enables for the calculations of actual statistical means of theorized hypotheses on an empirical data (Hair et al., 2010). The questionnaire for the survey consists of two main parts. The first part consists of three sections. The first section has questions that border on the
constructs of interest to this research (Political Brand Architecture) and how it affects voter choice; the second has questions that dwell basically on effective political resource allocation and how it affects voter choice and the third section borders on the determinants and operationalization of voter choice. The statements measuring these constructs are measured on a five point –likert scale responses (1= strongly disagree; 5= strongly agree). The second part of the questionnaire focuses on the demographic information of the respondents sampled. The scale items are purified using scale generation and purification processes and techniques identified from scholars (Flynn & Pearcy, 2011; DeVellis, 2003; King et al., 2012) particularly through the adoption of exploratory and confirmatory factor analysis. A total of 500 registered voters in Ghana are sampled for the survey. In order to evaluate the various hypotheses that are set in this study, the study employs a structural equation modeling (SEM) approach. The SEM approach is a preferred modeling method (Bagozzi & Yi, 2002) because it enables researchers to have the control for measurement error, provides information on the degree of fit of the tested model and also possesses the ability to test multiple relationships (Bryne, 2013).

**Proposed research questionnaire**

The aim of this study is to empirically test the political brand architecture framework; on how it affects political resource allocation and voter choice. The political brand architecture (PBA) concept maintains that political parties have a portfolio of three brands to manage- the party, the candidate and the policy of which the parent band is the party and the two sub-brands are the latter. The PBA concept argues that each of these brands has a role to play as driver, endorser or descriptor. These roles must be identified based on the strengths and weaknesses of the three political elements in respect of their relationship with the target voters and the goals of the party. The roles are not permanent, but must be reviewed occasionally depending on the prevailing political environment and situation. With reference to a (your preferred) political party in Ghana, rank the following statements on a scale of 1-7 with 1 being strongly disagree and 7 being strongly agree by ticking the appropriate box.

**SCALE ITEMS**

**POLITICAL BRAND ARCHITECTURE (Based on the political party of your choice)**

**PARTY**

I am attracted to the political party because it resonates with my personality.

I am attracted to the political party because it highlights its name.

I am attracted to the political party because it highlights its colours.

I am attracted to the political party because it highlights its history.

I am attracted to the political party because it highlights its logo (symbol).

I am attracted to the political party because it highlights its slogan.

**CANDIDATE**

I am attracted to the candidate because of his integrity and credibility.

I am attracted to the candidate because he is on top of the issues on the ground.
I am attracted to the candidate because he is competent and has national appeal.
I am attracted to the candidate because he is different from other candidates.
I am attracted to the candidate because he is charismatic.
I am attracted to the candidate because he is incorruptible.

POLICY
I am attracted to the policy because it is in touch with the grassroots to obtain views on issues on the grounds to inform relevant policies.
I am attracted to the policy because it is clear, relevant and well-articulated.
I am attracted to the policy because it is realistic and within scope.
I am attracted to the policy because it is different from other parties’.
I am attracted to the policy because it instils confidence in me.
I am attracted to the policy because it instils trust in me.

EFFECTIVE POLITICAL RESOURCE ALLOCATION
The political party considers the characteristics of the voter before allocating political resources.
The political party conducts research to know where to allocate campaign resources.
The political party makes equitable use of their campaign budgets.
The political party avoids frivolous disbursement of campaign resources.
The political party ensures that each political brand element (party, candidate, policy) is given more/less resources depending on the voter (environmental) context.
The political party’s effective political resource allocation makes it easy for me to form a decision about it.

VOTER CHOICE
I intend to continue voting for this party in future.
I will continue to vote for this party in future.
I will not switch to a different party.
I will recommend this party to others.
I will choose this party any day.
I am proud to be associated with this party.

Conclusions
This study seeks to satisfy four key objectives. Firstly, to examine the extent to which political parties apply political brand architecture framework, making use of the three political brand...
elements of the party, the candidate and the policy as means to connect with prospective voters. Secondly, the study applies multiple regression model to determine how resource (time and campaign finance) is effectively allocated to the political brands during elections by examining the estimated relationship between the political brands. Thirdly, we seek to examine the effect of political brand architecture management on political party performance, and finally the mediating effect of effective resource allocation on the relationship between political brand architecture management and political party performance.

References


DIFFERENT BUSINESS ORIENTATIONS EFFECT ON INNOVATION IN EAST AFRICA

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This is a conceptual paper studying the three business orientations Entrepreneurial Orientation, Learning Orientation, and Market Orientation and its effect on innovation. There are some studies of the three orientations together and there are both similarities and differences between the concepts. However, many more studies are available where one of the concepts is studied in different contexts, also within the African continent. When it comes to their effect on innovation, very few studies were found, and no study carried out in East Africa where the orientations effect on innovation was detected. There is no general support for the orientations effect on innovation, rather the results are mixed. The paper has discovered some research gaps for further studies.

Keywords: Entrepreneurial Orientation, Learning Orientation, Market Orientation

Introduction

Strategic orientations are “principles that direct and influence the activities of a firm and generate the behaviors intended to ensure its viability and performance” (Hakala, 2011: 199). Both Entrepreneurial Orientation (EO), Market Orientation (MO) and Learning Orientation (LO) are considered to be strategic orientations (Deutscher et al., 2015). The existing studies about the three orientations together have three directions 1) analyze parallel direct effects of these orientations on performance 2) investigate sequential mediator relationships between orientations, and 3) aggregate orientations as higher-order factors influencing performance (Deutscher et al., 2015). Yet, no study until 2011 views EO, MO, and LO as a complementary pattern in the sense that strategic orientations are mutually supportive (Hakala, 2011).

Many studies of the concepts separately are available and most of them have been conducted in developed countries and there are also studies conducted in Africa but in East Africa, they are very few.

All of these different “orientations” aims at improving performance in some way. In this conceptual paper the above-mentioned orientations EO, MO and LO are studied with a focus on innovation. All of them have been developed from different perspectives, and entrepreneurial orientation (EO) is an “extension” of the management literature about entrepreneurship but the focus is on entrepreneurship at the firm level (not the individual level).

MO is developed from the marketing literature and it is acknowledged as the implementation of the marketing concept. There are mainly two sets of components to describe MO from different perspectives 1) the use and coordination of information, and 2) the collection of and the response to market information.

LO is considered to be the organizations' ability to acquire new information which leads to behavioral change. The general learning is supposed to turn knowledge into action and is seen as a key to competitive advantage. Also, the two other orientations are supposed to enhance competitive advantage.
EO, MO, and LO are interrelated constructs with dependent influences on growth. Firms with a high level of EO are proactive, risk-taking and innovative. These variables are likely to promote the introduction of new products/services (Lumpkin and Dess, 1996). However, in order to achieve growth, entrepreneurial firms have to consider market demands (Zahra, 2008). The issue of market demands is linked to market-oriented firms closely monitoring and responding to market demands and customers’ needs (Jaworski and Kohli, 1993). Also, learning-oriented firms have the ability to collect, generate and to use market information (Sinkula et al., 1997). The ability to act upon this collected information before the competitors characterize entrepreneurially oriented firms (Dess and Lumpkin, 2005).

The relationships between strategic orientations in general and EO, MO, and LO, in particular, emphasize that specific configurations of strategic orientations influence firm growth-based performance. (Deutscher et al., 2015).

In this paper, we are focusing on one specific area of competitive advantage which all orientations above have influence on (according to the literature) namely innovation. There are two main types of innovations; incremental and radical. This paper deals with both incremental innovation, which is the quick improvements with small changes and the radical innovation which is major changes in technology that means benefits in the central category of the product. (Baker and Sinkula, 2002). The objective is to study the research output of MO, EO, and LO together in an organization and its effects on innovation in East Africa.

Method

This paper used the qualitative content analysis method. Content analysis describes a family of analytic approaches ranging from impressionistic, intuitive, interpretive analyses to systematic, strict textual analyses (Hsieh and Shannon, 2005). The reason for this choice of method is that content analysis is useful for examining trends and patterns in documents (Stemler, 2001), and this was a desk research which resulted in this conceptual paper. According to White and Marsh (2006), the qualitative content analysis allows the extraction of texts with required or expected information from the articles or reports. This is done when the researchers have already had the research questions in their minds. Therefore, through qualitative content analysis, the author scrutinized the required information related to EO, MO, and LO. Since the qualitative content analysis concentrates on what is being assessed; the author was keen to identify the innovation part of each concept.

According to Busch et.al (2016), Content analysis is the method of data analysis where the search words within texts or sets of texts can be traced. The search words used was entrepreneurial orientation, market orientation, learning orientation, innovation single or in different combinations. Databases used was Emerald, JStor, and Google search engine. This content analysis did not count words (conceptual content analysis). The technique used in this paper is the relational content analysis where semantic relationships among concepts and variables between EO, MO, and LO was analyzed with a focus on innovation.

Entrepreneurial Orientation and Innovation

Entrepreneurial orientation (EO) reflects a firm's degree of risk-taking, proactiveness, and innovativeness (Covin and Slevin, 1989). EO is a concept developed from entrepreneurship, but EO is focused on the firm level as opposed to entrepreneurship which is focused on the individual level. Miller (2011) uses “what” and “how” to describe the difference between the concepts where “what” is entrepreneurship and “how” is EO. It has been developed from the strategic management area and the underlying assumption is that EO contributes to competitive advantage (Altinay and Wang, 2014; Covin and Slevin, 1989; Gathungu et al., 2014; Le Roux and Bengesi, 2014; Lumpkin and Dess, 1996; Lumpkin and Dess, 2001).
There are some different definitions of EO as for example Lumpkin and Dess (1996:136): “the process, practices, and decision-making activities that lead to new entry”. More recent definitions are from Avlonitis and Salavou (2007: 567) “EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage” and Wiklund and Shepherd (2005: 74): “EO refers to a firm’s strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices”. It is clear from the definitions that EO is considered to be a strategy where decision-making is strongly emphasized.

The seminal articles are written by Miller (2011), who defined three dimensions: innovativeness, proactiveness, and risk-taking. Later on Covin and Slevin (1991) and Lumpkin and Dess (1996) continued with this line of research and named it "Entrepreneurial Orientation", which Miller (1983) actually never did. Lumpkin and Dess (1996) also added two dimensions to the construct: competitive aggressiveness and autonomy.

According to the management literature, EO has a positive impact on performance. It is described to be concentrating on aggressive product and market innovation with a high degree of risk involved and the success is often a game changer in the market. However, this orientation risk to be too technological driven and therefore the risk is high to produce new products or services that will be failures. (Atuahene-Gima and Ko, 2001; Hakala, 2011)

EO is about an exploration innovation process with a high degree of innovativeness often introducing breakthrough products or identifying unattended market segments. (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 1999; Hakala, 2011)

The risk-taking aspect of a business is encouraged in the EO concept. This is linked to the innovation area where EO innovations are on a higher risk level but could give the firm a more substantial return on investment. (Slater and Narver, 1995)

Market Orientation and Innovation

To achieve competitive advantage was earlier a question of economies of scale, market power, a broad product line, and other structural characteristics. Today it is more emphasis on delivering superior value for customers, and MO has shown a solid foundation for doing this (Slater and Narver, 1994). MO encompasses a firm's organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it (Jaworski and Kohli, 1993).

MO is considered to be the implementation of the marketing concept and many articles have been published about this since the beginning of 1990. The seminal articles in this area are written by Kohli and Jaworski (1990), Narver and Slater (1990) and Kohli and Jaworski (1993). They defined the core components of market orientation, but from different perspectives and they also defined some antecedents.

There are two different set of core components identified 1) customer orientation, competitor orientation and interfunctional coordination (Narver and Slater, 1990) and 2) intelligence generation, intelligence dissemination and responsiveness (Kohli and Jaworski, 1990).

The first one focuses on the coordination and use of information from customer and competitors. The second one focuses on the organization-wide collection and generation of market information and the response to the collected information. The common issue is the collection and response to market information.

The innovation aspect of MO differs from the one in EO, where MO is more about incremental innovation and exploitation of innovations (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 1999; Hakala, 2011)

The risk-taking aspect of a business is discouraged in the MO concept because the concept is characterized to be of a low-risk level. (Slater and Narver, 1995)
The MO concept advocated a reactive approach towards environmental change while EO is focused on a proactive approach to the change. Here we clearly could see the more active approach of EO compared to the reactive MO concept. (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 1999)

Learning Orientation and Innovation

An organization's ability to discover and make use of competitive opportunities depends on its knowledge resource, according to Wiklund and Shepherd (2003). Omezerel and Gulez (2011) argue that organizational knowledge is the most important intangible resource of any organization because it is the most difficult to imitate. They also consider learning as part of knowledge capital and as an asset, it cannot be separated from its holder. LO is, therefore, an important orientation for an organization's competitive advantage.

LO is firm's ability to generate and use market information by having a strong commitment to learning, open-mindedness, and a shared vision (Sinkula, et al., 1997). In essence, it is about creating and applying knowledge, based on market information, in an organization.

Organizational learning has for several decades considered being an important factor for obtaining a competitive advantage, and the ability to learn faster than the competitors has been known as a source for creating and maintaining this competitive advantage. With a focus on the perception and fulfillment of needs and wants of customers, organizational learning leads to positive results as for example new product success, long-lasting customer relationship, increased profitability and service quality which is highly appreciated by the customers. (Eshlaghy and Maatofi, 2011)

The orientation emanates from different disciplines with the major contributions in the 1990s from psychology, management, and sociology. The concept of learning orientation has only the last decade had applications in marketing in contexts such as new product development, market orientation, marketing channels, strategic marketing, and marketing management. This acceptance is advocated by the idea that learning might be the next source of competitive advantage and a key to future organizational success. (Mavondo et al., 2005)

According to Serna et al. (2016), learning orientation consists of three components; commitment to learning, shared vision and open-mindedness. Learning orientation prepares the firms to get into a stage in which they will be committed to systematically challenge the fundamental beliefs and practices that define by themselves the innovation processes (Baker and Sinkula, 1999)

In fact, this is because innovation, in addition to developing a firm's capabilities, enables it to correspond with the environmental changes. This is necessary for an organization to have a long lasting life. Therefore, learning is observed as a stimulus that can increase the capacity of a firm's innovation. In other words, it is the process of learning through which innovation is directly promoted.

Through the extension of learning or the spreading of a new vision in an organization, the learning process causes the increase of efficiency in developing new products and new marketing ideas The technological innovations create competitive advantages of the firm.

Similarities and differences between the orientations

From the literature, we can list some of the similarities and differences between the orientations in the categories performance, innovation, perspective, time horizon, and risk-taking. The table is a summary of the results from the mentioned sources.
Table 1: Some similarities and differences between the orientations

<table>
<thead>
<tr>
<th></th>
<th>Strategic Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MO</td>
</tr>
<tr>
<td>Increase performance</td>
<td>X</td>
</tr>
<tr>
<td>Increase innovation</td>
<td>X</td>
</tr>
<tr>
<td>Radical innovation</td>
<td>X</td>
</tr>
<tr>
<td>Incremental innovation</td>
<td>X</td>
</tr>
<tr>
<td>Inside-out perspective</td>
<td></td>
</tr>
<tr>
<td>Outside-in perspective</td>
<td>X</td>
</tr>
<tr>
<td>Short time change</td>
<td>X</td>
</tr>
<tr>
<td>Longtime change</td>
<td></td>
</tr>
<tr>
<td>Low risk-taking</td>
<td>X</td>
</tr>
<tr>
<td>High risk-taking</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 1999; Bouwen and Fry, 1991; Garvin, 1993; Hakala, 2011; Slater and Narver, 1995)

All three orientations have an effect on both performance and innovation, according to the literature. Those two variables are the only where all orientations are similar. Radical innovation occurs for EO and LO, but not for MO. MO is linked to a short time change and an outside-in perspective and low risk-taking, which the others are not.

Research in East Africa

The objective of this paper is to study the research output of MO, EO, and LO together in an organization and its effects on innovation in East Africa. The result of the study was poor.

There is a number of articles written about MO, EO, and LO separately in African countries, but to the authors’ best knowledge, no research has combined the orientations into one research project and studied them in an East African context.

The result of the literature search in 2018 shows that there are only a few studies in the world which discuss these three orientations together and their effect on innovation. The studies found are listed in the table.

Table 2. Studies of the three orientations together and their effect on innovation

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Country</th>
<th>Year</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martinez et al.</td>
<td>Mexico</td>
<td>2018</td>
<td>EO and LO (but not MO) affects innovation</td>
</tr>
<tr>
<td>Pardi et al.</td>
<td>Indonesia</td>
<td>2014</td>
<td>LO and MO (but not EO) affect innovation</td>
</tr>
<tr>
<td>Leekpai and Jaroenwisan</td>
<td>Thailand</td>
<td>2013</td>
<td>LO MO and EO had positive effects on innovation</td>
</tr>
<tr>
<td>Rhee et al.</td>
<td>South Korea</td>
<td>2010</td>
<td>LO affects innovativeness. LO mediates the relationship between EO and MO respectively and innovativeness</td>
</tr>
<tr>
<td>Lin et al.</td>
<td>Taiwan</td>
<td>2008</td>
<td>LO and MO (but not EO) affect innovation</td>
</tr>
</tbody>
</table>
Zhou et al. | China | 2005 | MO, EO, and LO significantly impact innovation

Hult et al. | Worldwide | 2004 | Innovativeness partially mediates the respective relationships among MO, EO, LO, and performance

Edjys (literature study of the relation of the single concepts to innovation) | 2014 | LO and EO affect innovation. MO mixed results

### Conclusions and recommendations for further research

The three orientations have proven to have an effect on the growth of business separately and in some different combinations. There are many studies about the separate orientations effect on growth, also from African countries. However, the specific effect on innovation is still to be confirmed. Only a few studies were found discussing all three orientations and their effect on innovation.

No study was found which combine MO, EO, and LO in general in East African, so here we have a research gap to be filled. Another specific research gap is to study the three orientations and their effect on innovation in East Africa. Knowledge about how these three orientations work together in an East African context is not available so if the concepts work differently in this context would be an interesting research topic.

### References


The rift between herdsmen and farmers in some parts of Nigeria has had an adverse effect on the revamped agricultural sector of the economy. If not resolved, the sustainability of the sector will be doubtful. The rift has continued to generate reactions that are likely to have far reaching negative marketing implications on beef/agricultural produce purchase and consumption amongst some folks in the country. Many social media messages which call for sympathy and patriotic boycott of the consumption of certain agricultural produce and cow meat if the rift persists have been circulated since many lives have been claimed and property worth millions of Naira wasted. This paper provides insight into the strength of consumption boycott as a possible remedy to the present misunderstanding which seems to have defiled several efforts, and which, indeed, has had noticeable negative effect on the growth and development of Nigerian economy, especially the agricultural sector. Marketing and policy implications of boycott are discussed.

Key Words: Herdsmen, Farmers, Consumption Boycott, Marketing.

Introduction

Since the inception of Nigerian’s fourth republic in 1999, the country has continued to witness different dimensions of security challenges confronting each administration. Beth (2015) noted that Chief Olusegun Obasanjo, the Nigerian President from 1999 to 2007, admitted that bunkering and pipeline vandalism were key security challenges he faced. Other security issues he faced were religious intolerance and kidnapping. Although Musa Yar’Adua’s regime (2007-2010) was not without its own peculiar challenges, the issue became overblown during Goodluck Jonathan’s administration (2010 -2015) when Boko Haram insurgency and kidnapping held most parts of the country to ransom. From 2015 till date, the administration of Muhammadu Buhari has continued to battle with Boko Haram attacks and a more recently resurfaced herdsmen-farmers crisis in most states of the federation.

The past administrations, no doubt, adopted various strategies to overcome the challenges they faced just as the present administration has continued to adopt various approaches to resolve the lingering Boko Haram and herdsmen-farmers challenges. However, the negative effects of these security threats on the Nigerian economy, in terms of standard of living, average life expectancy, food production and security, gross domestic product, foreign exchange among others are quite enormous. The financial lost of the Boko Haram damage in the North-East of Nigeria is about nine billion US dollars ($9 billion) since 2009 (United Nations, 2018). Peter (2018) reported that Boko Haram killed over 20,000 people and displaced about 2.6 million people in a wave of attacks spanning a nine-year period. The United Nations Report of 2017 also discloses that about 881 children were either killed or maimed by the Boko Haram terror group and Nigerian Security forces in 2017, just as the Amnesty International (2018) revealed...
that no fewer than 1,813 persons have been murdered in attacks across 17 states since January, 2018.

As the military and other security agencies continue to tackle the Boko Haram challenges, the herdsmen-farmers rift remains another key issue in the country. After carrying out a research on the causes and effects of the perennial clashes between herdsmen and farmers in Nigeria from 2013 to 2016, the Mercy Corps (2017) disclosed that the crisis has resulted in the death of thousands of rural dwellers and loss of income. The report noted that the key cause of the rift is the disagreement over the use of essential resources such as farmland, grazing areas and water. Blench (2004) affirmed, the competition for land, water and vegetation by pastoralists and farmers coupled with scarcity or dwindling of the resources and adverse climatic changes all act as precipitant in pastoralist-farmer conflicts. The conflict is by nature economic and mostly inflicted to promote parochial interest devoid of communal interest which is undesirable, destructive and therefore constitute an impediment to growth and development of agricultural economy (Musa, 2004; Collier, 1999). The average household affected by the conflict could see income increase by at least 64% and potentially 210% or higher if conflicts were resolved (Mercy Corps, 2017; Ogundipe & Oluwale, 2018). Besides, Agabi (2017) reported that the Benue State Governor, Chief Samuel Ortom revealed that between 2012 and 2016, the state had lost property, farms and produces worth in excess of N95 billion due to the crises between herdsmen and farmers. Also, Usman (2017) and Dipo (2017) disclosed that the Fulani herdsmen lamented in their meeting that 600 herdsmen had been killed and two million cattle rustled in two years.

Yet, this crisis has remained unresolved in spite of series of efforts by the government, joint meetings by the Nigerian Farmers Association, the Miyetti Allah Kaisal Hore, and the Miyetti Allah Cattle Breeders Association. In fact, religious organizations and some non-governmental organizations have held various forms of protests to disclose their displeasure over the lingering crisis. Reports show that the crisis seems not to be coming to an end. Few months ago, the social media (WATSAPP, Twitter, Facebook) were hit with messages calling for sympathy and patriotic boycott of the consumption of those products that are the major causes of the herdsmen-farmers crisis (some farm produces and cow meat (beef)), especially, given the incessant loss of lives. Although Nigerians never took the call serious, this paper seeks to:

17. Discuss the meaning, origin, types and instances of consumption boycott.
18. Project reasons for the adoption of consumption boycott as a possible remedy to herdsmen-farmers crisis in Nigeria.
19. Disclose the marketing, economic and policy implications of consumption boycott when applied to Nigerian herdsmen and farmers crisis.
20. Recommend best strategy (procedure) for the implementation of a successful consumption boycott that can end the rift.

Conceptual Review

Consumption Boycott: Meaning, Origin, Types and Instances

Scholars have given different but related definitions of the term “boycott”. Breno (2017) sees boycott as the act of deciding not to buy a product when the company preaches values, concepts or beliefs which are nonetheless distant from the consumer’s. Thus, in Marketing, from the perspective of the consumption process, boycott is the rejection strategy used by the consumer against a company to show their outrage towards them (Cruz. 2013). Consumer boycotts have been defined as “an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace” (Friedman 1985, p. 97). It is an act of voluntary and intentional abstention from using, or dealing with a person, organization or country as an expression of protest, usually for moral, social, political or environmental reasons (www.wikipida.org). To Bruce (2015), boycotts are tools for consumers wanting to make their feelings known. Also Bobo et al. (1996) see a boycott as an...
effort to convince a large number of consumers not to do business with a particular person or organization. Here, we see consumption boycott as a deliberately planned action by a group of consumers, which encourages members of the group to suspend the purchase and consumption of the product(s) of an organization as a way of persuading the organization to act in a particular (desirable) manner. This implies that if the firm reacts appropriately, there is the possibility of re-patronage and re-consumption. Again, if for instance, consumers decide to boycott flour, it means that every product that is made of flour is automatically boycotted.

As consumers, we have a great deal of power in our pockets (Bobo et al. 1996). Boycotts have a long and noble history of contributing to progressive social change, as well as succeeding in the more immediate goals (King, 2005; Chris, 2017; EthicalConsumption.org, 2018). It has the power to protect consumer rights and ensure societal and consumer wellbeing. In the UK as captured by Bruce (2015), there are over 66 active “progressive” boycotts. Boycott remains key weapon used by the Americans to force corporations to change (King, 2011). It is estimated that almost 20% of the Americans take active part in boycott for something or things they believe in (Miller, 1992). He noted that for any day in which a company’s boycott was in the news, its stock price declined. The purpose of boycott is to inflict some economic loss (patronage, profit, image, etc.) on the target, or to indicate a moral outrage, to try to compel the target to alter an objectionable behaviour. While describing it as one of the four types of ethical or moral buying (supporting the good companies and products and withdrawing support from the bad ones), the EthicalConsumption.org (2018) sees boycott as avoiding the products that one disapproves of. Other forms of ethical buying are positive buying, company-based purchasing and full-screened approach.

In all, boycott though an ancient tool, remains relevant and powerful even in this digital age as the weapon of the weak, which in most cases leaves the giant (target) economically vulnerable. The “urging” and organization of a boycott typically come from a pressure group or non-governmental organization (NGO). Boycotts are thus a subset of a broader category of consumer behavior where social and ethical issues are an influence on purchase decisions (e.g., environmentalism)

**Brief History of Boycott**

The word boycott first appeared in the late 19th century (1880), when Irish tenants became furious at the ruthless rent-collection policies of an English land agent, Captain Charles Boycott. The angry tenants refused to work the lands and ostracized Captain Charles Boycott and his client; the landlord (Lord Erne) both economically and socially (Community Tool Box, 2018; Wikipedia.org, 2018). Despite the short-term economic hardship to those undertaking this action the (tenants), Boycott soon found himself isolated – his workers stopped work in the fields and stables, as well as in his house. Local businessmen stopped trading with him, and the local postman refused to deliver mail.

**Instances of Consumption Boycott**

21. PricewaterhouseCoopers (PwC) confirmed its decision to pull out of Burma. The company had featured on Burma Campaign UK’s boycott list of companies directly or indirectly funding the regime in Burma.

22. The Stop Staples Campaign declared victory following the office-supply giant’s announcement that it would meet the campaign’s goal of moving the company towards environmentally-preferable paper sales. Staples pledged to achieve an average of 30% post consumer recycled content across all paper products it sold. It also pledged to phase out purchases of paper products from endangered forests, create an environmental affairs division and to report annually on its environmental results.

23. Following a long campaign of protest, Mitsubishi surprised campaigners by announcing that it was pulling out of an industrial salt project in Mexico for environmental reasons. The project to extract salt from sea water in evaporation ponds was to be located in a World Heritage Site - the Vizcaino Biosphere Reserve. Potentially covering 116 square miles, it threatened a breeding ground for whales and other endangered species. A
'Mitsubishi: Don't Buy It' campaign was launched, more than 40 Californian cities passed resolutions condemning the company, and over 700,000 letters of objection were sent. Homero Aridjis, one of the campaign’s leaders was reported as saying: "It has been a tough fight for five years with one of the richest corporations in the world and the Mexican government.”

24. Nike’s brands were boycotted following the allegation child labour and semi-slavery in its production process.

Types of Boycott

There are two kinds of boycotts: primary and secondary boycotts. A primary boycott is a decision not to buy goods or services produced by a certain company whose policies you disagree with. Generally, when people talk about a boycott, they mean a primary boycott. A secondary boycott is directed at a third party. That is, you refuse to purchase anything from someone who sells products made by the company you are boycotting. For example, in the early and mid 1990s, there was a boycott against Nike. Its goal was to put an end to the human rights violations that were happening in Nike’s facility in Indonesia. That is still a primary boycott, as we discussed above. However, if people who were angry with Nike boycotted a store that carries Nike shoes, that would be a secondary boycott. Secondary boycotts are illegal in some countries. When a boycott is instituted against an employer by stopping or slowing work by employees, it is called a strike (Community Tool Box, 2018). Friedman (1999) categorized boycotts into five depending on the motivating factor.

- Economic Boycott: triggered by consumers’ disagreement with a company on market variables (price, monopoly, etc.).
- Religious Boycott: where religious leaders try to control members through their dogma and beliefs in order to meet a goal (e.g. criticizing a movie).
- Minority Boycott: Actions taken by a minority group (in terms of society or consumer group) with own objectives and circumstances when compared with the majority.
- Ecological Boycott: When a firm is perceived to engage in actions capable of causing harm to the environment.
- Labour Boycott: Occurs when consumers cease to buy from a company because they consider the working conditions of the workers as semi-survey.

Cruz (2015) added the Relational Boycott, which occurs when a consumer has a negative experience with a company and decides to stop buying. Given the Nigerian herdsmen-farmers rift, any boycott that may arise from the consumers to force a stop to this menace (killing) would be regarded as either patriotic or sympathy boycott. It is patriotic in the sense that it aims at preserving peaceful co-existence in the country. It is sympathetic in the sense that it aims at showing solidarity to a weak group suffering in the hands of the mighty.

Marketing and Economic Implications of Boycott

Boycott as an aspect of consumer behaviour has got a lot of marketing, economic and social implications. Specifically, historic antecedents have revealed that more than 80% of firms listed for boycott suffer economic misfortunes. According to Cesar Chavez, who led the highly successful boycotts against California grape growers in the 1960s and 1970s, you need to convince approximately five percent of consumers to boycott an organization to make a financial impact. If you can convince ten percent of consumers, the effect on a business is devastating. This threat of a loss in business can be enough to bring business leaders to the table to negotiate.

The top marketing implications of consumption boycott on a product or firm are:

- Dropping Sales: Ahmed (2018) reported that a consumer boycott of some Morocco’s top brands has slashed sales by half at dairy company Central Danone, pushing it for a first half loss and a consolidated revenue drop estimated at 50%. The boycott started on April 20 and these results were reflected in the company’s account as at June 30. Also,
Peterson (2016) reported that Target (a retail outlet) which announced that it would welcome transgender customers to use any bathroom or fitting room that matches their gender identity, saw its market share dropped from 42% to 36% and over 1.2 million customers pledged to boycott the retailer – within the month. Again campaigns calling for boycott of Chinese product as a result of tension between India and Pakistan emanating from the Uri attack resulted in about 40% drop in the demand of Chinese products (light, electronics, mobile, etc). China was seen as a friend of Pakistan, hence the boycott (Ajay, 2016). US boycott of French wine caused 26% drop in sales (Larry, 2015). In all, consumption boycott on any product or firm will have noticeable negative impact on sales, especially if the boycott is successfully launched. If applied to the herdsmen-farmers crisis in Nigeria, the agricultural sector of the economy will be seriously dealt with since demand for certain produce would be cease.

- Declining Profit: Boycotts have devastating effect on organization profitability. Studies have shown that if sales drop, profitability declines. So it is with firms enlisted for boycott. For the Centrale Danone dairy company, profitability dropped with 150 million dirham ($15.5 million) within six months (Ahmed, 2018).
- Reducing value of share price: For companies that are quoted in the capital markets, their share prices and value reduce on a daily basis so long as the boycott is still on (Cruz, 2017; Ahmed, 2018; Friedman, 1999; Agay, 2016). Peterson (2016) reported that the share price of Target retail outlet reduced owing to the boycott call. Ahmed (2015) reported that the share price of Centrale Danone reduced by 9% in three months. Everyday in which a company’s boycott is in the news, its price declined (king, 2011).
- Bad reputation and negative customer perception: Once a company’s product is boycotted, the image of the company is at stake as the public develops negative perception of the company. This may have a long-run effect on the firm or its product.
- Competitive Disadvantage: Firms and products suffering from consumption boycott would be competitively weakened, and possibly overtaken by rivals. Reversal of the competitive position may take years even after the boycott is suspended.

The economic effect of boycott on an economy is enormous. First, the affected firm may layoff some staff, leading to unemployment. The international community may have interest in the boycott and join in solidarity, thereby leading to reduced foreign earnings since export of such products will cease given less or no demand of the products internationally.

Is Boycott a likely Solution to Herdsmen-Farmers Rift in Nigeria?

As Beck (2018) noted, consumer boycotts have become a frequent form of social protest in the digital age, and should be regarded as a legitimate instrument. Sharp (1975) equally stated that historically, boycotts have contributed to some speculative successes and permitted relatively powerless groups to assert their rights. In addition, anecdotal evidence suggests that boycotts are increasingly successful and focus to a great extent on bad practices. As beef and farm produce consumers, we have a great deal of power in our pockets to quench the rift between herdsmen and peasant farmers. Boycotts have a long and noble history of contributing to progressive social change.

The researcher believes that an effectively planned and executed boycott exercise on beef and or any farm produce (depending on the group found culpable) would result in a significant success in addressing the rift between herdsmen and farmers in Nigeria. However, Possible Impediments to a Successful boycott in Nigeria’s herdsmen-farmers crisis include high level of consumer ignorance of their rights and power; religious, political and ethnic connotations of the present crisis; confusion among interested groups on who take the lead, the strategy to adopt and when to execute; and weak policies supporting boycott.
Conclusion

In the light of the unending rift which has put the security of lives and property (cattle, farm land, farm produce, others) at risk, and given the implications of the rift on agricultural sector development, Nigerians are long expected to stage a consumption boycott to assist the government in proffering lasting solution to the menace. An online survey by the Punch News paper on January 17, 2018 sought to know consumers’ willingness to boycott beef over the incessant killings allegedly masterminded by herders. Of the 2961 who participated in the survey, 2252 (76%) were ready to join any call for boycott. 540 (18%) would not join, while 169 (6%) were indifferent. This shows the willingness of the Nigerian consumers to show solidarity to any group found innocent in the rift by boycotting the product of the convict. Giving this option a trial in order to salvage the agricultural sector is advocated for.

Recommendations

To successfully achieve a truce through consumption boycott in the case of herdsmen-farmers crisis in Nigeria, the following, which could also serve as successful boycott process, are recommended:

25. The goal of the boycott must be explicitly stated. This would be effectively done if it is preceded by an informal research or fact finding about the situation. Again, organizers/initiators must be politically neutral given the political tension in the country. Most successful boycotts are organized by non-governmental organizations (NGOs) or National unions (e.g. National Association of Nigerian Students, Academic Staff Union of Universities, Academic Staff Union of Polytechnics, The Nigerian Bar Association etc).

26. Research: An in-depth, formal research into the crisis is required to arm the organizers with deeper insight about the facts on the parties involved, the causes of the contention, efforts previously made to bring back peace and why such efforts failed. Again, the research should also find out the market structure of the groups to find out the cities where their products sell most so as to launch the attack from there.

27. The media should be extremely utilized. Such media as the print (News papers, magazines), broadcast (television, radio), social (WATSAPP, Twitter, Facebook, Instagram, 2go, etc) should be involved.

28. Engage the parties prior to the boycott to inform them of the plan if the crisis does not stop within an agreed or specified period of time. The threat of a boycott is enough to bring about the desired change in certain situations.

29. Identify strong points that can drive participation and moral support from national and international consumers.

30. Engage legal experts to interpret the legal stipulations of the country on boycott.

31. Project alternative brands to the consumers. For instance, if the farmers are found wanting and their produce (e.g. yam made in Benue) is to be boycotted, the consuming public should be made to know of alternative brands (e.g. Ebonyi yam). If the herders are found guilty, there are alternatives to beef.

32. The boycott should be periodically reviewed. Reports of its impact (may be monthly) should be made known to the participants and the groups (farmers and herders). This will motivate the participants to be steadfast and relentless in the boycott and can push the group/firm to rethink for a change.
This procedure is shown heuristically as figure one.

Fig.1: Proposed heuristic framework of successful consumption boycott.

References


THE LINK BETWEEN BRAND EXPERIENCE AND BRAND LOYALTY: EMPIRICAL EVIDENCE FROM MOBILE MONEY SERVICES IN TANZANIA

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This study aimed at determining the influence of brand experience in building the loyalty of consumers towards mobile money service brands in Tanzania. It utilized an explanatory research design whereas structural equation modeling was used to analyse collected data from 299 individuals obtained through simple random sampling. The results indicate that brand experience has a significant and positive effect on brand loyalty. It is concluded that brand experience is an antecedent of brand loyalty. Thus, it is recommended that for being more competitive, mobile network operators and dealers should enthusiastically create brands that will impart better experiences to their customers which in turn will make them become loyal to mobile money brands. This study has theoretical, contextual and practical contributions. Theoretically the current study strengthens the theoretical foundation of the link between brand experience and brand loyalty. Contextually, it adds knowledge to the literature on how consumers experience service brands particularly mobile money brands in Africa and practically has revealed that brand experience is a determinant of brand loyalty and hence in the world of stiff competition, it can be utilized by mobile money operators to differentiate themselves from competitors and generate value to consumers as well as suppliers.

Key words: Brand experience, brand loyalty, mobile money services, Tanzania.

Introduction

Mobile money services have extended the financial inclusion in low and middle income countries particularly in rural areas where there have been no financial services for decades. The report by the Global System Mobile Association (GSMA) indicates that, there were more than half billion registered accounts globally in 2016 and 277 million registered accounts in December 2016 more than the total number of traditional bank accounts in Sub-Saharan Africa (GSMA 2017). The mobile money industry now-days process a total amount of $ 1.3 billion per day (GSMA 2019). In the case of Tanzania, the industry is rapidly growing and by December 2018 there were 23.4 million registered mobile money accounts with a share of 39% M-Pesa, 32% Tigo Pesa, 21% Airtel money, 6% Halotel money, 2% Ezy-Pesa and 0.13% is occupied by TTCL (TCRA 2019). The tremendous growth of this industry has also stimulated competition among the mobile network operators (MNOs). The problem is even more complicated by consumers who are switching from one mobile brand to another (Ndesangia 2015) and others have become multiple users of the services. This situation is of major concern to MNOs and dealers as loyal consumers are highly needed for survival of their businesses. Loyal consumers purchase more than non-loyal consumers, introduce the business brands to other consumers, repurchase the brands, reduces price sensitivity and increases market share for the company (Jafari et al. 2016). Brand loyal customers also reduce the marketing expenses of business firms as the expenses of attracting a new customer is six times more than the expenses of retaining an old customer (Mwai et al. 2015). Therefore, the achievement of business firms depends mainly on its ability to attract loyal consumers.
Despite the fact that brand loyal consumers are important to the growth and success of the businesses, it has been a challenge for business firms to make their customers continuously and repeatedly purchase their brands. Consequently, marketing researchers and practitioners have been searching for the factors determining the loyalty of consumers toward different brands to solve this problem. However, it is very difficult to find a study which examined all factors affecting brand loyalty simultaneously and jointly. Studies which have been conducted reveal that word of mouth (Praharjo and Kusumawati, 2016), customer satisfaction and brand image (Khundyz 2018) and brand experience (Ardyan et al. 2016 Jafari et al. 2016) are among the factors determining the loyalty of consumers towards variety of brands. However, this study aimed at studying brand experience as one of the important factors affecting brand loyalty in the mobile money services. This is because consumers of these days are searching for brands that create memorable experiences and no longer just buying the functional needs of products and services (Zarantonello and Schmitt 2010). Brand experiences associated with emotions impacts loyalty of customers, increase sales and pave a way to brand differentiation. In this experience era, it is important that firms develop brands that impart consumers with positive and memorable experiences because the traditional methods of marketing like advertisements are now bringing reverse results. For example, studies show that 69 percent of consumers in China and 50 percent in America and England tries their level best to get rid of the advertisements they receive from marketers (Razorfish 2015). Thus brand experience remains as one of the factors which develops an emotional connection to a brand which in turn builds the loyalty of consumers towards brands.

It is worth mentioning however, that studies about the link between brand experience and brand loyalty have generated debatable and inconsistent findings. Some have revealed direct impact of brand experience to brand loyalty (Jafari et al. 2016 Ong et al. 2018 Semadi and Ariyanti 2018) whereas others have found that, it affects brand loyalty through other variables including brand attitude (Rajumesh 2014), brand relationship quality (Francisco-Maffezzolli et al. 2014), customer satisfaction (Khundyz 2018), and affective commitment (Iglesias et al. 2011). Other scholars claims that brand experience doesn’t have a significant impact to brand loyalty (Ardyan et al. 2016 Forsido 2012 Iglesias et al. 2011 Maheshwari et al., 2016 Nysveen et al. 2013). This disagreement among scholars reveal that the link between brand experience and brand loyalty is still equivocal. This creates a research gap that needs to be filled by conducting more studies on the link between these constructs. Moreover, the existing brand experience studies are mainly from developed countries like USA, UK and Australia (Khan and Rahman 2015) leaving the developing countries such as Tanzania under searched. In addition, brand experience studies in the service sector (such as mobile money services) are scarce (Khan and Rahman 2015) and this also justified the need to conduct this study to enrich the brand management literature about experiences encountered by customers in the service brands of developing economies. Thus the aim of this study was to determine the influence of brand experience in building the loyalty of consumers towards the mobile money service brands in Tanzania. This study has theoretical, practical as well as contextual contributions. Theoretically the current study strengthens the theoretical foundation of the link between brand experience and brand loyalty. Contextually, it adds knowledge to the literature on how consumers experience service brands particularly mobile money brands in Africa. Practically it has revealed that brand experience is a determinant of brand loyalty and hence in the world of stiff competition, better experiences can be utilized by MNOs to differentiate themselves from competitors and generate value to consumers as well as suppliers.

**Literature review**

**Brand loyalty**

Brand loyalty studies have long history in the marketing literature. The article by Copeland (1923) is considered to be the first article to be published on brand loyalty. This paper acted as teaser paper and many other scholars conceptualized and devised measurement methods of the
construct. However, the widely accepted conceptualization is that of Jacoby and Chestnut (1978) which states that brand loyalty is (1) “a biased (i.e., non-random), (2) behavioral response (i.e., purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more brands out of a set of such brands, and (6) is a function of psychological (decision-making, evaluative) processes”. Since its conceptualization and operationalization, studies on brand loyalty can be grouped into three main phases. The first phase paid more attention on mathematical models like Bernoulli, the linear learning and Markov chains models (Massy et al. 1970) and was based on the uni-dimension approach. Behavioral loyalty was the first dominant measurement approach of brand loyalty in those days. This perspective relied on repeated buying behavior of consumers. However, the behavioral loyalty was criticized by not separating between the true and spurious loyalty buyers.

In an attempt to overcome the shortcomings of behavioral loyalty perspective, researchers introduced the attitudinal loyalty model. The attitudinal loyalty includes the buyer’s psychological commitment to repurchase the brand which was not considered by the behavioral loyalty perspective. It comprises of affective, cognitive loyalty and conative (Dick and Basu 1994). These authors define affective loyalty as a consumer’s feeling about the brand and it encompasses moods, satisfaction and emotions while conative loyalty is the one which considers sunk cost, switching cost as well as consumer’s prior expectations. Besides, the authors regard cognitive loyalty as loyalty based on accessibility, confidence (attitude’s certainty), centrality and clarity of the attitude. However, the attitudinal measures was criticised by exclusively depending on buyer’s declarations while ignoring the observed behavior.

The criticisms of the uni-dimension phase gave rise to the second phase of research in brand loyalty. This stream involved the two dimensions approach namely behavior and attitude dimensions (Dick and Basu 1994 Oliver 1999). Despite its usefulness, the two-dimension approach has produced inconsistencies and debate among scholars (Worthington et al. 2009).

After the two-dimension approach, another third phase of tri-dimension approach appeared. Worthington et al. (2009) proposed a tri-dimension approach which consists of behavioral, emotional and cognitive loyalty. The authors referred cognitive loyalty as the decision made by customer to stay with a brand while considering the switching costs and brand’s attributes (Worthington et al. 2009) whereas emotional loyalty is the degree of positive feelings provoked by repurchasing a brand. Since its development, the multi-dimension approach has been applied by many other researchers in studying brand loyalty. However, the current study opted the tri-dimension method which involves cognitive, attitudinal and behavioral loyalty.

**Brand experience**

Schmitt (1999) firstly proposed brand experience in the marketing field. However, the widely accepted conceptualization of brand experience in the marketing field was first coined by Brakus et al. (2009: 53). The authors conceptualize brand experience as “subjective, internal consumer responses (sensations, feelings, and cognition) and behavioural responses evoked by brand-related stimuli that are part of a brand’s design and identity, packaging, communications, and environments”. These scholars have also developed a measurement scale with 12-items that have four dimensions namely sensory, affective, intellectual and behavioral dimension. Zarantonello and Schmitt (2010) consider behavioural dimension as the dimension that involves bodily experiences, lifestyles and contact with the brand whereas sensory dimension is the one which relates to visual, auditory, tactile, gustative and olfactory stimulations provided by the brand. Intellectual dimension, on the other hand, is the capability of the brand to engage convergent and divergent thinking while affective dimension comprises of feelings created by the brand and its emotional bond with the consumer. The scale by Brakus et al. (2009) has been applied by the majority of brand experience researchers (Ardyan et al. 2016). However, the scale misses the relational dimension which is believed to be an important dimension when someone wants to study brand experience in the service brands (Nysveen, et al. 2013 Schmidt, 1999) like this study and in one of the emerging marketing perspective i.e stakeholder’ co-creation of brand value (Nysveen et al. 2013). As a result, Nysveen et al. (2013:421) recommends that “future research should further explore the complexity of the relational
component of brand experience, both in a product brand and a service brand setting”. However, the current study opted to explore this complexity in the service brands where limited brand experience researches has been done (Khan and Rahman 2015). Other scholars such as Schmitt (1999) identified five kinds of experiences that marketers can produce for their customers including social-identity experiences that result from relating to a reference group or culture (RELATE), physical experiences, behaviours and lifestyles (ACT), sensory experiences (SENSE), creative cognitive experiences (THINK) and affective experiences (FEEL) whereas Nysveen et al. (2013) suggested five dimensions which are (i) Sensory (ii) Affective (iii) Behavior (iv) Intellectual and the (v) Relational dimension. It should be noted however that the majority of scholars uses Brakus et al (2009) dimensions.

It is worth mentioning that, experiences encountered by consumers from brands differs i.e. some are stronger than others, may be positive or negative and may last for a long time or short time. It is produced when consumers utilize brands; converse to others on issues related to the brand; search for information about the brand and when brands are promoted. On the other hand, brand experience can either be direct or indirect. The direct form of brand experience occurs when consumers have physical contact with the brand whereas indirect brand experience is created through advertisement or other channels of marketing communication (Jafari et al. 2016).

**Hypothesis development**

Brand experience provides evidence of direct influence on brand loyalty (Semadi and Ariyanti 2018). In other words the more customers are exposed to better experience generated by brands the more customers become loyal to these brands and vice versa (Jafari et al. 2016). Thus this study hypothesize that: H1: Brand experience has significant and positive impact on brand loyalty.

![Figure 1: The Proposed conceptual model](image)

**Methodology**

The positivism research philosophy was utilized by this study. This philosophy enabled a researcher to collect data on observable reality and establish causal relationships. On the other hand, researchers applied a deductive research approach and explanatory research design. Moreover, purposive sampling was done to select Sumbawanga and Mpanda Municipal councils from Rukwa and Katavi regions respectively. Thereafter, simple random sampling was used to select users of mobile money services from micro, small and medium enterprises (MSMEs). Respondents were picked from the list of MSMEs using the table of random numbers. Then the researcher administered the questionnaire to gather information from selected respondents. Furthermore, in selecting the sample size, the researchers considered recommendations from other scholars including. Kass and Tinsley (1979) suggests having between 5 and 10 participants per variable up to a total of 300 (beyond which test parameters tend to be stable regardless of the participant to variable ratio). Moreover, Tabachnick and Fidell (2013) considers 300 cases as enough for factor analysis. However, Kline (2011) substantiates that, for studies utilizing SEM like this, 200 cases are the minimum recommended cases for data analysis. Hence the current study used a sample size of 300 as suggested by previous scholars (Kass and Tinsley 1979 Tabachnick and Fidell 2007) which are in line with that of Kline (2011). Nevertheless, the independent (brand experience) and the dependent (brand
loyalty) variables were measured using different scale items from previous studies. Table 1 indicates the scale items used per each variable and their sources.

Table 1: Variables, number of scale items and their sources

<table>
<thead>
<tr>
<th>SN</th>
<th>Variables measured</th>
<th>Number of scale items used</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brand experience</td>
<td>3-items (affective), 3-items</td>
<td>Brakus et al. (2009) and Nysveen et al. (2013)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(sensory), 3-items (intellectual), 3-items (behavioral) and 3-items (relational)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Brand loyalty</td>
<td>5-items (attitudinal loyalty), 6-items scale (behavioral loyalty) and 4 items (cognitive loyalty)</td>
<td>Jones and Taylor (2007), Kuenzel and Halliday (2008)</td>
</tr>
</tbody>
</table>

Besides, the data was collected by administering a survey questionnaire. The data collected were checked for missing values, outliers, multicollinearity problems and whether they were normally distributed. The study recorded missing data on income variable and the decision made was to drop that case and remain with 299 usable questionnaires. Mahalanobis D statistic (Mahalanobis 1936) was applied for detecting outliers in the current study. The values of the data are regarded as outliers if the Mahalanobis distance (D2) values are higher than the Chi-square values of the items used. It was observed that one case had an outlier value for income variable. Mean substitution was applied to handle the observed outlier data whereby the missing value was replaced with the mean as suggested by (Tabachnick and Fidel 2013). Moreover, multicollinearity was tested using Variance Inflated Factor (VIF) and Tolerance. VIF values greater than 5 and Tolerance values less than 0.2 indicate presence of multicollinearity (Hair et al. 2010). Normality assumption on the other hand was tested using Kolmogorov-Smirnov test.

Preparing data for use of parcels

Parceling is a procedure for calculating sums or average scores across multiple items (Orçan and Yang 2016). The variables obtained by summing or averaging the individual items are called parcels and are then used as indicators of latent factors in SEM analysis instead of individual items (Sterba 2011 and Yang et al. 2010). Parceling leads into model complexity and sample size requirements reduction, reduces influence of individual items’ systematic errors on the model estimation and increases reliability and model fit (Yang et al. 2010). In addition, parceling does not lead into a biased estimate of the structural association among latent factors once the model assumptions are met and items behave unidimensionally (Sass and Smith 2006). EFA was conducted before parceling as a measure to ensure that items are unidimensional as recommended by Hall et al. (1999:236). According to these authors, unidimensionality is obtained when “all items have strong loadings on a primary factor, and the eigenvalues for any additional factors are substantively lower than for the first factor, with values of less than 1 or a clear break in a scree plot of eigenvalues”. It is worth mentioning that the items had strong loadings and that there was clear break in the screen plot of eigenvalues. The first factor explained 17% of the variance and the first two eigenvalues were 7.17 and 3.17 and the factor loadings ranged from 0.55 to 0.90. In creating parcels, the individual items which were identified in the EFA to belong to the same sub-facet were combined together (Hall et al. 1999). Parceling lead to brand experience and brand loyalty five parcels and three parcels respectively.

Structural Equation Modelling (SEM) Analysis

Structural equation modeling was applied to analyze the collected data. The reasons for choosing this technique include: SEM is a comprehensive statistical method for hypotheses testing regarding the link between observed and latent variables (Hoyle 1995), it explicitly takes care of the measurement error in indicators of latent variables something which confound other traditional statistical methods like multiple regression, correlation and ANOVA and that SEM test construct validity in broader and deeper ways compared to traditional correlation analyses and tests mediation effect straightforward (Bagozzi and Yi 2012). The study applied IBM AMOS version 22 to run measurement model and structural models. The measurement model
was meant for evaluating the reliability and validity of all constructs and the structural model was utilized for testing the proposed hypothesis.

**Evaluation of the measurement model**

The measurement model was tested using Confirmatory Factor Analysis (CFA). The model fit indices were utilized to examine whether the model was fit to the data. The fit indices and their cut off points are as indicated in Table 2.

**Table 2: Goodness-of-fit indices for the measurement model**

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Cut off point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of chi-square and degree of freedom((\chi^2/df))</td>
<td>(\leq 3)</td>
</tr>
<tr>
<td>Goodness of Fit Index (GFI)</td>
<td>(\geq 0.90)</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td>(\geq 0.90)</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>(\geq 0.80)</td>
</tr>
<tr>
<td>Parsimony Normed Fit Index (PNFI)</td>
<td>(\geq 0.50)</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>(\leq 0.08)</td>
</tr>
<tr>
<td>Parsimony Comparative Normed Fit Index (PCNFI)</td>
<td>(\geq 0.50)</td>
</tr>
</tbody>
</table>

*Source: Jafari et al. 2016 and Kumar (2015).*

**Results and discussion**

The results reveal that majority (58.9%) of respondents for this study were males and the remaining 41.1% were females. The findings suggest that more males are dealing with mobile money services compared with females in the studied population. Moreover, 38.5% of respondents had secondary school education and 24.4% had attended certificate or diploma education. The findings also show that graduate respondents and those with primary level education occupied 19.7% and 13.7% respectively. These results suggest that majority of individuals involved in this study are either secondary school education or certificate/diploma holders. On the other hand, Table 3 shows that there was no multicollinearity issue in the current study as the tolerance and VIF values did not exceed the threshold values. Table 3 also reveals that the p-values for the dependent and independent variables were not significant at 5% level of significance. This suggests that the data were approximately normal and hence normality assumption was met.

**Table 3: Multicollinearity statistics**

<table>
<thead>
<tr>
<th>Measured variables</th>
<th>Collinearity Statistics</th>
<th>Kolmogorov-Smirnov-p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>Brand experience</td>
<td>.736</td>
<td>1.360</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Brand loyalty*

**The measurement model**

The model fit index generated the following results: CMIN/DF = 2.42, GFI = 0.96, AGFI = 0.93, CFI = 0.98, PNFI = 0.65, PCNFI = 0.66 and RMSEA = 0.07 which signifies an adequate model fit (Jafari et al. 2016 Kumar 2015).
The structural model was examined if it perfectly fits the data before testing the hypothesis. In evaluating the model fit the following model fit indexes were achieved: CMIN/DF = 2.521, GFI = 0.962, AGFI = 0.927, CFI = 0.976, RMSEA = 0.071, PNFI = 0.653 and PCFI = 0.663 which suggests that the model fits the data (Jafari et al. 2016 Kumar 2015) and hence there was no need to re-run the analysis (Figure 2).
strengthens the theoretical foundation of the link between brand experience and brand loyalty. However, different from the current study, other scholars such as Ardyanet al. (2016) and Iglesias et al. (2011) found that, brand experience doesn’t have impact on brand loyalty. In other words, these authors suggest that better experiences encountered by customers cannot build the loyalty of consumers.

Table 4: Hypothesis test

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>T-Statistic</th>
<th>Beta</th>
<th>P-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1</td>
<td>Brand experience → Brand loyalty</td>
<td>7.509</td>
<td>0.447</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Conclusion and recommendations

The findings of this study suggest that when mobile money customers are exposed to better brand experiences, they have a tendency to feel obligated to pay back the benefits they get from mobile money brands by being loyal to these brands. With respect to these findings, it is concluded that that brand experience is one of the determinants of brand loyalty particularly in the m-money service industry.

On the other hand, it is recommended that for being more competitive, mobile network operators (MNOs) and dealers should enthusiastically create brands that will impart better experiences to their customers. This seems to be the best option, particularly on the existing competition among MNOs as it will make customers to become loyal to their mobile money brands.

Limitations and Areas for future research

This study proposes a number of areas where future research can be conducted. This study have studied the link between brand experience and brand loyalty on service brands particularly mobile money service brands in Tanzania. However, other scholars may research the link of these constructs on other service brands like those of banking industry and others may involve product brands in the country. On the other hand, the coverage of this study was limited to Rukwa and Katavi regions but other studies may include other regions of the country to gather more information on how consumers experience these mobile money services in the country at large. Future research may also consider involving more brand related concepts such as brand involvement, brand commitment, brand personality, brand image and brand value in order to have a comprehensive model of the antecedents of brand loyalty in the service brands. Moreover, this study is a cross-sectional which collected data at a single point of time. It is suggested that other researchers may consider conducting a longitudinal study to ascertain the influence of brand experience on brand loyalty to have better inferences over time.

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USING SOCIAL MARKETING TO FOSTER THE RETENTION OF WOMEN IN SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (STEM) LABOUR MARKETS IN KENYA.

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The Science, Technology, Engineering and Mathematics labour market is plagued with a persistent gender diversity issue attributed to women leaving the field at an alarmingly high rate. This global phenomenon particularly afflicts developing nations, more so in Africa, as women make up only 30% of the STEM labour market. However, there is little evidence from developing nations on the phenomenon since most studies conducted were in ‘industrialized countries’. This study posits that to gain an in-depth understanding of the retention problem in Kenya it is essential to use a social marketing perspective. This study therefore implemented a qualitative research design as it sought to establish the antecedents of retention behaviour of women in the STEM labour market in Kenya. The qualitative findings point to multiple antecedents of retention among women in STEM careers in Kenya, which were, 'support of family and friends', 'sense of belonging', 'career sustainability and growth', 'work-family role conflict' and 'female role models'. It was therefore determined that multilevel interventions that will impact all the antecedents are consequently needed for effective change to take place in the STEM career system in Kenya.

Key words: career systems, formative research, women in STEM, social marketing, retention behaviour

Introduction

Science, technology, engineering and mathematics (STEM) are some of the fields projected to develop the most in the future due to the, innovation fuelled, global economy that is emerging(Syed and Chemers 2011). However, the STEM labour market experiences a persistent gender diversity issue, women are highly underrepresented (Benschop and Brouns 2003). This global phenomenon, particularly afflicts developing nations, more so in Africa, since women are posited to make up only 30% of the STEM labour market (UNESCO Institute for Statistics 2016). This is perturbing since a diverse labour market in STEM is posited to be vital to the development of nations, as it ensures proper utilization of human capital, because women make up about half of the general population worldwide (Ong et al. 2011). Moreover, a diverse labour market enhances creativity and satisfaction within the diverse customer base (Blickenstein 2005).

The issue of the underrepresentation of women in Science, Technology, Engineering and Mathematics (STEM) is well documented in literature (Etzkowitz et al. 2000; Morganson et al. 2010; UNESCO Institute for Statistics 2016). A lot of research has been done on factors that influence the recruitment of women into STEM careers (Cheryan 2012; Diekman et al. 2015;
Evans et al. 2011). There is, however, paucity of literature on the issue of retention within career paths, particularly within STEM careers despite it being widely acknowledged by scholars that the rate at which women are leaving STEM careers is alarming (Angier 1995; Diekman et al. 2015). Studies further state that women in STEM are more likely to leave their careers as compared to women in non-STEM careers (George-Jackson 2011; Morganson et al. 2010).

The limited discussion on the retention of women in STEM has been mostly in the context of education institutions with most of the studies focusing on the retention of female students in STEM majors and the factors that influence their retention (Cabrera et al. 1993; Chen 2013; Kim 2016). The few retention studies that focussed on employed women who have already begun working in non-academic STEM careers have mostly approached it from a micro-perspective focussing mostly on issues from an organisational context (employee/job retention) (Stephan and Levin 2005). However, studies have shown that some employees leave organisations or jobs without necessarily leaving a career path or profession (Diekman et al. 2016; Ly and Turk-bicakci 2013; Xu 2013).

Changing of organisations or jobs within a field during the course of one’s career is particularly prevalent now due to the dynamic nature of labour markets which often relates career development to job migration, since development opportunities usually necessitate moving to other organisations (Nicholson 1996). An individuals’ career in this generation therefore likely includes work experience in several organisations during the course of their working years rather than spending all their working years in one organisation, as it was in the past (Baruch 2004). Furthermore, given that the issue raising societal concern is the career migration from STEM fields and not job migration within STEM careers, there is a critical knowledge gap concerning retention within STEM careers from a macro-perspective that perceives career paths as systems that are multi-directional, fluid, dynamic and likely encompassing multiple organisations (Baruch 2004).

This study bridges the above gaps in literature by using the social marketing perspective to understand the retention issue and the factors influencing it among women in Science Technology Engineering and Mathematics (STEM) careers in Kenya.

**Literature Review**

Social marketing is the use of marketing concepts to influence or change individual behaviour and advance the acceptability of ideas or practices that resolve social problems such as smoking and obesity (Andreasen 1994; Martam 2016). It utilises a consumer orientation in the development and implementation of its strategies in order to realize its goals (Lefebvre and Flora 1988). This orientation is supported by the general acknowledgement by scholars that it is necessary to first understand why humans behave the way they do, if behavioural change is to be attained (Carins et al. 2016; Kotler 1965; Lowe et al. 2015).

The pivotal role that social marketing plays as an effective consumer-oriented approach to enhance behavioural change and improved well-being for individuals, communities, and society is well documented in extant literature (Kennedy 2016; Kotler et al. 2006). The use of social marketing techniques in a holistic way to effect systemic change and facilitate societal behaviour change in relation to complex problems such as poverty, health and physical activity, smoking cessation, helmet use, drunk driving prevention, nutrition and environmental conservation, is currently an area of interest for macro-marketers (Dholakia 1984; Kennedy 2016; Truong and Hall 2015). However, according to Kennedy (2016), our understanding of social marketing interventions that seek to generate societal change, particularly in developing countries (Truong et al. 2015) is very limited. There is therefore an opportunity to unveil the applicability of social marketing in various fields and contexts other than in the field of public health and in Western countries. Such knowledge is important not only because of the extent to which it should impact any behavioural intervention strategy but also because it would enrich the growing literature on social marketing’s contribution to effecting societal change (Lefebvre and Flora 1988; Wymer 2011), in developing countries.
Given its consumer orientation, the social marketing framework's first step involves the conducting of formative research which provides in depth understanding of the target market, their perception towards the preferred behaviour and its associated benefits and antecedents or barriers (Carins et al. 2016). Quantitative, qualitative or mixed research methods can be used to develop a detailed profile of factors that influence the behaviour of the target audience (Kotler et al. 2006; Teddlie and Tashakkori 2006). The findings of the formative research make it possible for the rest of the social marketing framework steps which are the creation, piloting, implementation and evaluation of the strategies and materials needed to achieve the intended goals and overcome the barriers highlighted effectively and efficiently (Prestin and Pearce 2010).

Social Marketing also integrates and develops marketing concepts and technologies with other approaches from social science to influence behaviours that benefit individuals and communities (Andreasen 1994). The marketing principles of the marketing mix form the main foundation of social marketing as they play a central role in the creation of strategies and campaigns (Lefebvre and Flora 1988). The 7Ps (product, price, place, promotion, people, partnerships and policy) have generally been used to make up the mix of ingredients that were used to either sabotage an offending product or in the creation of a social marketing strategy (Kennedy 2016).

This study therefore used the marketing principles of product, price, place, promotion, people, partnerships and policy (Kennedy 2016) to understand the problem and create multilevel interventions for it. Retention behaviour in careers was assumed to be the product which in social marketing is defined to be the behaviour that is appropriately packaged to meet the needs and wants of the target market (Lefebvre and Flora 1988). Women in STEM careers in Kenya were assumed the customers in this study. Price was held to be the psychological, social or economic cost that the target market needs to pay to obtain the product while place referred to the response channels and the accessibility and distribution of the product (Kennedy 2016). Promotion, in the study, refers to the persuasive content and communication strategies that would create product awareness within the target market even as it makes the product, familiar, desirable and acceptable (Kotler and Zaltman 1971). People refers to the community within the social system that is likely to impact the degree and speed of adoption of behavioural change adoptions (Huff et al. 2017). Partnership refers to the collaborations that the groups and actors within the system could form to co-create new norms and ensure the diffusion and adoption societal behavioural changes (Sallis et al. 2006). Policy refers to the regulatory frameworks that could be used to influence change at the societal level (Head 2008).

**Methodology and Sources of Data**

Social marketing was applied in this study by conducting formative research using an in-depth qualitative research design to gain a better understanding of the target market’s perception concerning the antecedents of their retention behaviour.

A consumer-oriented approach was implemented by seeking to understand the issue of retention from the perspective of women in STEM careers in Kenya (the customers in this case). Consequently, the population of interest was women in Kenya, who were currently or have ever been employed, in STEM careers. A sample was drawn from two sub-sets of the population to provide insights and a comprehensive analysis of the experiences of women in STEM and the factors that influence their career retention. The first subset comprised of women in Kenya who trained in STEM disciplines, worked within those disciplines for some time but later left to pursue a career in a non-STEM discipline. The second subset comprised of women with more than ten years work experience in STEM careers in Kenya.

The lack of a comprehensive sampling frame with both subsets and the subsequent challenge in identify and reaching the women necessitated use of the snowballing sampling technique. Interviews for both subsets were conducted until the point of saturation was achieved. This was
based on the recommendation put forth by Creswell (2013) on sample size when collecting qualitative data. Saturation point with the first subset, which comprised of women who left STEM careers to pursue non-STEM careers, was reached after eleven interviews. With the second subset, saturation point was reached after six interviews.

Data was collected using individual semi-structured interviews. Two interview guides were created, one for each sub-set of the population sampled. The guides were created to seek the individual perspectives of the respondents concerning their experience and the factors that influenced their decisions to leave or remain in a STEM career. Pilot testing of the two interview guides were conducted with two women who left STEM careers to pursue non-STEM careers and two women still in STEM careers to establish the validity of the tool. Modifications were made to the interview guides based on the recommendations that were made by the participants of the pilot test and the interviewer's experience.

The seventeen interviews were recorded as audio files and later transcribed for analysis. The transcribed interviews were then uploaded to ATLAS.ti, software used to conduct qualitative analysis. Codes were generated (open coding) from the interview transcripts. These codes were then grouped thematically (axial coding) to capture the recurring patterns that cut across the data.

Data Presentation and Discussion of Findings

Five themes emerged from 106 codes, which were generated during the analysis of all the 17 interviews that were conducted amongst the two sample groups of women who are persisting in STEM careers in Kenya and those that have already left STEM careers to pursue non-STEM careers. Table 1 below displays primary codes documents showing the number of codes in each theme.

Table 1: Primary Codes Document

<table>
<thead>
<tr>
<th>Themes</th>
<th>Women Currently in STEM Careers</th>
<th>Women who Left STEM Careers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interview 001 Interview 002 Interview 003 Interview 004 Interview 005 Interview 006 Interview A Interview B Interview C Interview D Interview E Interview F Interview G Interview H Interview I Interview J Interview K</td>
<td>CODE TOTALS:</td>
</tr>
<tr>
<td>Career Sustainability and Growth</td>
<td>0 4 2 2 0 4 0 0 1 1 1 0 4 1 0 1 3</td>
<td>24</td>
</tr>
<tr>
<td>Support of Family and Friends</td>
<td>5 0 0 5 3 1 1 1 0 3 0 0 0 1 3 2 3</td>
<td>28</td>
</tr>
<tr>
<td>Sense of Belonging</td>
<td>0 0 0 0 0 0 0 4 0 3 1 0 0 2 1 2 0</td>
<td>13</td>
</tr>
<tr>
<td>Work Family conflict</td>
<td>3 1 3 1 0 7 4 3 2 2 0 3 4 0 2 1 0</td>
<td>36</td>
</tr>
<tr>
<td>Female Role Models</td>
<td>0 0 0 0 0 0 2 1 0 0 0 1 0 1 0 0 0</td>
<td>5</td>
</tr>
<tr>
<td>TOTALS:</td>
<td>8 5 5 8 3 13 7 9 3 9 2 4 8 5 6 6 106</td>
<td></td>
</tr>
</tbody>
</table>
The five themes that emerged, "support of family and friends", "career sustainability and growth", "work-family conflict", "sense of belonging", and "female role models", are discussed below:

**Support of Friends and Family**

The support of friends and family is posited by most respondents in both sample groups as critical for a woman pursuing a career. The multiple roles that women play in society, as a wife, mother, daughter, employee or business owner require support to be provided by friends and family from time to time if balance is to be achieved, just as literature predicts (Erdwins et al. 2001; Morganson et al. 2010). One of the respondents who has been a Veterinary doctor for more than twenty years succinctly stated:

*If you have a supportive community around you, you are bound to be happy and to hang in there. You have to have a supportive community around you: your family, the people around you.*

These findings therefore suggest that, consistent with the growing body of literature, for women, career issues must be considered in the context of community and other life roles (Erdwins et al. 2001; Gutek et al. 1981; Robnett 2015; Tapia and Kvasny 2004). Furthermore, a clear interrelationship between the support of family and friends and work family conflict has been highlighted by the respondents in this study. The support of family and friends has been stated above as one of the ways in which work-family conflict is mitigated. One of the ladies who was in a Science career for more than ten years before she transitioned to a non STEM career states:

*I think having a good support system is always critical for a woman. If you are not organized yourself, you will not make it. You must sit at the table, you know. Sitting at the table means making sure your family is taken care of and they are at a good place, then you can sit at the table and sitting at the table just doesn’t mean physically. It means physically and mentally, you are there. Right, so a good support system is important. So you know your spouse and your immediate family, people at home who help you with the children; you should be able to trust that when you are away; you will be away sometimes, nothing is going wrong and everyone is comfortable.*

**Work-Family Role Conflict**

Respondents who were married and had children, mentioned the multiplicity of their roles as a key factor in their career decision making. As observed in extant literature managing and balancing these roles were a challenge to most respondents and the role conflict they consequently experienced was stated as one of the factors that influence their career decisions (Diekman et al. 2015; Greenhaus and Beutell 1985). For example, one of the women who left an Engineering career to begin an events planning business did so because her roles in society were increasing and the possibility of finding balance seemed slim:

*I started working in 2010, right after graduation and got married in 2012. I discovered this thing is not going to work with family. Because, I would leave my husband asleep, go work, come back home, find he has cooked; he got tired of waiting for me and slept. Uh, so, it started taking a toll on me, on my marriage. Being keen on family, I decided 'this is not the kind of environment I would like to raise my kids in'. Therefore, I started thinking of how to exit.*

Achieving balance in all the roles that the woman carries is therefore considered key and essential by most of the respondents, a sentiment echoed in literature (Erdwins et al. 2001; Miller et al. 2015; Tapia and Kvasny 2004). One of the women persisting in a Mathematics career attributed her satisfaction and persistence in STEM to having found balance in her roles:
I am looking at it this way, as a career woman, married with children, you know many a times when women get to career, and something goes wrong somewhere. Either the family they break, or the children, uh they are not connected. If I look at myself, yes I’m progressing well in my career but I am still keeping my marriage, uh, I’m in good terms with my husband, I’m in good terms, and we are okay, we support each other and I’m also in good connection with my girls. So I think, uh in a way I am balancing.

Respondents who had left STEM careers due to role conflict found balance in different ways and in different non-STEM careers. Some respondents found balance by becoming self-employed and changing the location of their workplace. One of the respondents who left a Quantity Surveying career to begin a bakery said:

I work from home. I have set-up my bakery at a small section of my house. I am able to watch my kids grow. I am practically with them throughout. They are able to pop into the bakery, see what I am doing and for me that gives me a lot of satisfaction. Yes.

These findings support the growing literature concerning the departure of women from the traditional linear career path as they create or re-construct careers that better suit them by starting their own establishments and setting their own terms of employment (Shapiro et al. 2014).

Career Sustainability and Growth
Sustainability of work in the careers was raised by respondents as a possible influencer of retention. The need for certainty that the career path they were in would guarantee them work or gainful employment and growth opportunities in the future influenced their retention decisions. One of the women who left a Science career to pursue a career in academia in the Strategic Management discipline stated:

Because of the uncertainty in donor funding, you always knew you had a job for a limited time. You know, it is a three year contract so you create a contract for three years. So after these three years, you’re hoping you get more money. So when it comes to even planning for your life, finances et cetera long term, that would be very difficult to do. So, moving out of that uncertainty to what I consider to be a more stable and structured way of doing things where I am also more in control, um I’m glad I quit. I think I’m much happier where I’m doing what I’m doing now.

The actual number of years an individual could work in a particular career path before they are forced to go into retirement was another aspect of career sustainability that one respondent who left an Engineering career to become a Management Consultant linked to her retention intentions:

You know even the future, like sustainability, because right now what I’m doing I’m like even when I reach 50, 60 I can continue doing what I do, like the Consulting. You can continue being a Contractor even if you are how old vis-a-vis being in a strict job that’s yes maybe very well paying but after a certain time you start worrying “What happens after retirement”? So for me, I think just the fact that what I’m doing can be scaled up and has got some maybe like a longer longevity or something if there’s such a thing. That’s what drives me.

Similar to Newman (2011), this study finds that Women in STEM careers in Kenya seem to have similar desires with other workforce populations that want careers that will provide economic security and engage them throughout their life-span, well beyond the traditional age of retirement.

Sense of Belonging
Some of the respondents who left STEM careers stated that they felt a lack of belonging in their STEM career path and this was one of the factors that influenced their career retention decision. One respondent who left a career in Technology to become a baker attributed this lack of belonging to the perception that their colleagues and clients in their careers in STEM did not welcome or respect their presence as women:

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Being in IT that meant my work description meant fixing people’s machines. If they crash or do something. So I’d go to fix someone’s machines and they were like “Wait! Are you the one who’s going to fix it”? Um, there was that discrimination for they really didn’t think you could do it even when you knew for sure you are qualified. Um, yeah there was that bias for “Ah this is a lady. I don’t think she can fix this”.

Extant literature indicates that these attitudes and beliefs are based on long held societal beliefs that there are certain careers that are best suited for men, who are perceived to have superior intellect and capabilities (Beoku-betts 2004; Robnett 2015). This study therefore extends the application of belonging to being a influencer of retention, a premise accepted in the extant literature of organisational behaviour (Armstrong-Stassen and Schlosser 2011), to the context of women in STEM careers in Kenya.

**Female Role Models**

Female role models in the career path are perceived in this study to be a ‘forecast’ of who the women will likely be if they progress or persist in the career path. Thus if women who are further along in the career path do not depict an attractive projection of the future, women are likely to be discouraged about persisting in the career path. One of the respondents who left a career in Quantity Surveying to be Digital Social Ecosystems and Social gin a bakery said:

*I tried to look ahead to women who had done Quantity Surveying and were older than me. One common thing, all of them were divorced or separated. None of them, the ones I knew at that time, none of them had a working family. So, I looked at them, I decided, you know what, I am not sure I want this for myself. So, probably, had there been some, whose marriages worked, who knows, maybe I would have hang on.*

Another respondent who left a career in Actuarial Science to become a marketer echoed similar statements stating:

*The person who I would consult was this person who had left and she was saying “Oh I love my new job; it has nothing to do with Actuarial work”. Then you are like “Okay, she looked for this joy in this career path for four years; she didn’t find it and now she’s found it elsewhere. Why should I take any more time to prove what she has already proven? That really there’s not much here”. Then also talking to other people who would also not focused on Actuarial careers and you know they’d tell me “Oh I also did Actuarial for a year or two and I didn’t stay”. So, nobody at the end of road was telling me “Hold on. Somewhere along the way it will click”. Nobody was giving me that hope to persevere or to bid my time.*

An absence of female role models that are admired and respected in the STEM career paths has thus been stated as one of the factors that have influenced the decisions of some of the respondents to leave their careers in STEM, a perspective that is supported in literature (Drury et al. 2011; Tapia and Kvasny 2004). These findings also bolster the argument in literature that the sense of belonging among women in STEM careers is enhanced when they are able to see and work alongside other women in the seemingly male dominated career path (Deemer 2015).

**Conclusions**

This paper argues that there are numerous influences within STEM careers in Kenya that are contributing to the low retention of women. Respondents in the study highlighted support of family and friends, career sustainability and growth, work-family conflict, female role models and sense of belonging as some of the factors that influence their retention behaviour. Clients, family, friends, work colleagues, donor organisations, organisations that provide employment and regulatory bodies as therefore some of the actors highlighted as playing a key role in the retention of women in the career system. The retention of women in STEM careers in Kenya is therefore a complex and messy issue that needs multilevel interventions to resolve it.
A holistic approach (Domegan et al. 2016) is therefore posited as the best strategy to deal with the enhancement of retention behaviour in STEM careers in Kenya. To enhance support of family and friends and reduce work family conflict, this study proposes the amendment of laws and policies that ensure the provision of childcare facilities, paid care-related (either parental or elder care) leaves. Flexible work arrangements have also been proven to be effective in encouraging the re-entry and retention of women in the labour force after having children in various countries (Ondrich et al. 2015; Pylkkänen and Smith 2014). Some parental care policies, such as the non-transferable parental leave days for men (daddy days) in countries such as Germany, Sweden, Iceland and Norway, have also brought about an increase in the participation of men in care giving in the home setup, bringing about a shift in the societal structure (Hegewisch and Gornick 2011). This shift brings about an increase in support for women from family in their care giving roles and thus a decrease in the conflict experiences.

To increase the sense of belonging of women in STEM careers in Kenya while simultaneously encouraging the active participation of female role models, this study suggests the creation of formal training and coaching workshops to be organised and run by female leaders in STEM careers. The workshops should aim to equip women in STEM careers with the knowledge, skills and support (through coaching, formation of peer networks and mentorship) needed to navigate and succeed in a male dominated career path. This programme should also enhance women's understanding of the complex factors that influence them in the STEM career system they are involved in and the great value they bring to the career path. This knowledge and self-awareness will go a long way in enhancing their sense of belonging and their level of self-efficacy. The intervention incorporates the active participation of female role models and peer social support key factors that this study has confirmed are influencers of retention behaviour. A similar intervention has been implemented in the United States and the initial results showed that participants in the programme are all still in STEM careers (Oosten et al. 2017).

Finally, the STEM career path may need to evolve to retain more women. The career path needs to be sustainable and dynamic to accommodate the varying life seasons and multiple roles of women while providing them economic security. This will likely mean that women will need to play an active part in re-constructing their career paths within STEM. The government of Kenya, non-governmental organisations, and other types of organisations in the STEM career path will need to collaborate with the women in STEM and create work opportunities that will ensure that women's unique needs and preferences in the work context are considered.

References


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THE ROLE OF ADVERTISING IN INFLUENCING
CONSUMER BUYING BEHAVIOUR OF REAL ESTATE
PRODUCTS IN TANZANIA: A CASE OF THE
NATIONAL HOUSING CORPORATION

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The paper examines the role of advertisement in influencing consumer buying
behaviour of real estate products in Tanzania using the case of the National Housing
Corporation (NHC) in Tanzania. The paper is based on a study whose primary
objective was to assess the extent to which television, radio, print media and online
advertisements influence consumer buying behaviour of real estate products in the
NHC. Informed by the positivist and deductive paradigms, the study used structured
questionnaires to gather quantitative data from 103 respondents who were conveniently
sampled from NHC customers based in Tanzania’s sprawling city of Dar es Salaam.
Descriptive statistics were subjected to the Multiple Regression analysis. The findings
indicate that all the four constructs of television advertisement, radio advertisement,
print media and online advertisement had significant positive influence on the
consumer buying behaviour of real estate products. Nevertheless, television and radio
advertisements were the major shakers as they emerged as significant predictors of the
consumer buying behaviour with 53% and 27% contribution to changing the consumer
buying behaviour, respectively. Print media and online media, on the other hand,
contributed only 13% and 7% to influencing consumer buying behaviour, respectively.
These findings have implications for policy makers and real estate companies seeking
to make the most from advertising of real estate products and through which media.

Keywords: Advertisement, Consumer Buying Behaviour and AIDA

INTRODUCTION

Consumer behaviour is related to how organisations, groups or individuals choose, buy, utilise
and dispose of ideas, experience, goods or services for their needs satisfaction (Thangasamy &
Patikar 2014). In fact, the behaviour that the customer exhibits is not the only focus of consumer
behaviour. Tobergte and Curtis (2013) suggest that at the macro level, officers who deal with
marketing place their emphasis on the demographic shift and practices, beliefs and values which
have effects on their interaction with customers in the market. On the other hand, at the micro
level the focus is on human behaviour and their associated reasons. In this regard, how
customers choose, buy, and utilise certain products or services can be influenced significantly
by the way in which communication through advertisement is conducted (Haider and Shakib,
2017) The behaviour that the customers tend to portray in their buying process differ depending
on the product type and nature of the customer. Purchasing the products that are bought
frequently and costing less such as sugar and coffee do not require deep search for information
compared to other products that are not frequently bought at higher costs such as real estates.
According to Tobergte and Curtis (2013), the transactions involved in these latter products
demand high involvement of the customers and require a serious decision-making process,
which includes information search, alternatives evaluation product purchasing, and final evaluation of the end results of using a product. On the other hand, consumer behaviour tends to be influenced by personal, psychological, cultural and social factors (Kotler et al., 2017).

Before the consumers make purchasing decision, there are mental information processing systems that function to form beliefs, attitudes, values and reaction to a particular product that motivate a consumer to buy a product. In businesses that experience changes in the environment, consumers may decide to trace, receive and process such information via different media that include advertisement. Shabbir et al. (2012) argue that different ways and media may be applied to designing and conveying an advertisement in a bid to influence consumers through awareness creation and raising, changing of beliefs and attitudes and reinforcing on positive values for them to make subsequent purchasing decisions.

Advertisement constitutes one of the four traditional promotion mix elements, namely advertising, personal selling, publicity and sales promotion. In fact, it is one of the promotional strategies that act as main initiatives in the product awareness creation to awaken the senses and alert the mind of a target market to make the customers decide on whether to buy that product or service or not. Overall, the weapons for marketing, advertisement can yield long-term effects as an effective advert lingers long afterwards in the minds of individuals and, thus, its impacts tend to be broader (Kumar and Raju, 2013).

CONTEXT OF THE PAPER

Knowledge and information about consumers are critical in developing successful marketing strategies. After all, marketers ought to think about and analyse the relationship between the consumer behaviour and their envisioned marketing strategy, which require sound knowledge and power to be on their finger-tips. Indeed, good knowledge of consumer behaviour bolsters advertising and the selling of the product or services in a successful way. Schiffman and Wisenblit (2015) define ‘consumer behaviour’ as the attitude that a consumer displays in the process of searching for, purchasing, using, evaluating and disposing of a product and service that he or she expects to satisfy his or her needs. According to Kumar (2004), there are variations in consumer attitudes resulting from a continual change in a human’s standard of living, technology, fashion and trends. In this regard, Solomon (2009) details, that these changes inevitably complicate the behaviour of customers, especially in the real estate business because clients differ in income level, consumption patterns, attitude, their disposal of product, beliefs and their general mind-set. Yet, it is through these factors that one can understand the importance of having a firm grasp of consumer behaviour since effective marketing of these real estate products mostly depend on them. Arguably, consumer behaviour serves as a tool for meeting the marketers’ sales objectives in the real estate business.

When an organisation including in real estate fails to determine how customers will react to a service or product, it will incur financial losses as it is not expected to achieve its objectives due to failure to meet the needs and aspirations of the target customers (Kotler, 2017). Moreover, such organisations may fail to meet their sales projections as a result of their failure to communicate effectively their products and services to the targeted market. As such, advertisement is important in the market as the targeted customers get informed about the existence of a product or service with the ultimate goal of persuading them to purchase it (Kumar and Raju, 2013). The varied advertisement media used to influence customers include TV, print media, the Internet and radio. These media outlets are used to communicate adverts of products and services to inform, remind and persuade customers on the features and quality of the product or service so as to induce their purchasing behaviour.

Extant literature generally treats advertisement as a proper way of communicating the organisation’s offerings to the customers. However, there are inherent challenges in advertising. Fatima and Lodhi (2015) reported that the advertising challenges arise when it comes to the kind, nature and process appropriate for effectively marketing a particular product, the channel through which to communicate that the message, and determining the end results of the chosen advertising alternatives.
Though the significance of advertisement in understanding the behaviour of customers remains indisputable, literature on advertisement in developing countries such as Tanzania remains largely limited. Previous studies conducted in this area have reported much on the movable products and just a few on immovable assets such as real estates. The research on the effects of newspaper advertisement on the behaviour of customers in India by Bansal and Gupta (2014) indicate a positive relationship between the two. Moreover, Ghafoor et al. (2016) examined the impact of general advertisements on consumer purchasing behaviour and came up with similar results. Furthermore, another study by Abideen and Saleem (2012) on the effectiveness of advertisement in attracting customers to buy a product found significant and positive relationships between the two constructs. Overall, previous researches, especially in relation to consumer buying behaviour and real estate in developing countries including Tanzania reveal that studies on consumer behaviour have largely concentrated on the airline industry (Malembo, 2015); household products (Karinga, 2015); domestic wines (Ryoba and Dev, 2015). Other literatures rank the Internet as the top most media in the persuasion of consumers towards buying product or service (Rasool et al., 2012). Yet, this assertion regarding the internet is not absolute as other researchers have come up with competing explanations. On the one hand, researchers such as Bansal and Gupta (2014) contend that the application of the print media in advertising is much more significant than other types of media; on the other hand, Arshad et al. (2014) underscore television advertisements as the most effective method of influencing consumers’ buying behaviours. On the whole, these findings bring about inconclusive and contradictory findings. The study upon which this paper was based intended to address the same issue regarding these media and their role in influencing customer behaviour in Tanzanian’s real estate; an area that has not been well-researched upon. Specifically, the paper uses the National Housing Corporation (NHC) as the case study for examining the role of advertising in influencing customer purchasing behaviour in the real estate business in the context of Tanzania.

Real Estate Environment in Tanzania

Tanzania has witnessed a soaring demand in the housing sector due to the rapidly growing population currently estimated to stand at 54.5 million people and is projected to double in the 2050s (Tanzania Invest, 2017). In fact, the annual housing demand stands at approximately 200,000 housing units, and there a deficit of three million houses (ibid.). In response to the demand, the real estate sector in Tanzania has experienced a sensible growth in tandem with annual economic growth rate of 7%. This real estate growth is partly triggered by the establishment and improvement of the companies, agencies and corporations engaged in the real estate construction, sale and renting such as public-owned NHC, Watumishi Housing, social security funds (LAPF, NSSF, GEPF, PSPF and PPF). The Tanzanian housing supply and demand has also been boosted by easier access to mortgage, with the number of mortgage lenders in the market increasing from a paltry three in 2009 to 21 in 2015 and the average mortgage interest rate in Tanzania falling from 22% to 16 % (ibid.). The increased real estate suppliers’ in the market both from the public and private sectors means that companies need to develop and communicate their competitive advantages to the customers. Through effective use of advertising tools, real estate marketing can give a company an edge for it to ahead of the pack and grab the attention of targeted customers.

This paper, therefore, attempts to look at the influence of advertisement on consumer buying behaviour of real estate products using the NHC as a case study. The National Housing Corporation (NHC) is under the Ministry of Lands, Housing and Settlements Development. According to NHC Strategic Plan (2015), its core functions includes housing construction for sale, construction of buildings as part of approved schemes and management of houses for rent.

Objective and structure of the paper

This paper examines the role of advertisement in influencing the consumer buying behaviour of real estate products in Tanzania. More specifically, it ascertains the roles of television, radio, print media and online advertising in influencing consumer buying behaviour. The paper covers
the theoretical discussions, empirical support, methodology, findings, discussion, conclusion, implications and recommendations.

**AIDA MODEL AND ADVERTISEMENT**

The core of advertising research can be traced back to the very end of the nineteenth century (Nilson, 2006). An advertisement constitutes forms of non-individual promotions and presentations of services, experience, ideas and goods or products initiated and facilitated by the known sponsor(s). The AIDA construct (Attention - Interest - Desire - Action) by American businessman, E. St. Elmo Lewis, in 1898 was the first formal advertising model (Preston, 1982). Its original main purpose was to optimise the sales calls, specifically the interaction between the seller and the buyer pertaining to the product. Accordingly, successful advertisement should always follow a specific formula for it to attract a reader to look at the advertisement and start to read it; then interest him or her enough to continue reading it; then convince him or her, so that when he or she has read the advert he or she will believe it.

Hackley (2005) contends that the AIDA model aims to ensure that the advertisements create awareness, stimulate interests and, finally, direct the customers towards their desire for them to act by purchasing a particular product. According to Kotler and Armstrong (2013), consumer buying behaviour can be defined as the buying action (i.e. of households and individuals) that the final consumers possess that culminates in purchasing the products or services. Thangasamy and Patikar (2014) elaborate on the consumer buying behaviour as a study of the ways through which an organisation, a group or an individual gets involved in the selection, buying, and using of ideas, services, experience and/or goods for the satisfaction of their wants and needs. In the view of Hadiyati’s (2016) argument, the AIDA model envisages to attract potential customers’ attention to increase the customers’ interest and desire to do the last act of purchasing a product or service.

The advertisement needs to be designed in a way that the target audience may access, interpret and gain the deep concept associated with it. This clarity of access makes it easy for the potential customers to pass through the four stages of the AIDA model and, thus, contribute to the attainment of the intended goal for which the intervention of advertising is solicited in the first place. According to Brierley (2002), the AIDA model suggests that managers responsible for the preparation of advertisements have to ensure that the advertisement carries reliable, believable and memorable messages that may steer the customer towards their final purchasing decision. The model is helpful in advertising and marketing in general by helping respective managers in developing communication strategies that engender effective message sending.

The four attributes applied in this model can be described thusly. The first letter “A”—“awareness” or “attention”—refers to the ability of the advert to grab the customers’ attention. In this regard, the managers in real estate firms are expected to develop a message that communicates and stimulates this intent to customers be it on television, radio, print media or online media. The second letter "I" for “interest” presses demands on the managers to create an advert capable of stirring and raising the interests of customers by communicating the salient features, benefits, advantages and other attributes of the products.

The third letter "D" for “desire” refers to the strong wanting among consumers that emerges when they perceive that the service or product advertised will satisfy their wants and needs as a result of the communication made. In this case, the managers involved in real estates have to send the messages that communicate their uniqueness of the benefits, brand image and features attached to the products or services that differentiate them from those of their competitors. This generates a desire for them to satisfy their needs by purchasing the advertised products or services.

The fourth and last letter "A" for “action” refers to the ultimate outcome of the communication facilitated by the advert. Indeed, after the attention, interest and desire have been created what follows is the decision of the consumers to act by purchasing a particular product or service. In this case, the actions included in the real estate involve the decision by a potential buyer(s) to...
purchase a land or house. However, the decision to purchase a product is highly associated with the amount of disposable income.

The AIDA model was relevant in this study as it links advertisement and the consumer behaviour in enhancing sales in the real estate business. Specifically, it shows how the advertisement media such as TV, radio, print media and online advertisement can be used by an organisation in creating awareness, generating interest and stimulating the target customers to make a purchasing decision in favour of the advertised product or service.

**Empirical Literature Review**

The paper reviews various studies that have been conducted outside and within Tanzania in the area of advertisement and consumer buying behaviour. A study by Abideen and Saleem (2012) looked at the effect of effective advertisement on the consumer purchasing behaviour in Pakistan. A total of 200 respondents were selected using random sampling from among telecommunication firms in the three cities of Lahore, Islamabad, and Rawalpindi. The study found that customers buy a product to which they were highly attached emotionally and that stuck in the mind of that customer. It identified advertising as the main source of customer attachment to the product. However, the study was conducted in a telecommunication industry which differs from the real estate industry. A study by Muhammad et al (2014) was aimed to examine the impact of advertisements and perception of the customer on the consumer purchasing process in Pakistan. The study used a random sampling technique in selecting 150 respondents who were supplied with questionnaires. The study confirmed a positive and significant relationship between advertisements and consumer purchasing behaviour. The study detailed that the advertisement quality and positive perception by the customers play significant roles in positively influencing the consumer purchasing behaviour. This study failed to determine the method and mode of advertisement of which the current paper addresses.

A study by Arshad et al. (2014) assessed the effects of effective advertisement on the consumers’ buying behaviour in Pakistan. Through Regression and Correlation analyses the study revealed that the most persuasive way to the customers’ conviction to buy a product is advertisement. However, the study failed to provide ways through which the consumers’ purchasing behaviour may be influenced by the adverts. Shabbir et al. (2012) conducted a quantitative study on the relationship between effective advertisement and consumers’ purchasing behaviour in Pakistan. Some 200 respondents were selected using a probability sampling. The study reported a positive and significant relationship between the two variables. The study further detailed that the named attachments that influence the buying behaviours by customers are mostly developed by the use advertisements, for example, the text form, video and audio for which TV, the internet and radio are the appropriate media.

Another study by Hajli (2014) on the roles of social media (the Internet) in influencing the consumers’ buying behaviours was taken in the United Kingdom. Through multiple regression, the study found that a consumer is highly influenced by the Internet kind of adverts and this was perceived to have a high influence over the social groups and the peers. With this trust, networks are generated following these interactions and, as a result, impact on others to decide over the purchasing the product so advertised. According to Malik et al. (2013), the application of the online advertisement for promotions is growing rapidly as it is advantageous in attracting the well-educated communities to send their applications to buy their products using the internet as opposed to physical shopping. This concept is also crucial in understanding the ways through which the products from the real estate in Tanzania can be communicated to potential consumers.

Bansal and Gupta (2014) analysed the effects of advertisements through newspapers on the consumers’ purchasing behaviours in India. A total of 1,017 respondents were randomly selected from various newspaper consumers. The Resnik and Stern criteria techniques were used to analyse the data. The results indicated that the advertisements in the newspaper are mostly for information provision and, therefore, they affect significantly the decision-making process of the customer for him or her to buy a particular product, particularly durable and high-

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end electronic products. The results from this study enabled the current researchers to scan the ways through which the importance of print media such as magazine, journals and newspapers influence consumers’ purchasing behaviours.

Ghafoor et al (2016) conducted study on the impacts of advertisements on the consumers’ purchasing behaviours. For the study, a sample of 250 respondents was randomly selected from the 6 cities in Punjab. Regression and correlation analyses revealed that advertisements had a positive influence on the consumer choices of alternatives. Rasool et al. (2012), on the other hand, assessed the relationship between advertisement modes and consumers’ purchasing behaviour in Lahore city, Pakistan. Random sampling was employed draw 80 respondents and to whom a questionnaire was administered to gather requisite data. A descriptive, Z-test and Chi-Square tests were used in data analysis. The results show that advertisement is the effective way to communicate the product to the target audience and the Internet or electronic media was perceived to be a proper method for fast awareness creation.

Kibona (2015) examined the impact of advertising on the consumer buying behaviour in Tanzania using the case of Coca-Cola Kwanza Company in Dar es Salaam. The study involved 200 respondents. Through regression analysis the study found that there was a positive and significant relationship between advertisement and consumers’ purchasing behaviour. However, these study findings were based on a soft-drink company and consumable products, hence incomparable to the real estate products and nature of clientele as well as marketing strategies.

CONCEPTUAL FRAMEWORK

Figure 1 below provides conceptual framework to guide the paper:

![Conceptual Framework Diagram]

**Source:** Constructed from the literature (2018)

Henceforth, the regression model is given by:

The general regression model is given by \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4+ \ldots + \beta_nX_n + E \), where

\( Y \) = Dependent variable which is the consumer buying behaviour.

\( X_1 \) – \( X_n \) = Independent variables (television advertisement, radio advertisement, print media and online advertisement).

\( \beta_1 \) – \( \beta_n \) = Coefficients of independent variables

\( \beta_0 \) = Constant of the equation

\( E \) = Error term
METHODOLOGY

The study for this paper was conducted in Dar es Salaam which is the main city in Tanzania. The city does not only serve as the headquarter for the NHC but also four of NHC crucial branches (Kinondoni, Upanga, Ilala and Temeke) are also located in the country’s largest city. Moreover, most of the NHC customers are based in Dar es Salaam, which also serves as the business hub. The study was premised on the positivist and deductive paradigms. It deployed structured questionnaires to gather quantitative data from 103 respondents who were conveniently sampled from the NHC customers based in Dar es Salaam City (NHC, 2017). According to Rajasekar et al. (2006), for the generalisation of the findings, a large sample needs to be not less than 30 participants, especially for the deductive approach. The biggest NHC projects during the study period, namely Victoria Place in Victoria area, Mwongozo in Kigamboni district and Shekilango projects were used to gather data from the customers associated with these projects. In addition, purposive sampling was used to select five key informants to gather in-depth information through interviews (Creswell, 2013). Descriptive statistics were applied to the collected quantitative data using reliability and Regression and analysis with the aid of SPSS version 22.

Before actual data analyses the data structured questionnaire was subjected to reliability and validity test. In the former case, Cronbach’s Alpha was employed as a technique to measure the reliability of data and determine whether the instruments used met the criteria, hence robust enough to yield the necessary data (Tavakol and Dennick, 2011).

Validity: Validity was observed through the use of the questionnaire whereby a pilot study was conducted with 10 people to determine the clarity and effectiveness of the tools before embarking on field-work. Corrections were made in response to anomalies before the instrument was finally administered with all the 103 respondents.

ANALYSIS AND DISCUSSION

Regression analysis was conducted to check significance of the mode, the percentage of variation in the dependent variable which is explained by the independent variables and the association between the four independent variables and the dependent variable.

Model Summary

The significance of the model was explained by using the regression model summary and the ANOVA results are as shown in tables 1 and 2 below.

Table 1: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.861a</td>
<td>.741</td>
<td>.730</td>
<td>.22181</td>
</tr>
</tbody>
</table>

The regression results above indicate that 74.1% of the variations in the consumer buying behaviour are explained by the independent variables. This shows that the multiple regression model adopted in this study is significant. From the regression model, it is evident that the variation in the consumer buying behaviour of real estate products is significantly explained by the independent variables applied in the study.

Table 2: ANOVA Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>13.787</td>
<td>4</td>
<td>3.447</td>
<td>70.051</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>4.822</td>
<td>98</td>
<td>.049</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.608</td>
<td>102</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**a. Dependent Variable: Mean Consumer Behaviour**

b. Predictors: (Constant), Mean Online Score, Mean Radio Score, Mean Print Media Score, Mean Television Score

The ANOVA test results obtained, as indicated in Table 2 above, shows that the regression model is generally significant as manifested by the significance value of 0.000, which is below the threshold of 0.05. The value obtained falls within the acceptance region, which makes the whole regression model significant.

**Multiple Regression Coefficients**

Multiple regressions were performed to determine the relationship between each predictor variable against the dependent variable and ascertain the level of significance for each predictor variable. The results are as shown in Table 3:

**Table 3: Multiple Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.041</td>
<td>.217</td>
</tr>
<tr>
<td>Mean Television Score</td>
<td>.534</td>
<td>.069</td>
</tr>
<tr>
<td>Mean Print Media Score</td>
<td>.129</td>
<td>.075</td>
</tr>
<tr>
<td>Mean Radio Score</td>
<td>.268</td>
<td>.034</td>
</tr>
<tr>
<td>Mean Online Score</td>
<td>.070</td>
<td>.040</td>
</tr>
</tbody>
</table>

**DISCUSSION OF THE FINDINGS**

As Table 3 above illustrates, the findings indicate that television advertisement contributes about 53% to changing the consumer buying behaviour of the real estate products in Tanzania. On the other hand, radio advertisement contributes about 27%, whereas print media advertisement and online advertisement contribute to about 13% and 7%, respectively, to changing the buying behaviour of real estate customers. Therefore, all the four variables are varying but positively related with the consumer buying behaviour.

However, the contribution of TV and Radio advertisements were found to be significant. The p-value of both TV and Radio advertisements is 0.000, which indicates that these variables are significant, hence good predictors of the changes in the consumer buying behaviour of real estate products in Tanzania. On the other hand, the p-value of the print media advertisement and online advertisement were 0.088 and 0.08, respectively. These values were above the threshold of 0.05, which suggests that the two variables are not significant in predicting the changes in the consumer buying behaviour of real estate products in Tanzania.

The regression coefficients indicate that TV advertisements have significant impact on changing the buying behaviour of real estate customers followed by radio advertisements. The findings of this study conform to those obtained by Rana (1995) who also found that the impact of TV advertisements to be the greatest amongst all the other media forms. Along the same line, one key informant of the current study said:

“Television adverts can influence real estate buying behaviour because it involves the vision of the products. In selling real estate, the product does not only comprise the house or apartment but also involves neighbourhood and surrounding environments, which can be vividly seen in the adverts”.
Another key informant pointed out:

“In Tanzania, TV advertisement has influenced real estate buying behaviour. This has been evident in the recent years. The comparison of boosted sales for NHC houses before and after TV advertisement serves as good evidence”.

The results also corroborate with those given by Arshad et al. (2014) who argue that TV advertising is more persuasive than other advertising avenues in convincing the customer to buy products.

With regard to the significance of radio advertisement, Mc Quails (2005) points out that customers are attracted to buy as radio adverts have a much larger audience than other media. One key informant points said:

“Radio adverts can influence the buying behaviour through the use of programmes of awareness creation on of the real estate products because real estate products need a lot of time to explain the products to convince a buyer”.

The regression (prediction) equation of the above model is given by \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \ldots + \beta_nX_n + E \), where \( Y \) = Dependent variable which is the consumer buying behaviour (CBB), \( X_1 - X_n \) = Independent variables (television advertisement (TA), radio advertisement (RA), print media (PM) and online advertisement (OA)), \( \beta_1 - \beta_n \) = Coefficients of independent variables, \( \beta_0 \) = Constant of the equation and \( E \) = Error term.

Therefore, if \( E=0 \), then \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 \). Then, from Table 3 the regression equation is given by the following equation:

\[
CBB = 0.041+0.534TA+0.129PM+0.268RA+0.07OA
\]

The implication of the above model is that it can be used as a mathematical tool for measuring the influence of the advertising media on changing the buying behaviour of real estate customers.

The general regression model obtained indicates a positive relationship between advertisements media and the consumer buying behaviour of real estate products in Tanzania. This conclusion conforms to those reached by Rasool et al. (2012), Shabbir et al.(2012) and Ghafoor et al. (2016) who found in their respective studies a positive association between advertisement media and consumer buying behaviour. However, in this paper, only TV and radio adverts were found to be significant predictors of consumer behaviour for real estate products in Tanzania.

SUMMARY OF FINDINGS

The paper examined the role of advertisement in influencing consumer buying behaviour of real estate products in Tanzania using the case of the National Housing Corporation. It has measured the role of advertisement using four advertisement media, namely TV, the radio, print and online media.

More specifically, the paper has examined the influence of TV, the radio, print media and online advertisement on the consumer buying behaviour of the real estate.

The regression analysis results indicate a positive relationship between four advertisements media used in this study and the consumer buying behaviour of real estate products. The findings imply that, as a company advertises the real estate products it offers to the customers, the level of product or service awareness, interest, desire and hopeful action tends to increase which, in turn, reflects the consumer buying behaviour. Nevertheless, the study found only two variables, namely TV and Radio advertising to be significant predictors of buying behaviour in the real estate sector in Tanzania.
CONCLUSION, RECOMMENDATIONS AND IMPLICATIONS

Based on the findings presented TV and Radio advertisements are significant predictors of the consumer buying behaviour of real estate products in the context of Tanzania. The remaining media—print media and online advertisement—were found not to be significant despite having a positive association with the consumer buying behaviour of real estate products. It can also be deduced that most of the real estate customers in Tanzania still prefer traditional media of advertisement such as TV, radio and print media compared to the emerging media of online advertisement. This orientation may be attributable to the fact that emerging online media are still new to some of the customers and not all have access to such media. Nevertheless, online media has started steadily gaining ground as many in Tanzania particularly in the urban centres are embracing such technology in line with the global spirit of the 21st century.

Theoretical and Practical Implications

The AIDA model aims to make sure that advertisements create awareness, stimulate interests and, finally, direct the customers towards their desire for them to act by purchasing a particular product (Hackley, 2005). This study has demonstrated that advertisement has a positive relationship with the consumer buying behaviour of real estate products in Tanzania. However, only TV and Radio advertisements have registered a significant influence in changing the buying behaviour of real estate products.

Advertisement media was pointed as one of the Integrated Marketing Communications (IMC) Strategies. The IMC theory points out that the search of an audience, media involved in communications and how they are to be selected are common factors posing challenges to marketing managers. According to Belch and Belch (2003), the rapid evolution of online marketing media is increasingly enticing more of the people to these kinds of internet-based advertising. In addition, most of the firms from public and private sectors are aware that the effective and efficient way of communication with the target customers is related to their achievement of their goals (ibid.). However, this study found that it was TV and radio advertisement that trampled all the other media reviewed since they were found to be significant predictors change in the buying behaviour among customers for real estate products. Thus, despite the rapid evolution of the online media that has swept through the globe, the real estate industry in the localised context of Tanzania, at least, are advised to use TV and radio advertisement to communicate real estate products to the audience via advertising.

Recommendations

Firstly, real estate companies such as the NHC should consider using TV media in communicating their real estate products and services to their target audience. Indeed, TV advertisement has much more impact in influencing the consumer buying behaviour than other media currently in use in Tanzania. If used appropriately, TV advertisement could be a reliable source of gaining a competitive advantage in the real estate market. Secondly, radio advertisement is one of the media—alongside TV—which has accounted in the study for significant influence in changing the buying behaviour, especially for the widely scattered audience as it is much more flexible, cheap and currently they can be accessed via electronic means. Therefore, real estate companies such as the NHC cannot snub radio advertisement at all but rather they should design adverts that are easy to understand and remember among customers in the audience, hence with a capacity to influence their buying behaviour.

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WHAT FACTORS INHIBIT UNDERGRADUATE E-SHOPPING BEHAVIOUR IN A SUB-SAHARAN AFRICA DEVELOPING COUNTRY CONTEXT?

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E-shopping has increasingly become common practice among private university undergraduates from affluent homes in Nigeria. Yet this fast-expanding generation-Y market that is internet savvy seems to be underutilizing e-shops for shopping purposes. Accordingly this study sought to reveal the most critical factors that affect e-shopping undergraduates. A pilot survey was executed to generate inhibiting factors directly from non-respondent undergraduates. The responses were used to develop instrument. Data was collected from 320 undergraduates who have made online purchase at least once. Structural equation modeling (SEM) was used to explore relationships in the research schema. All independent variable - perceived product quality, delivery time, delivery cost, customer relationship/communication, product price, and misinterpretation of customer order – emerged as significant inhibitory factors of online shopping, and e-shopping intention is a strong moderator variable between the inhibitors and e-shop patronage. The inhibitory factors were ranked on the strength of their factor loadings to uncover critical factors. It was found that delivery time, misinterpretation of customer order, and perceived product quality are ranked very high as the most critical inhibitory factors for undergraduate online shopping behavior. This finding has insightful marketing implications for e-retailers and online shops in crafting marketing strategies that target undergraduates and generation-Y.

INTRODUCTION

The presence of the internet has increasingly changed the retailing landscape from brick-and-mortar retailing (which required physical presence and visits) to online retailing. It has revolutionized the business landscape as the number of global internet users is exponentially growing. Since the invention of the internet and the remarkable growth of internet users, the first thing many people do when looking for a product, a service or a company to buy from, is to search for information online. A great web presence is thus crucial for any company that wants to survive in today’s world (Halligan & Shah 2014, Leinbach-Reyhle, 2015). Hence, e-shops and e-shopping are increasingly becoming a way of life. Online retail competition is observable among the following e-retail outlets: Konga, Jumia, Dealdey, Yudala, etc, which was targeting the middle class and the Nigerian youth market.

Online retailing is an electronic means of purchasing and selling goods and services via the internet. It allows consumers to skip some processes involved in purchasing decisions, such as cost of transportation, looking for stores that possess the desired product or service, distance to the store, and more. Instead, consumers (who are intellectually technology-sound) can purchase goods from the comfort of their homes, offices, etc. Also, online retailing has enabled consumers to have access to a wide variety of products for purchasing, selling and reviewing. In addition, it allows a common consumer to participate in international marketing as purchases can be made on e-shops where the seller dwells in a foreign region. There are various categories of online consumers but this research focuses on undergraduate students. Observably, the university undergraduates, which are online savvy youths, are somewhat moving from physical shopping to e-shopping. Even so, some have been described as e-shopaholics due to their love to rather patronize an online retail outlet for a number of reasons, such as; convenience, cost, quality, price, availability, etc. Hence, it makes business-sense to tap into the undergraduate
market that is increasingly using and patronizing e-shops. Online shopping has helped undergraduate students with ‘convenience buying’ as they can purchase needed textbooks, stationeries, clothes, gadgets and even food from the comfort of their dormitory. They also enjoy certain benefits like discounted prices allocated to only students.

Unfortunately, it is also observed that, though many undergraduate students use the internet for varied reasons, but their e-shopping behavior is still somewhat or relatively low, why? The inhibiting factors on the e-shopping behaviors of undergraduate students are what motivate this current research. Monsuwe, Dellaert, & Ruyte (2004) claimed that the breach of consumer’s trust leads to negative attitude toward online shopping. The problem of this research is the somewhat low patronage of online retail outlets amongst undergraduates, which presupposes that certain factors must be inhibiting them from adopting or sustaining online shopping behavior (Monsuwe, Dellaert, & Ruyter, 2004).

This research expands the fields of marketing where e-marketing strategies have been applied and studied, the results found, the types of researches developed, and what implications might be drawn from these studies for both management practice and theory. Companies seeking internet presence for their products can use the results from this study in a number of ways. For instance, if undergraduate students are their target market, this study will reveal the key inhibitors of undergraduate e-shopping and will also show how they can navigate or overcome any challenges they face. A case where an e-retail store is just entering the undergraduate market, this research will reveal the difficulties and how to avoid or resolve them. It would also be beneficial to consumers who patronize online retail outlets, such as undergraduates, to help them have a deeper understanding as to why certain e-shops are lacking in efficiency. Moreover, this study will enable the consumers to make better analytical decisions on which e-stores to patronize. Future researchers with a similar interest and investors in e-business will also benefit from this study as it will aid in analyzing the operations of current online store and decide on which to invest in based on their efficiency and how they overcome to stipulate inhibitors. The rest of this paper discusses the following themes: review of relevant literature, hypotheses development, methodology, results, discussion, managerial and policy implications, conclusion and recommendations, and limitations and directions for further studies.

**REVIEW OF RELEVANT LITERATURE**

**Conceptual review**

E-Shopping outlets are websites where goods and services are offered to consumers for sale at a fixed or flexible price. The Business Dictionary defines retail outlet as a store that offers smaller quantities of products or services for sale to the general public. A business that operates as a retail outlet will typically buy goods directly from manufacturers or wholesale suppliers at a volume discount and will then mark them up in price for sale to end consumers (Retail outlet, BusinessDictionary.com, 2018). An online retail outlet is simply a retail outlet that performs all its activities on the internet. There are various types of online retail outlets based on their operations but only the online marketplace will be revealed in this study as its description simply explains the operations of Konga, which is considered relevant to the current research. The Online Marketplace is an e-commerce site where product or service information is made available by third parties (e-tailers), whereas the transaction processes are performed by the marketplace operator. Sites such as www.konga.com enable users to register and offer goods for sale for a fee called post-selling. The site also offers services to the registered e-tailers such as delivery, auctioning, ordering, etc (Laumeister, 2018). Bricks and Clicks is a term gotten from a business model in which a company combines both offline and online presences. Also, these companies will offer telephone ordering, mobile apps and sales support (Bogaisky, 2018).
E-shoppers can be classified into Utilitarian E-Shopper and the Hedonic E-Shopper (Wolfinbarger & Gilly, 2001). Utilitarian E-Shoppers are online shoppers that have goal-oriented shopping behaviors (Narges, Laily Hj, & Ali, 2010). They shop online only on the bases of rational necessity for the achievement of a specific goal (Kim & Shim, 2002). They also give greater importance to the transaction related features of a website rather than the entertainment features. Hedonic E-Shoppers, on the other hand, are online shoppers that have experiential shopping behaviors (Narges, Laily Hj, & Ali, 2010). Hedonic value is applied in the entertainment oriented use of online shopping, such as the shopping experience (Babin, Darden, & Griffin, 1994). A Hedonic shopper would lay little emphasis on actual purchase unlike the Utilitarian shopper. Experiential shoppers prefer to be occupied with the experience rather than achieving their purchasing goals by shopping online (Wolfinbarger & Gilly, 2001).

**Empirical review and hypotheses development**

We explore empirical studies in the areas of online shopping behaviors and intentions in relation to undergraduate students. The internet is a new tool evolving into an essential part of everyday life all over the world, especially in college students who demonstrate overindulgence with the internet (Vidyachathoth et al, 2014). Most undergraduates in the 21st century perform more individual activities on the internet, in relation to the previous generation of undergraduates. The internet is embedded in the lives of undergraduates and in current times, when an undergraduate student is in need of products, communicating with others, obtaining a book, etc, all that’s to be done is to access the web and purchase the product, make use of a communicating platform online, read the book online, etc.

In a study by Dan and Xu (2011) in China, involving 70 undergraduate respondents, the researchers identified 10 factors influencing undergraduates’ online shopping behavior. The factors include: transaction security, comment on online shopping convenience, internet currency clearing security, advantage of interactors with supplies, internet currency clearing knowledge of undergraduates, transformation of online shopping conception, price advantage, computer knowledge, and advantage of obtaining product’s information. In Malaysian study by Ling, Chai, and Piew (2010) involving 242 Malaysian undergraduates with the aim of identifying the determinants of customer online purchase intention and to evaluate the effects of online trust, prior online purchase experience and shopping orientations on customers’ purchase intention. The research showed that experience had a positive effect on the customers’ online purchase intention.

In another Malaysian study, Narges, Lail, Hj, and Ali (2010) with 370 Malaysian students as respondents, the study sought to unravel factors affecting undergraduate buyers’ attitude. This is in order for e-marketers to develop proper marketing strategies in transforming potential customers into active customers. The identified factors affecting online shopping in the study were personalities (utilitarian personality and hedonic personality) and online shopping perceived benefits such as convenience, homepage, wider selection, price, customer service, and fun. A research conducted in china by Diao (2015), helped to reveal and understand the online shopping behavior involving 862 Chinese university students, the motivations and barriers for online shopping and how it affects the shopping habits of consumers. The factors considerable were products, websites, device and payment.

The study by Yin-Fah & Hooi-Choo (2010) involving 100 Chinese undergraduate students, intended to examine the attitude of students had towards online purchasing behavior. The results indicated that a high percentage of the respondents had a moderate level of purchase perception, attitude and website quality towards online purchasing. The finding showed that website quality and purchase perception had significant relationships with attitude towards online purchasing behavior, also it showed that age had no significant relationship with attitude towards online purchasing behavior, unlike gender and education background which both had significant relationships. Shahar (2016) carried out a research on 350 Malaysian undergraduates in University Utara Malaysia (UUM) which was proposed to analyze and understand factors that affect students’ behavior towards online shopping. The study found support for the following
independent variables: ease of use, perceived usefulness, brand orientation and website design as having significant relationships to online shopping behavior.

The study by Jin and Osman (2014) sought to unravel the key drivers of online shopping intention among undergraduates in Malaysia. Several factors were identified in the research such as perceived riskiness, perceived convenience, initial trust and website attractiveness. A questionnaire survey was distributed to 200 university students. Descriptive analysis, reliability analysis and regression analysis were applied in this study. The results showed that perceived riskiness, perceived convenience and website attractiveness are significantly influencing online shopping intention, but it also showed that initial trust has no significant influence on online shopping intention.

Various past researches have been reviewed and have shown a number of gaps that lend legitimacy to the present study. Most of the past researches were based on e-shopping behavioral intention and were conducted in Malaysia, China and India, but very few were done in Africa or even Nigeria. This has created a void and the basis of this study will help fill the gap(s). Also most previous studies (Jin & Osman, 2014; Dan & Zu, 2011; Ling, Chai, & Piew, 2010) focused more on drivers of undergraduate online shopping behavior. However, in the context where the technology or online adoption process is embryonic, it is appropriate to explore factors that inhibit such behavior. Unraveling such factors will inform marketing strategy development for e-marketers. This somewhat explains why a number of few studies (Shahar, 2016; Narges, Lail, Hj, & Ali, 2010) have sought to unravel and report these inhibiting factors. The view of the researchers of online inhibitors seems to be driven by the thinking that identifying online bottlenecks that impinge on online customer flow towards e-shops is a first step to the removal of such bottlenecks.

According to the foregoing empirical review, several contradictions exist in findings on what constitutes inhibitors of online undergraduate shopping behavior from context to context. Some of these inhibiting factors may not be legitimate inhibiting factors for students in the Nigerian context, where the online shopping behavior is slowly and steadily gaining momentum. Investigating already reported inhibiting factors may not add value to undergraduate online shopping literature as inhibitors maybe context specific. Hence, in this study, an initial pilot survey was conducted in order to derive the inhibitors of e-shopping behavior particular to covenant university undergraduates in Nigeria who are largely from affluent homes. On the strength of the pilot study, six construct informed the development of the following six hypotheses:

H1: Perceived poor product quality (PPQ) is a significant inhibiting factor of undergraduate e-shopping intention.

H2: Poor delivery time (DT) is a significant inhibiting factor of undergraduate e-shopping intention.

H3: Perceived high delivery cost (DC) is a significant inhibiting factor of undergraduate e-shopping intention.

H4: Weak customer relationship/communication (CR) is a significant inhibiting factor of undergraduate e-shopping intention.

H5: Perceived high product price (PP) is a significant inhibiting factor of undergraduate e-shopping intention.

H6: Misinterpretation of customer order (MCO) is a significant inhibiting factor of undergraduate e-shopping intention.

H7: Undergraduate e-shopping intention is a significant moderator between online inhibiting factors and the patronage of e-shops.

The foregoing hypotheses informed the development of the research schema of Figure 3 below. Basically, the schema is a graphic snapshot of this study. It depicts six independent variables
that are inhibiting factors towards e-shopping intention of undergraduates to patronize e-shops. Further, figure 3 also depicts e-shopping intention as moderating variable, and the

![Research Schema](image)

*Source: Authors’ own conceptualization*

**METHODOLOGY**

The population of the study covered Covenant University undergraduate students that shop from online retail outlets. Populations of 1949 undergraduate students were considered. A statistically determined sample size of 332 undergraduate students were selected and drawn from the sample frame (undergraduates of the College of Business and Social Sciences). All respondents for this study have once made an online purchase from campus and have same delivered on campus. After editing of returned copies of questionnaire, 320 copies were found useful. The questionnaire is structured and all items were measured on a five point Likert-scale descriptors, ranging from disagree to strongly agree. The instrument was subjected to reliability and validity test using the Cronbach’s Alpha. The range of the coefficient value is from 0 to 1. An instrument with high reliability will possess a coefficient relatively close to 1 as possible whereas a score that is relatively close to 0 is a sign that the instrument has a relatively low or no reliability. Nunnaly (1998) recommends a minimum level of 0.7 for basic research which was used in this study. The resulted Cronbach’s alpha value for this study was 0.771, indicating that the set of items show good internal consistency. The questionnaire comprises two sections; Section A which consists of the respondents’ demographic variables and section B which consists of questions on the constructs of the study. The constructs for the study where derived from the response of pilot survey before the main study.

**RESULTS**

**Measurement model and model fit summary**

In analysing the data collected, the use of (1) measurement model and (2) structural model as recommended by Anderson and Gerbing (1988) was adopted. The measurement and structural models have constructs and measurement items that satisfy construct validity (i.e. convergent validity). The structural model was adopted to modify the constructs in the measurement model and to show regression weights of the constructs. Note that constructs are abbreviated as follows: PPQ = Perceive product quality; DT = delivery time; DC = delivery cost; CR = customer relationship; PP = product price; MCO = misinterpretation of customer order; EI = e-shopping intention; and OP = online patronage.
Convergent validity using confirmatory factor analysis

Details of the convergent reliability using the Confirmatory Factor Analysis are presented in Table 1. To demonstrate convergent validity of measurement model, we used confirmatory factor analysis (CFA) to assess construct factor loading, composite reliability, and the Average Variance Extracted (AVE). The three conditions were used to assess convergent validity. The three conditions are, first, the CFA loadings indicate that all scale and measurement items are significant and exceed the minimum value criterion of 0.60. Second, each construct composite reliability exceeds 0.80. Third, each construct’s average variance extracted (AVE) estimate exceeds 0.50. The results of CFA suggest that the factor loadings for all major variables range between 0.61 and 0.73. Thus, our study indicates that most of the conditions for convergent validity as suggested and recommended by Fornell and Larcker (1981) and Bagozzi and Yi (1988) are met, thus convergent validity is confirmed.

Table 1: Result of Convergent reliability using Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Loading</th>
<th>Composite Reliability</th>
<th>Ave. Variance Estimated</th>
<th>AVE Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Threshold</td>
<td>≥ 0.6</td>
<td>≥ 0.8</td>
<td>≥ 0.5</td>
<td></td>
</tr>
<tr>
<td>Inhibitors of</td>
<td>Perceived Product Quality</td>
<td>0.672</td>
<td>0.810</td>
<td>0.552</td>
<td>0.3047</td>
</tr>
<tr>
<td>E-Shopping Intention</td>
<td>Delivery Time (DT)</td>
<td>0.620</td>
<td>0.804</td>
<td>0.512</td>
<td>0.2621</td>
</tr>
<tr>
<td></td>
<td>Delivery Cost (DC)</td>
<td>0.631</td>
<td>0.807</td>
<td>0.522</td>
<td>0.2724</td>
</tr>
<tr>
<td></td>
<td>Customer Relationship (CR)</td>
<td>0.674</td>
<td>0.814</td>
<td>0.558</td>
<td>0.3113</td>
</tr>
<tr>
<td></td>
<td>Product Price (PP)</td>
<td>0.701</td>
<td>0.823</td>
<td>0.590</td>
<td>0.3481</td>
</tr>
<tr>
<td></td>
<td>Misinterpretation Of Customer Order (MCO)</td>
<td>0.700</td>
<td>0.820</td>
<td>0.586</td>
<td>0.3433</td>
</tr>
<tr>
<td>Online Patronage (OP)</td>
<td>0.723</td>
<td>0.855</td>
<td>0.611</td>
<td>0.3733</td>
<td></td>
</tr>
<tr>
<td>E-Shopping Intention (EI)</td>
<td>0.747</td>
<td>0.875</td>
<td>0.687</td>
<td>0.4719</td>
<td></td>
</tr>
</tbody>
</table>

**Discriminant validity**

We use the criterion recommended by Fornell and Larcker (1981) to assess discriminant validity. Fornell and Larcker (1981) argue that for discriminant validity to be met, the square root of AVE for each construct should surpass the correlation of that construct and any other constructs. Table 2 shows that the highest correlation between a particular construct and any other construct is 0.248; thus, this value is lower compared to the lowest square root of average variance extracted estimate (AVE) of all the constructs, which rests at 0.2621 (see Table 1 above). Therefore, discriminant validity is confirmed.

Table 2: Inter-construct Correlations Matrix.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perceived Product Quality</td>
<td>1.0</td>
<td>.232**</td>
<td>.206**</td>
<td>.253**</td>
<td>.239**</td>
<td>.217**</td>
<td>.220**</td>
</tr>
<tr>
<td>2</td>
<td>Delivery Time (DT)</td>
<td></td>
<td>1.0</td>
<td>.251**</td>
<td>.162**</td>
<td>.220**</td>
<td>.248**</td>
<td>.209**</td>
</tr>
<tr>
<td>3</td>
<td>Delivery Cost (DC)</td>
<td></td>
<td></td>
<td>1.0</td>
<td>.245**</td>
<td>.237**</td>
<td>.195**</td>
<td>.215**</td>
</tr>
<tr>
<td>4</td>
<td>Customer Relationship (CR)</td>
<td></td>
<td></td>
<td></td>
<td>1.0</td>
<td>.224**</td>
<td>.165**</td>
<td>.218**</td>
</tr>
<tr>
<td>5</td>
<td>Product Price (PP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.0</td>
<td>.225**</td>
<td>.338**</td>
</tr>
<tr>
<td>6</td>
<td>Misinterpretation Of Customer Order (MCO)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>.239*</td>
</tr>
<tr>
<td>7</td>
<td>Online Patronage (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.0</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**
Guided by the number of the scale descriptors on the research instrument, the threshold or cut-off point for the mean statistics is 3.00, given that the constructs are measured using a five-point Likert scale weighted from 1 to 5. Since all mean values are above the 3.0 benchmark, it means all the independent variables are predictors of the moderating variable (i.e., EI) and the moderating variable explains the dependent variable.

**Model goodness of fit**

Besides the measurement model, of particular interest is the path significance indicated by the standardized regression estimate (β) that assesses the effects of the studied variables. A model fit was evaluated by examining several fit indices which include the following: chi-square (χ²), chi-square/degree of freedom (χ²/df), goodness-of-fit index (GFI), Tucker–Lewis index, comparative fit index (CFI), standardized root mean residual, and root mean square error of approximation (RMSEA) as presented in Table 3. As shown in Table 2, the model yielded a moderate fit given the sample data of χ²/df = 2.628, GFI = .925, Normed fit index (NFI) = .926, Incremental Fit Index (IFI) = .955, CFI = .977, and RMSEA = .062. Thus, our study indicates that all the conditions for indexes of overall model fit, as suggested and recommended by Hoyle and Panter (1995), are met.

**Table 4: Model fit summary showing goodness of fit**

<table>
<thead>
<tr>
<th>Goodness fit</th>
<th>SEM Value</th>
<th>Recommended Threshold</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/Degree of Freedom (CMIN/DF)</td>
<td>2.628</td>
<td>≤ 3.00</td>
<td>Acceptable fit</td>
</tr>
<tr>
<td>Normed Fit Index (NFI)</td>
<td>.926</td>
<td>≥ 0.90</td>
<td>Acceptable fit</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td>.978</td>
<td>≥ 0.90</td>
<td>Very good fit</td>
</tr>
<tr>
<td>Incremental Fit Index (IFI)</td>
<td>.955</td>
<td>≥ 0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>Root Mean Squared Error of Approximation (RMSEA)</td>
<td>.062</td>
<td>≤ 0.08</td>
<td>Good fit</td>
</tr>
<tr>
<td>Goodness of Fit (GFI)</td>
<td>.925</td>
<td>≥ 0.90</td>
<td>Good fit</td>
</tr>
</tbody>
</table>

The conditions for structural model indicate firstly, that all scale and measurement items such as NFI, CFI, GFI and IFI are significant when it exceeds the minimum value criterion of 0.90; second, the RMSEA becomes significant when it is less or equals 0.08 and thirdly, the CMIN/DF is also significant when it is less or equals 3.00 (Bentler & Bonnet, 1980; Bagozzi & Yi, 1998). As shown above all the thresholds are met as evidenced from the SEM values. The results of measurement and structural model indicate that conditions of factor loadings and SEM indices were also met. The result of the SEM is shown in Table 3 below.
Table 5: Results of structural equation model analysis

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Estimate</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
<th>Sig.</th>
<th>Rejected/supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPQ → EI</td>
<td>0.352</td>
<td>0.052</td>
<td>6.715</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
<tr>
<td>DT → EI</td>
<td>0.367</td>
<td>0.048</td>
<td>7.044</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
<tr>
<td>MCO → EI</td>
<td>0.366</td>
<td>0.059</td>
<td>7.022</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
<tr>
<td>PP → EI</td>
<td>0.214</td>
<td>0.058</td>
<td>3.920</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
<tr>
<td>CR → EI</td>
<td>0.247</td>
<td>0.057</td>
<td>4.544</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
<tr>
<td>DC → EI</td>
<td>0.141</td>
<td>0.055</td>
<td>8.747</td>
<td>***</td>
<td>Sig.</td>
<td>Supported</td>
</tr>
</tbody>
</table>

As shown in the table above, all the independent variables are supported. This means that all explored factors predict e-shopping intentions. If ranked by the path estimates, Delivery Time (DT) is most critical inhibiting factor. This is followed by Misinterpretation of customer order (MCO), and the third is perceived product quality (PPQ) at 0.352 path estimate.

Figure 2: Output of structural model with standardized estimates

DISCUSSION

As evidenced in the result, support was found for all the independent variables that were explored as inhibiting factors on e-shopping intention. It was also discovered that e-shopping intention is a strong moderator between explored inhibiting factors and online patronage. The
key objective of this study is to identify the critical inhibiting factors which led to the ranking of all the factors that are actually found significant. The SEM path estimates (see Table 3) were used to rank each construct. Three factors emerged as most critical. The first is delivery time. The second is misinterpretation of customer order. The third is perceived product quality.

CONCLUSION AND RECOMMENDATIONS

Drawing from findings, this study concludes that the inhibitory factors identified in this research do have a high effect on undergraduates’ e-shopping behaviors. By having a better understanding of the relationship that exists between the inhibitory factors and e-shopping intention, online retailers can adopt the following suggested and recommended strategies to reduce the effect of the inhibitory factors on undergraduates’ e-shopping intentions.

Based on the results, perceived product quality is the strongest factor which inhibits undergraduates’ e-shopping behaviors. Online retailers should establish a good brand image with e-shoppers by maintaining a stock of quality products, by ensuring all products sold and shipped are of required quality. Also, all products should go through quality check and online retailers should implement a return policy on purchased products in order to grant e-shopper ease of mind while shopping. For delivery time, online retailers should ensure that purchased items are delivered within the speculated time frame, make use of courier services that have a reputation of delivering items promptly, provide a discount on purchased items shipped to the e-shoppers if the items are yet to be delivered after the given time frame. For delivery cost, the online retailers should maintain affordable delivery fees, give discounts on delivery fee based on purchase of a certain number of items, or purchase of a certain amount, etc.

For customer relationship/communication, online retailers should develop an instant response platform for communicating with e-shoppers. They should also create a platform for accepting e-shoppers’ complaints and suggestions. For product price, online retailers need to make their products affordable in order to maintain customers and attract new customers. They also need to provide student discount promos and on products sold on their sites. For misinterpretation of customer order, online retailers need to recheck orders before they are shipped out, conduct routine checks on their sites in order to prevent a website failure which could compromise orders, and create a means of reevaluating customer orders via emails, phone calls, etc.

LIMITATIONS AND DIRECTIONS FOR FURTHER STUDIES

Some limitations were encountered during the study, and which offer opportunity for further research. Firstly, results of the survey could be rendered bias since the respondents may be constrained by time or other possible factors and may simply fill in the options in the questionnaires with inadequate interpretation and understanding. Secondly, the scope was limited to only CBSS undergraduates of Covenant University. This makes it difficult to generalize findings. Thirdly, means of contact with respondents proved difficult and strenuous, due to the university’s strict system. Further research is to increase the scope of study to undergraduates in more colleges or more Nigerian or African universities. Further researchers should also consider using a particular online retail store as a case study in such a related research on e-shopping behavior of undergraduates.

REFERENCES


**Additional references can be provided upon request**
AN INDUSTRY PERSPECTIVE ON THE EMPLOYABILITY SKILLS DIMENSIONS REQUIRED FROM MARKETING GRADUATES IN SOUTH AFRICA

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There is a lack of studies considering the perspective of the marketing industry in emerging countries. The primary objective of this article is to identify the industry’s perspective on the employability skills dimensions required from marketing graduates in South Africa. A quantitative research approach was used to gather empirical data from potential employers of marketing graduates to determine the most sought after knowledge areas as well as areas of improvement. Empirical data were collected through a web-based computer-assisted self-administered online questionnaire. Findings indicate that the top priority for practitioners is knowledge related to areas associated with strategic marketing and marketing context.

Keywords: Marketing, Higher education, Emerging markets

Introduction

African countries have made huge efforts notwithstanding all the restraints and challenges aimed at increasing access to higher education. Despite the increase of tertiary student enrolment ratio in Sub-Saharan Africa to 9 percent in 2017, it remains the lowest in the world (Worldbank, 2017). Enrolment in most African countries has increased by dramatically. As expected this resulted in a significant increase of graduates. Perhaps not expected was the increasing unemployment of these graduates in almost every African country (Mohamedbhai, 2015). In several countries, the unemployment figure remains alarming. The current unemployment rate in South Africa is 26.7% (Statistics South Africa, 2018), and the high unemployment rate among young graduates (33.5%) remains a concern (BusinessTech, 2018). Mohamedbhai (2015) argue that following challenges drive graduate unemployment in Africa: i) Public universities focussing on increasing access while lacking financial, physical, and human resources, sacrifice the quality for quantity, ii) Employers anticipating graduates with “soft skills” or “employability skills” suitable for their chosen profession, while only a few academics institutions are prepared to focus on employability, iii) Lack of engagement between the universities and other stakeholders (e.g. business and industry, public bodies, and communities) and the and iii) Lack of a differentiated higher education system that produces a diversified workforce in response to Africa’s development priorities.

The current article focus specifically on the employability of graduates in the marketing industry of South Africa in an attempt to close the disconnect between what universities produce and what employers want. Concerns regarding the gap between marketing education and marketing practice have been raised international as well as locally. Employers across the globe criticise marketing graduates equipped with theoretical knowledge, but unable to apply skills to solve problems in the work place (Stringfellow et al., 2006; Gray, Ottesen, Bell, Chapman & Whiten,
Employability is shaped by many factors, but education is a major determinant of employability, in particular for graduates (Donald, Ashleigh & Baruch, 2018). However, there seems to be growing concerns regarding the gap between the expectations of employers and the preparedness of students graduating from higher education institutions (Jackson, 2014). Employers in the developed markets claim that marketing graduates often do not have the required competencies when entering the work environment (Wellman, 2013). Higher educational institutions in South Africa have also been criticised for the lack of inclusion of critical skills in the marketing curriculum (Jordaan, Van Heerden & Jordaan, 2014).

Academia debate and rigorously seek to identify the critical components of marketing education (Walker, Tsarenko, Wagstaff, Powell, Steel & Brace-Govan, 2009; Stringfellow et al., 2006). A variety of methods have been implemented to collect data on employability skills. Wellman (2010) examined advertisements for entry-level marketing positions in the UK, while McArthur, Kubacki, Pang and Alcaraz (2017) focused on graduates in Australia. Both these studies revealed that employers typically do not require a university degree from applications, however marketing experience is a key requirement. Other scholars surveyed employers regarding their expectations from and satisfaction with marketing graduates’ skills. In the United Kingdom, an exploratory study conducted by Stringfellow et al. (2006), found that employers believe that marketing education lacked emphasis on practical implementations. In Australia, Walker (2009) advocated that educators should meet the industries’ needs by aligning theoretical marketing knowledge with the relevant industry requirements and developing the employability skills required in marketing related professions. If these challenges are not properly addressed and higher education institutions provide graduates that are not work-ready they are being at the risk of receiving a negative image and reputation from the industry. To address these concerns the current article focuses on the expectations of employers in the South African marketing industry. The main objective is to offer an industry’s perspective on skills dimensions required of marketing graduates in South Africa. This study seeks to extend the work of international scholars who have examined a practitioner’s view of marketing education to an emerging country - South African context.

Purpose

The identification of the essential employability skills required from marketing graduates has been a widely researched topic during the last decade (e.g. Andrews & Higson, 2010; McArthur et al., 2017, Shlee & Harich, 2010; Wellman, 2013). However, none of these studies considered the perspective of the marketing industry in emerging countries such as South Africa. In addition, there seems to be a lack of consensus regarding the critical employability skills dimensions required from marketing graduates. Some studies specified communication skills as the top priority expected by practitioners (Shlee & Harich, 2010; Walker et al. 2009). Others rank personal traits and leadership as the most crucial skills required (Finch, Nadeau & O’Reilley, 2012). Because there seem to be a lack of research offering a practitioners’ perspective in South Africa, it is unclear what are their perceptions of employability skills that would be most valuable for future marketing managers.

Given the above context, the problem statement is summarised as follows: There is a disagreement in the international literature on the essential employability skills required from future marketers. Because there has been little research on the marketing practitioners’ perspectives, it is unclear what are the requirements of new marketing graduates in South Africa to be employable. It is therefore necessary to investigate this further, by offering an industry perspective on the employability skills required of marketing graduates in South Africa.
Literature review

The higher education landscape of south Africa

The 1994 national elections in South Africa resulted in the entry of the new democracy, which led to transformation affecting many areas of business, as well as in the higher education sector (Wiese, Van Heerden & Jordaan, 2010). The new government ended the apartheid legacy that focused on segregation and the oppression of non-white South Africans (Badat & Sayed, 2014) and implemented new laws and policies to facilitate integration (Bozalek & Boughey, 2012). In the higher education sector, the transformation was guided by The Higher Education Act 101 of 1997, which aimed at widening access to higher education and the increase and the expansion of student enrolment (Hay & Monnapula-Mapesela, 2009). Consequently, students were no longer prohibited access based on race, gender, religion or culture, resulting in a diversity of students enrolling in the South African institutions.

Challenges in the higher education environment

The South African government has a long-term plan to increase enrolments to 1.5 million by the year 2030, representing a participation rate of 23%, with the aim of increasing the level of graduates with high skills; since this would contribute to the economic growth of the country (McGregor, 2014). However, although the government has plans for transformation, a number of challenges have been encountered: i) The purpose of higher education: Despite the department of higher education and training (DHET) attempts to transform the South Africa’s higher education system; there is continuous criticism that the higher education system is not fulfilling its expected role (Bozalek, 2012). Higher education has been on the receiving end of criticism from the industry regarding the delivery of skilled graduates. The concerns revolve around the imbalance of the demand-and-supply of education; higher education as the supplier of graduates; and on the demand side, the industry acting as the employers of graduates (Stringfellow, Ennis, Brennan & Harker, 2006; Jordaan et al., 2014; Wellman, 2010). ii) The language barrier: With the country having 11 official languages; most students do not have English as their first language, but rather as the second or third additional language. Students struggling with the use of language, display low levels of basic reading and communication skills, such as writing assignments, essay-type tests and reports (Du Plessis et al., 2013). iii) Student funding by the National Student Financial Aid Scheme (NFSAS): There has been a rapid increase of the students who want to further their education, most of whom have limited finances (HESA, 2018). NFSAS has the potential to aid many students, who would otherwise not be able to pay for their education (Akojee & Nkomo, 2007). However, balancing the supply and demand remains a challenge; as the funds available are not able to cater for all the students in need. In addition, the students who do receive the funding may be required to raise additional funds to meet their financial needs. The funds assist with most of the cost encountered by students, such as fees and textbooks; but they do not cater for other costs encountered with higher education. As a result of the financial limitations, many underprivileged students tend to drop out of university (Machingambi & Wadesango, 2012). iv) Changing roles of academics: Academics are expected to continuously conduct research and publish their outputs in accredited high-impact journals, in order to remain relevant; and to be considered for promotion (Ntshoe, 2013). However, the role of academics has also undergone changes – due to the drastic increases in student enrolments. Lecturers are required to take more management and administrative responsibilities (CHE, 2018). As a result, the additional workload tends to negatively affect the quality of the lectures, thus leading to unsatisfied students, low pass rates and graduates, who are not well-prepared for the workplace. v) The employability of graduates: The 21st century has brought the transformation in the knowledge society, which requires little manual labour, but rather higher levels of education and professional skills (Newman & Jahdi, 2009). Nowadays, employers require graduates who have the knowledge and skills necessary for the work environment (Wellman, 2010). Educators have the added responsibility of not only providing theoretical knowledge; but also of facilitating the development of skills that will aid directly in their employability (Robles, 2012).
**Employability skills expected from marketing graduates**

Skills are described either as “hard” when they are associated with subject-specific knowledge, or as “soft” when they refer to the ability to do something based more on attitude and behaviour (Allan, 2006)

A variety of labels can be found in the literature when referring to the competencies required by graduates, such as core skills, core skills, meta skills, transferable skills and employability skills (Suleman, 2016). The term employability skills will be used for the purpose of this article. Employability skills refer to the interpersonal and intrapersonal abilities, including abstract reasoning, as well as technical abilities required to find employment in a specific field (Hurrell, Schlarrios & Thompson, 2013). The focus of this paper is specifically on essential employability skills dimensions required by marketing graduates entering the workplace in South Africa. Rosenberg, Heimler and Morote (2012) classified the key employability skills of marketers in the following dimensions: personal skills, communication skills, critical analytical skills, leadership skills. These four groups or dimensions of employability skills will provide the foundation for exploring employability skills in the current study.

Table 1 summarises findings of past studies regarding the employability skills expected from marketing graduates entering the market place. The finding of studies differ on the regarding the actual skills to foster. Interpersonal and communication skills were regarded by some employers as the most critical employability skills (Andrews & Higson, 2008, Walker et al., 2009), while students believe that teamwork is the most important skill (Gray et al. 2007). Weaknesses in employability skills were also pinpointed such as the use of technology and personal skills (e.g. Finch et al., 2012, Shlee & Harich, 2010). The differences may be due to the different specialist marketing areas (such as personal selling; digital marketing; marketing research; brand or product management) or wide variety of positions in which marketing graduates may be employed (Shlee & Harich, 2010). Additionally, these studies were typically conducted in developed countries; and the syllabuses may vary in higher education institutions, from county to country. The current study aims to overcome this lack of understanding by focussing on the South African context.

**Table 1: Empirical studies of employability skills expected from marketing graduates**

<table>
<thead>
<tr>
<th>Authors &amp; Context</th>
<th>Important and unimportant employability skills</th>
<th>Identified weaknesses in employability skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrews &amp; Higson (2008)</td>
<td>There is homogeneity in the requirements of employees from the four countries included in the research. Moreover, graduates perspectives are similar. Ability to apply theoretic knowledge in the work environment, the ability to solve problems, analytical skills, interpersonal and communication skills are important.</td>
<td>Graduates are of the opinion that higher education placed great emphasis on soft skills such as presentations. Employers believe that the development of soft skills such as communication skills are important to communicate knowledge acquired.</td>
</tr>
<tr>
<td>Gray et al. (2007)</td>
<td>Academics and managers regard willingness to learn and interpersonal skills as the two most important skills that graduates should possess. Analytical skills received a relatively low ranking in terms of importance</td>
<td>Greater emphasis need to be placed on the development of sound written communication skills</td>
</tr>
</tbody>
</table>

**Rosenburg, Heimler and Morote (2012)**

**Shlee & Harich (2010)**
Students rated willingness to learn relatively highly, but thought teamwork was the most important skill.

Developing skills is more important than developing knowledge with specifically ability to follow through on tasks and projects and ability to work with others to accomplish a goal being the most important skills. Ability to be empathetic and lead are not as important.

Personal skills are perceived as high priorities for improvement, including the ability to creatively identify, formulate, and solve problems; the ability to write in a business environment; and the ability to set priorities.

Employers identified communication, ability to form interpersonal relationships, use of technology, planning, self-management and problem solving as the top skills in the job advertisements.

Weaknesses are not listed as the data was collected from online job advertisements.

Communication skills, ability to use information technology, leadership skills and teamwork skills are important for entry level marketing employees.

Employability skills are not sufficient in marketing jobs, marketing related skills are important for marketing employees to perform their tasks.

Skills highlighted include written and oral communication, teamwork and technical skills used to analyse information.

The use of technology is important for entry level employees. Development of technical skills should be included mandatory in the marketing curriculum.

Hypotheses

The literature revealed that employability skills required of entry level marketing graduates vary notably across countries. This led to development of the following hypotheses regarding the employability skills required from marketing graduates: H1(a): There are statistically significant differences between the perceived importance ratings of marketing employability skill dimensions. H2(a): There are statistically significant differences between the perceived performance ratings of marketing employability skill dimensions. H3(a): There are statistically significant differences between the importance and performance ratings for the marketing employability skill dimensions.

Methodology

A descriptive research design was used to collect data via a survey from marketing employers in the South African industry. Judgemental sampling was applied as sampling technique. With the method the researcher apply their knowledge and experience to identify the most appropriate respondents that could best represent the population of interest (Malhorta, 2010). Judgemental sampling was also applied in similar studies including members of the official marketing association, attendees of a marketing conference and professional networks (Finch et al., 2012). The target population of the current study consisted of marketing practitioners, who could offer their perspective on the employment requirements of marketing graduates in South Africa.
Three lists of South African practitioners were used as a sample frame to represent the larger population of marketing practitioners in South Africa: the marketing association of South Africa (MASA); recruiters of marketing graduates during the last three years; and active members of the Marketing and Media sector of Biz-community South Africa (B2B site with a audience of industry professionals).

The lists were carefully screened to avoid duplication and to ensure that only one questionnaire was sent to each company. An online survey was then distributed to the most relevant person in each company. Usable questionnaires were received from 169 businesses, representing a 40% overall response rate. This is similar to previous international studies on this topic (e.g. Finch et al., 2012; Gray et al., 2007). The non-response bias and representation of the population of interest were also considered. An assessment of early and late returns revealed no significant differences, signifying a reasonably low non-response bias as proposed by Van Selm and Jankowski (2006). Furthermore, the final sample obtained represented an adequate breadth of industrial marketing sectors, company size, and experience.

The research instrument

The research instrument utilised was adapted from Finch et al. (2012) for the South African context based on the input of experience marketing practitioners. The structure of the questionnaire for this paper consisted of two sections. Section one dealt with firmographic and section two requested employers view regarding the importance and performance of employability skill dimensions of marketing graduates seeking employment. Dichotomous and multiple-choice questions were used for section one; while 7-point scales were used in section two of the instrument. The importance scale was anchored at (1) needs only a basic understanding and (7) needs a deep comprehension. Similarly, the performance scale was anchored at (1) very weak and (7) very strong.

Validity and reliability

In order to meet content reliability, previous research studies were consulted to gain understanding of the items, constructs and the methods (Finch et al., 2012; Gray et al., 2007; Shlee and Harich 2010; Stringfellow et al., 2006; Wellman 2013). Five experienced marketing professionals and five lecturers of marketing graduates were requested to review the questionnaire. They were asked to complete the survey and provide detailed feedback on the clarity of the questions, as well as the relevance of the items measured in each of the employability skill dimensions. A pilot test was also conducted with ten employers to examine the reliability of the questionnaire. The data from the online survey were analysed, using the Cronbach’s Alfa Coefficient, which calculates the internal consistency and the reliability coefficient of the scale. An alpha of 0.70, or higher, was considered as acceptable (Pallant, 2011). All of the alpha values reported were above 0.8; and they therefore support the notion of having acceptable levels of internal consistent reliability for the various scales (Nunnally, 1978).

Findings

The gender of the respondents in the survey demonstrated an almost equal proportional representation of both gender groups in the sample (Male 49%, Female 51%) Furthermore, the respondents obtained various levels of education. Of the all the respondents, 23.7% have completed a post-matric diploma; 28.4% have an undergraduate qualification; 17.8% have an Honours degree; 18.3% have a Master's degree; and 5.90% have a doctorate degree. It is not surprising that a high number of the respondents had obtained post-graduate qualifications since the individuals on the list used are in managerial marketing positions and have extensive experience. There were several respondents from different industrial sectors participating in the survey. From all the responses received most (26.5%) indicated that they are employed other categories such as hospitality, real estate and smaller family businesses. This is followed by the
advertising/ communications/media (19.3%), the marketing education/research (17.5%) and the financial services (12.0%) sectors. The majority of the organisations who responded employed less than 100 people (58.65), while the rest were larger organisations of more than 500 employees (41.4%). Furthermore, only a small portion of the respondents (16.0%) had less than five years working experience; while 44.4% have five to 20 years of experience; and 39.6% have been employed for more than 20 years. Thus, the vast majority of the respondents (84.0%) have been employed for more than five years. Those with such high levels of industrial experience typically have an in-depth understanding of the requirements of those in marketing positions.

The importance of employability skills

The importance levels of employability skills are presented in table 2. It is evident that the respondents regarded all the employability skill items as being rather important. This is supported by a mean score rating of 4 and above – in all the items in the specific employability skills dimensions, and an average mean of 5.59. It can also be seen that the respondents considered certain employability skills items to be more important than others. For example, the ability to follow through on tasks and projects obtained the highest mean score (5.92; SD=1.30), followed by ethical decision-making (M=5.90; SD=1.67). Thus, marketing graduates must be able to complete a project and be ethical accountable. The specific employability skills item that received the lowest ratings is the ability to manage budgets (M=4.82; SD=1.82). Although the mean of 4.82 is the lowest overall; it is still considered as an important skill for graduates to have; since the mean is higher than the mid-point of 4.0. Notable is the higher standard deviation of the ability to manage a budget (SD=1.82). This indicates that the respondents showed greater variation in their perception of the importance of graduates’ knowledge of managing budgets. This means that the respondents showed less consensus regarding the level of importance; with some perceiving it as very important; and others perceiving it as less important.

<table>
<thead>
<tr>
<th>Table 2 Importance of employability skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Communication</td>
</tr>
<tr>
<td>Able to sell ideas/present ideas</td>
</tr>
<tr>
<td>Business writing skills</td>
</tr>
<tr>
<td>Personal traits</td>
</tr>
<tr>
<td>Ethical decision-making</td>
</tr>
<tr>
<td>Able to manage time</td>
</tr>
<tr>
<td>Able to adapt to change</td>
</tr>
<tr>
<td>Able to be empathetic</td>
</tr>
<tr>
<td>Leadership</td>
</tr>
<tr>
<td>Able to work with others to accomplish a goal</td>
</tr>
<tr>
<td>Interpersonal skills</td>
</tr>
<tr>
<td>Able to take initiative</td>
</tr>
<tr>
<td>Able to lead</td>
</tr>
<tr>
<td>Analytical skills</td>
</tr>
<tr>
<td>Able to follow through on tasks and projects</td>
</tr>
<tr>
<td>Able to set priorities</td>
</tr>
<tr>
<td>Able to creatively identify, formulate, and solve problems</td>
</tr>
<tr>
<td>Able to manage budgets</td>
</tr>
<tr>
<td>Overall Importance of specific employability skills</td>
</tr>
</tbody>
</table>

Communication is rated as the most-important employability skill dimensions (M=5.70; SD=1.22). Personal traits (M=5.57; SD=0.93), and leadership (M=5.57; SD=1.16) are rated second on the importance list. Analytical skills are rated the lowest (M=5.48; SD=1.25), which suggests that marketing graduates should have some knowledge of analytical skills; however, it may not be applied at the entry-level for marketing positions.

The results reveal that there is statistical significant difference, with the null hypothesis being rejected in favour of the alternative (F (3,166)=3,294; p<0, 05). The Hotelling’s T-squared test indicated that some significant statistical differences in the four importance dimensions of employability skills are evident. The null hypothesis H1(0) is therefore rejected in favour of the
alternative H1(a), stating that there are statistically significant differences between the perceived importance ratings of the respective employability skill dimensions.

The performance on employability skills

The performance levels of employability skills are presented in table 3.

The overall mean score of the performance items is above the mid-point of 4.0 (M=4.63; SD=1.46). The two employability skill dimensions that the respondents rated best in terms of performance included personal traits (M=4.8; SD=1.37) and leadership (M=4.77; SD=1.46). The comparative high standard deviations for these items reveal diverse opinions regarding these items.

The relative high standard deviations for these items reveal diverse opinions regarding these items.

Table 3 Performance on employability skills

<table>
<thead>
<tr>
<th></th>
<th>n</th>
<th>Scale Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal traits</td>
<td>169</td>
<td>4.8</td>
<td>1.37</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Ethical decision-making</td>
<td>5.04</td>
<td>1.46</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to adapt to change</td>
<td>4.91</td>
<td>1.59</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to be empathetic</td>
<td>4.75</td>
<td>1.42</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to manage time</td>
<td>4.51</td>
<td>1.8</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Leadership and teamwork</td>
<td>4.77</td>
<td>1.46</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to work with others to accomplish a goal</td>
<td>5.06</td>
<td>1.48</td>
<td>1.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Interpersonal skills</td>
<td>4.98</td>
<td>1.48</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to take initiative</td>
<td>4.69</td>
<td>1.65</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to lead</td>
<td>4.37</td>
<td>1.00</td>
<td></td>
<td>7.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>4.32</td>
<td>1.38</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to follow through on tasks and projects</td>
<td>4.88</td>
<td>1.59</td>
<td>1.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Able to set priorities</td>
<td>4.63</td>
<td>1.94</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to creatively identify, formulate, and solve problems</td>
<td>4.63</td>
<td>1.67</td>
<td>1.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Able to manage budgets</td>
<td>3.95</td>
<td>1.92</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Communications</td>
<td>4.42</td>
<td>1.72</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Able to sell ideas/present ideas</td>
<td>4.52</td>
<td>1.71</td>
<td>1.00</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Business-writing skills</td>
<td>4.32</td>
<td>1.87</td>
<td></td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Overall performance of employability skills dimensions</td>
<td>4.63</td>
<td>1.45</td>
<td>1.00</td>
<td>7.00</td>
<td></td>
</tr>
</tbody>
</table>

The perceived performance for ability to lead (M=4.37; SD=1.00) was rated as the lowest. It can also be seen that the respondents find marketing graduates’ performance to vary with regard to the different employability skill items. This can be seen from the range of perceived performance between the items. For example, the ability to work with others (M=5.06; SD=1.48) and ethical decision-making (M=5.04; SD=1.46) were rated relatively higher, while the ability to manage budgets (M=3.95; SD=1.92) obtained a lower mean. The ability to manage budgets received the lowest ratings and the highest standard deviation in both the importance and the performance sections. This may be due to the job requirements of the marketing graduates in different industries, and the company’s expectations at different employment levels.

The results of the Hotelling’s T-squared test indicate statistical significance, with the null hypothesis being rejected in favour of the alternative (F (3,166) =14.366; p<0.05). Given the results statistically, the Hotelling’s T-squared test shows that there is sufficient evidence to reject the null hypothesis H2(0) in favour of the alternative H2(a), which stated that there are statistically significant differences between the mean importance ratings of the employability skills dimensions.

Importance-performance gap analysis

The Importance-Performance Gap Analysis results are presented in Table 4 in declining order based on the gap between the importance and performance. This attention to the gap is vital, as it will provide educators direction on priority areas for improvement. It can be seen that neither the employability skills dimensions, nor the single item importance exceeded performance. This means that employers expectations were not met at all. i) Communication. The importance-performance gap is largest in this area (Gap = -1.28). This result can be explained in the light of the fact that it was the highest ranked in terms of importance. The individual item relating to business-writing skills maintained the widest gap of the individual items in this dimension (Gap...
ii) Analytical skills: This dimension maintains the second largest gap (Gap = -0.96). Ability to follow through on tasks and projects had the widest gap between importance and performance (Gap = -1.04). The importance-performance gap for ability to set priorities was also observed to be large (Gap = -1.03). iii) Leadership: At the item level, the three items with the largest gap were ability to take initiative (Gap = -1.07), interpersonal skills (Gap = -0.81) and ability to work with others to accomplish a goal (Gap = -0.76). iv) Personal traits: The individual items with the largest gap include ability to manage time (Gap = -1.29) and ethical decision-making (Gap = -0.86) and ability to adapt to change (Gap = -0.66).

Table 4: Employability skills dimensions required from marketing graduates

<table>
<thead>
<tr>
<th>Importance</th>
<th>Performance</th>
<th>Gap Analysis</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>5.70</td>
<td>4.22</td>
<td>1.42</td>
<td>1.72</td>
</tr>
<tr>
<td>Business-writing skills</td>
<td>4.32</td>
<td>3.67</td>
<td>0.65</td>
<td>1.74</td>
</tr>
<tr>
<td>Able to sell ideas/ present ideas</td>
<td>4.52</td>
<td>3.74</td>
<td>0.78</td>
<td>1.76</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>5.48</td>
<td>4.52</td>
<td>0.96</td>
<td>1.58</td>
</tr>
<tr>
<td>Able to follow through on tasks and projects</td>
<td>4.88</td>
<td>4.59</td>
<td>0.29</td>
<td>5.92</td>
</tr>
<tr>
<td>Able to set priorities</td>
<td>4.63</td>
<td>4.64</td>
<td>0.01</td>
<td>5.66</td>
</tr>
<tr>
<td>Able to creatively identify, formulate, and solve problems</td>
<td>4.63</td>
<td>4.67</td>
<td>0.06</td>
<td>5.34</td>
</tr>
<tr>
<td>Able to manage budgets</td>
<td>3.95</td>
<td>4.82</td>
<td>0.87</td>
<td>1.82</td>
</tr>
<tr>
<td>Leadership</td>
<td>5.57</td>
<td>4.77</td>
<td>0.80</td>
<td>1.46</td>
</tr>
<tr>
<td>Able to take initiative</td>
<td>4.69</td>
<td>4.65</td>
<td>0.04</td>
<td>1.00</td>
</tr>
<tr>
<td>Interpersonal skills</td>
<td>4.98</td>
<td>4.48</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Able to work with others to accomplish a goal</td>
<td>5.06</td>
<td>4.00</td>
<td>1.06</td>
<td>1.00</td>
</tr>
<tr>
<td>Able to lead</td>
<td>4.37</td>
<td>4.00</td>
<td>0.37</td>
<td>1.00</td>
</tr>
<tr>
<td>Personal traits</td>
<td>5.57</td>
<td>4.80</td>
<td>0.77</td>
<td>1.37</td>
</tr>
<tr>
<td>Able to manage time</td>
<td>4.51</td>
<td>4.80</td>
<td>0.29</td>
<td>5.8</td>
</tr>
<tr>
<td>Ethical decision-making</td>
<td>5.04</td>
<td>4.16</td>
<td>0.88</td>
<td>5.9</td>
</tr>
<tr>
<td>Able to adapt to change</td>
<td>4.91</td>
<td>4.59</td>
<td>0.32</td>
<td>5.57</td>
</tr>
<tr>
<td>Able to be empathetic</td>
<td>4.75</td>
<td>4.42</td>
<td>0.33</td>
<td>5.02</td>
</tr>
</tbody>
</table>

The independent sample t-test findings indicate that there were statistically significant differences in the importance-performance ratings (p≤0.05). All of the differences were judged to indicate large effect size (eta squared= 0.273>0.25). The biggest gap between the importance and the performance of means is the communication dimension (t=9.706; M=1.28). This means that the communication skills of the marketing graduates are falling short of industry expectations. The second highest difference is in the analytical skills (t=8.572), with a mean difference of 0.96. The smallest importance-performance gap reported is personal traits (t=7.43), with a difference of 0.77.

From the statistical test conducted, it is clear that there are some statistically significant importance-performance gaps in the employability skills dimensions. Therefore, the null hypothesis is rejected in favour of the alternative hypothesis H3(a). This shows that there are statistically significant differences between the importance and the performance ratings of the employability skills dimensions. This mean the employers surveyed expected higher levels of comprehension compared to the perceived performance.

**Discussion**

The testing of hypothesis 1 revealed a significant statistical difference in the importance ratings of the employability skills dimensions. From the four skills dimensions tested, the most important skill dimension was communication; while the analytical skills were regarded as the least important by the employers included in this survey. The critical importance of
communication in this study is aligned with previous empirical studies by Wellman (2013) and Walker et al. (2009).

The critical importance of communication reported in the current study is in line with many of the previous studies of graduates’ marketing and business skills. These studies highlight a general need for graduates to have proficient oral and written communication skills (Andrews & Higson, 2008; Wellman, 2013). The findings of the current study suggest that employers in South Africa regard communication skills as crucial as the potential employers in other developing countries. Marketers require communication skills when writing reports, presenting ideas and communicating via technology, such as the social media, e-mails and websites. It is therefore essential that marketing graduates possess significant oral and written communication skills, in order to communicate effectively in their workplace and in their job requirements, when tasked by their employers.

Analytical skills received a relatively low ranking in terms of importance. This implies that the employers of marketing graduates may not place great emphasis on the need for analytical skills at the entry level. The lower ranking of analytical skills is echoed by the results of Gray et al. (2007), who found that analytical skills are far more critical at a higher managerial level than they are at the entry level of marketing positions. However, this contradicted Shlee and Harich (2013), who found that analytical skills are critical requirements for marketing graduates to analyze the information in databases, as well as on the Internet.

Hypothesis 2 tested for the statistical significance of the performance ratings of marketing graduates by the respondents. The findings demonstrated that there was a significant difference in the performance ratings of marketing graduates. The personal traits of marketing graduates received the highest rating in the performance dimension, closely followed by leadership and teamwork. Contrary to the findings of Finch et al. (2012), marketing graduates in South Africa are perceived by those surveyed to show strong personal traits, leadership and teamwork ability. The respondents in this study regard marketing graduates to perform well in areas, such as working with others on marketing projects, negotiating skills, solving problems and delivering customer service.

Communication-skill dimensions were overall rated the lowest in the current study. This is concurrent with the findings of Andrews and Higson (2008), Gray et al. (2006), and Walker et al. (2009). These studies proposed that marketing graduates should improve in aspects, such as writing in the business context, communicating concepts and projects and presenting ideas and reports. The lower rating on communication implies that employers of marketing graduates in South Africa have experienced similar problems to international employers in countries, such as the New Zealand, the UK and Austria. Due to the differences in the mean ratings of the performance of employability skills dimensions, the Hotelling’s t-test rejected the null hypothesis, thereby implying that the respondents showed statistical differences in the performance ratings of the employability skills dimensions.

The importance-performance gap for the employability skills dimensions was tested in hypothesis 3. The findings of the independent t-test indicated there are significant importance-performance gaps for all four of the employability skills dimensions. Thus, many graduates do not meet the expectation of potential employers with regard to personal traits, communication skills, analytical skills, and leadership and teamwork. This view is supported by previous studies, which suggested that marketing graduates might have an academic knowledge but often lack the essential skills (Stringfellow, et al., 2006; Gray et al., 2007; Jackson, 2014).

The highest reported gaps in the current study were in the communication and analytical-skill dimensions. This large importance-performance gap seen in communication is in line with the existing literature. These studies placed the emphasis on the critical need to improve the communication of marketing graduates (Andrews & Higson, 2008; Walker et al., 2009; Wellman, 2013). In the context of marketing graduates in South Africa, the communication gap by the respondents in the current research did not come as a surprise; because most of the students in the South African higher education system use English as a second or third language;
and they, consequently struggle with both the written and the oral aspects of communication (Du Plessis Steyn & Weideman, 2013).

Other factors that may affect the low performance of the communication skills of marketing graduates may include the non-curricular education and economic issues, such as social privileges. Students from multi-racial and English-medium schools are offered the opportunity to develop strong communication skills, in addition to a more refined English accent; while students from disadvantaged backgrounds may struggle with pronunciation and expressing themselves in English (Wiese, van Heerden & Jordaan, 2010).

The relatively large gap reported in the analytical-skill dimensions means that marketing graduates in South Africa find difficulty in areas, such as the ability to solve current and potential problems in the workplace. This implies that marketing graduates may struggle with numeracy, critical thinking, and decision-making. The wide gap, such as in critical skills reported in the importance-performance gaps among employers highlights the emerging challenges to pedagogy; as such skills are developed throughout education (Walker et al., 2009).

The second lowest-level of importance-performance gaps was identified in the leadership and teamwork dimensions. These findings contradict those of Shlee and Harich (2010) and Finch et al. (2012), who suggested that the leadership and teamwork dimensions require attention. The respondents in the current study believe that marketing graduates in South Africa are able to work in teams, as well as showing strong leadership qualities in the workplace.

To support the above discussion the findings proved that there are some statistically significant importance-performance gaps in the employability skills dimensions. These findings support the empirical studies from international studies that new graduates nowadays are not receiving the necessary training to equip them with the skills required by industry (Finch et al., 2012; Shlee & Harich, 2010; Rosenberg, Heimler & Morote, 2012; Wellman, 2013).

**Implications**

**Recommendations for educators**

Theoretical content, without application, does not serve graduates adequately. Indeed, the reported importance-performance gaps clearly identified deficiencies in all the employability skills dimensions. Significant efforts should be thus made to fill the gaps in all the employability skill, namely personal traits; communication; analytical skills, as well as leadership and teamwork. Educators at higher education institutions should persistently liaise with organisations in the marketing industry, in order to keep updated on the latest developments and the skills required. They should involve employers and offer them ample opportunity to contribute to curriculum development and design. Further communication can be done in the form of quarterly meetings between academic staff and employers in the industry via committees and expositions in order to discuss essential employability skills required in the marketing industry.

Addressing the widest importance-performance gaps in the communication- and analytical-skill dimensions should be a priority. The widest gaps between importance and performance were measured for the communication and analytical skill dimensions. This indicates that the communication skills of the marketing graduates are falling short of industry’s expectations. Higher education institutions offering marketing can enhance oral and written communication skills through the following ways: encouraging students' participation in class by asking open-ended questions, class discussions, practical assignments and presentations. In addition, marketing educators should pay specific attention to subjects, such as statistics and accounting, in order to assist in the developing of analytical skills.

Finding work and experience should not be the responsibility of higher education institutions alone. Students should be advised to gain work experience in any ‘setting’ during the course of
their studies; because it provides evidence that they are willing to work hard to achieve their goals; and they are able to balance employment and study.

**Recommendations for employers of graduates**

Organisations employing marketing graduates within the different industries should create a detailed document of the skills that are necessary for their specific companies, as well as in the marketing roles. This can assist the employers in clearly defining the employability skills areas that are useful in the marketing jobs advertised for marketing graduates.

Marketing employers are advised to be more proactive in closing the employability skills and the knowledge gap. Liaising with marketing educators in developing a programme that would develop employable graduates could do this. The employers can advise educators on areas, such as how marketing graduates can apply analytical skills and communication skills in the workplace. Marketing students can be tasked with projects from different companies that would allow them to apply theory; and to gain insight into how their education could play a significant role in the workplace.

Employers are recommended to engage with higher education institutions on an annual basis to inform them of the changing needs of the industry. For example, technological advances have changed the methods of communication in which organisations communicate with their clients. Marketing graduates are now expected to be updated; and to possess the ability to communicate value by using the social media and other digital platforms. Employers could incorporate programmes, such as internships and learnerships to assist the marketing graduates in the transition from higher education to the workplace. From such programmes, employers may provide reports to higher education institutions to inform them on those employability skills and the knowledge areas that are falling short in the workplace.

**Recommendations for future studies**

Unfortunately, the response rate in each industry category was not large enough to allow statistical comparison across industrial sectors. Furthermore, this research focused only on the perception of the employers of marketing graduates; and it did not obtain the viewpoint from other stakeholders in higher education landscape. The target population of the study, marketing practitioners, may have goals and perspectives that differ from those of students’ university staff, parents and local community regarding the particular objectives of an undergraduate marketing qualification. The limitations identified offer an opportunity for improvement in future research. Firstly, researchers are advised to explore qualitative aspects via in-depth interviews and focus groups with employers, professional bodies and early-career marketers, together with academic institutions to identify experiences and best practice in relation to incorporating, building and assessing the marketing curricula. Secondly, higher education institutions do not function in isolation; but they are influenced by a wide variety of stakeholder groups, including students, academics, advisory boards, professional bodies and local communities. Comparing the views of different marketing education stakeholders would allow researchers to assess both the relevance of marketing education and its effectiveness. Thirdly, future researchers are advised to explore the re-curriculation of marketing qualifications to determine the effectiveness and possible areas for improvement.

**References**


TRACK 9

Operations and Logistics/Supply Chain/Project Management (including infrastructure development)
CHALLENGES IN MANAGING VIRTUAL PROJECT TEAMS IN CONTEMPORARY PROJECT BASED ORGANISATIONS (PBOS) – THE CASE OF SOUTH AFRICA

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South Africa (SA) Project-Based Organisation (PBOs), just like the rest of the world, are venturing into Africa in search of additional revenue. This has given birth to Virtual Project Teams (VPTs) and associated challenges. The aim of this research is therefore to explore the key challenges being faced by VPTs working in SA project-based organisations. A substantial share of expected revenue and profit will not be realised if challenges are not addressed. Based on a constructivist grounded theory research methodology, this interpretive research explores data collected from experienced people working in PBOs. Seven key challenges emerged from the interview data. The key challenges that emerged are classified under the dimensions of “implementation challenges”, “critical skills shortages”, “VPT communication difficulties”, “lacking strategic support”, “lacking experienced VPT project management (PM)”, “ICT difficulties” and “government support lacking”. The challenges have a huge impact on survival and profitability of organisations. However, their impact on VPTs is under-researched. This research provides new insights to assist SA PBOs and global firms intending to use VPTs in executing projects.

KEY WORDS: Information and Communication Technology (ICT), Strategic leadership, Resilience, Strategic support, Virtual community, Virtual project team.

Introduction

Virtual project teams (VPTs) are a new phenomenon that brings complexity in the field of project management. A Virtual Project Team (VPT) is a group of geographically and or temporally dispersed individuals brought together via information and telecommunication technologies to work towards a common goal (Khazanchi & Zigurs 2005). VPTs have become a global competitive advantage as companies are expanding their businesses globally. In South Africa, projects such as the Gautrain, Medupi and Kusile are some of the projects that heavily rely on VPTs. Gautrain is the first underground electric passenger rail system project in South Africa. Medupi and Kusile are the first two advanced coal-fired and energy efficient power plant projects in South Africa.

Zuofa & Ochieng (2017) advances that ineffective communication, lack of trust and technology adaptation are the key challenges facing VPTs. Mihailova (2008), adds that outdated ICT, absence of face-face communication, long periods away from home and long working hours and ineffective top management support, negatively impact on VPT performance. On the other hand, Flynn (2016) avers that VPT tensions result from pressure to deliver in the short term. If the tension is not properly managed, it can lead to covering up and hiding of bad news. This ultimately can lead to suspicion, gossip, inefficiency and bad reputations.

Punjani (2013) advocates that the high cost of support technologies such as cameras, difficulties like power outages, poor quality internet services, and mobile networks that constantly shut...
down, are barriers to improving the performance of VPTs. The state of affairs is worsened by industrial strikes and civil unrest. On the other hand, it is important to note that companies in the developed world, such as those in the United States, are generally highly sophisticated and innovative. Their communication networks are usually supported by an excellent academe that collaborates admirably with the business sector in research and development. These support systems notwithstanding, mismanagement of the banking system partly led to the financial crisis of 2007 (World Economic Forum 2013). This indicates that there was a lack of understanding of managing these systems for volatility across the globe.

Most organisations in South Africa now need to manage complex projects beyond South Africa borders. In defining complex projects, Ahern, Byrne & Leavy (2015) claim that traditional planned projects are mainly characterised by up-front prior knowledge, complex projects are characterized by incomplete knowledge. Managing an organisation’s complex and high-value virtual projects satisfactorily requires an understanding of challenges that negatively impact on VPTs. Organisations that refuse to embrace virtual teams or even worse, if they do not know how to efficiently and effectively lead their VPTs, will face increased risks of failure and eventual obsoleteness. By understanding the challenges being faced by VPTs, organisations can create a strategic competitive advantage that translates to other areas of the organization (Quisenberry & Burrell 2012).

The lack of immediate physical interaction between project partners is becoming the norm as collaboration now mainly takes place at virtual level. Most foreign companies now only send a few executives and functional experts, or none at all, to manage project delivery processes onsite (Holtbrugge, Schillo, Rogers & Friedmann 2011). Therefore, the main focus of this study is to investigate the main VPT challenges being faced by PBO in project delivery. We will therefore focus on the following research questions:

RQ1. What are the main challenges that hinder VPT performance in South Africa?

RQ2. What are the main challenges around organisational support systems that negatively impact on improving the performance of VPTs?

**Literature Review**

VPT challenges play a critical role in identifying and mitigating risks that impede improving performance of VPTs. Literature review on key challenges will be reviewed next. There is limited literature on challenges facing VPTs.

**VPT project management challenges**

VPT leadership challenges facing VPTs are different from those of traditional teams (Heller, Laurito, Johnson, Martin, Fitzpatrick, & Sundin, 2010). Derven (2016) concurs and advocates that global virtual teams are unique and different when compared to traditional teams. VPT pitfalls are real, but can be circumvented by means of effective VPT leadership (Hunsaker & Hunsaker 2008). In this regard, Chuang (2013) urges global leaders who want to perform effectively to increase their capabilities.

**Strategic leadership and support system challenges**

In their research on VPTs, Zuofa & Ochieng (2017) conclude that most challenges to improving the performance of VPTs can be linked to organisations, project teams and the virtual environment, or sometimes a combination of all of them. Strategic leadership should therefore ensure a conducive VPT environment. Hosseini & Chileshe (2013) argue that the high initial costs of ICT, training, organisational changes, and the considerable efforts required for improving the performance of VPTs, could eclipse potential benefits. Organisations’ capacity for resilience against challenges should be developed through strategically managed human resources (Rodríguez-Sánchez & Perea 2015). This creates competencies among core employees, that when aggregated at organisational level, will enable the organisation to acquire the ability to respond in a resilient manner when it experiences severe shocks.
There is a critical need for VPTs to be flexible and innovative to develop the capacity to adapt processes and structures in line with evolving project context (Abrantes & Figueiredo 2013). Zuofa & Ochieng (2017) assert that, owing to resourcing difficulties, VPTs should flourish on interdependence. It is therefore vital that strategic leadership regard challenges as a lifelong endeavour, as well as an opportunity for organisational growth (Chuang 2013). Rodriguez-Sánchez & Perea (2015) advises the following strategic initiatives to mitigate VPT challenges:

- “Perceive experiences positively, even if those experiences caused pain;
- Ensure adequate external resources.
- Expand decision-making boundaries. Resilient workers need the ability and authority to make decisions on the spot in a variety of situations;
- Workers must develop the ability to make decisions with less than the desired amount of information;
- Build virtual role systems. This refers to an advanced form of work team relationships where the team can continue in the absence of one or more members”.

**Implementation challenges**

Rodríguez-Sánchez & Perea (2015) advise that organisations should maintain positive adjustment under challenging conditions. They emphasize that resilience is a weapon that organisations should drill into their VPTs. The inculcated principles will enable them to overcome crises and encompasses the key idea that they should be strengthened by their experiences. Derven (2016) argues that “Companies increasingly rely on VPTs to foster growth and innovation, yet too often these teams are assembled without a clear process to ensure success”. As far as implementation challenges are concerned, South Africa’s National Development Plan 2030 states that there are several weaknesses in the accountability chain, with a general culture of blame-shifting. However, Derven (2016) states that as VPTs face many challenges, it is important for them to pause periodically to celebrate progress in their relationships and results.

**Critical skills shortage**

In a study on skills shortages in the construction industry, Windapo (2016) contends that “South Africa will continue to experience skill shortages, particularly among the highly technical trades in which accuracy is required, such as for electricians, plumbers, roofers, fitters and welders, if the basic educational system is not strengthened”. The National Development Plan 2030 (2013) acknowledges that SA is experiencing critical skills shortages. These shortages include highly qualified doctors with the necessary experience, engineers, information technology professionals, forensic specialists, detectives, planners, accountants, prosecutors and curriculum advisors. There is a critical need for VPTs to be flexible and innovative to develop the capacity to adapt processes and structures in line with evolving project context (Zuofa & Ochieng 2017).

**ICT challenges and limited government support**

Zuofa & Ochieng (2017) from Nigeria, in their study on VPTs, conclude that ICT was generally unreliable due to poor network connections, unclear Skype reception and telephone calls, as well as other technology related challenges.

High data costs is a source of concern that negatively impact on VPT performance. The National Development Plan for South Africa 2030 (2013) report similar findings. It claims that South Africa’s high domestic cost of broadband internet connectivity is a major hindrance to economic development and VPTs. The National Development Plan 2030 (2013) also points out that growth in the South African ICT sector has not brought about affordable, universal access to the full range of communications services available globally. The report acknowledges that most state interventions in the ICT sector have been disappointing. Government support is therefore lacking.
Literature research gaps

Africa has been left out in most of the studies on challenges that negatively impact on performance of VPTs. This strengthens the need for future research on VPTs in Africa, in which South Africa plays a significant role (Muganda & Pillay 2013). Hosseini & Chileshe (2013) further advance that reliance on the results of studies conducted in other industries or other parts of the world, such as the USA, does not provide a scientific approach to addressing the matter from the perspective of other countries.

Methodology

Constructivist grounded theory by Charmaz was selected as the research strategy. The strategy allowed exploration of a wide range of challenges affecting successful delivery of projects by VPTs (Saunders, Lewis & Thornhill 2009: 149). In explaining the concept of grounded theory, Charmaz (2014: 01) states that “it consists of systematic, yet flexible guidelines for collecting and analysing qualitative data to construct theories from the data themselves”.

The target population of this study was all VPTs in project-based organisations in South Africa. The unit of analysis is the virtual project team. The study began with purposive sampling. Later, data collection was guided by snow-ball and theoretical sampling (Salkind 2010: 550). The aim of data collection and analysis was to identify and explore the antecedents and challenges facing VPTs according to VPT members’ perceptions (Khan 2014). The respondents consisted of experienced Chief Executive Officers (CEOs), project directors, project managers, project engineers, consultants, project administrators, subcontractors and heads of functional departments. Experience of participants varied from 5 years to 25 years. Fields of expertise were ICT, construction, education and banking. Semi-structured in-depth face-to-face interviews were used to collect data under the guidance of a pre-planned interview guide. The themes identified from literature review formed the basis on which the interview guide was designed. The order of questions, however, was sometimes varied depending on the flow of the interview. Additional probing questions were used to further explore the main themes of the research (Saunders, Lewis & Thornhill 2009: 358).

Commenting on bias from the grounded theory perspective, Glaser & Strauss (1967: 68), the original founders of grounded theory, advance that “… during comparison, biases of particular people and methods tend to reconcile themselves as the analyst discovers the underlying causes of variation”.

To get the full essence of the study, the researcher gained the participants’ confidence and obtained their consent and approval before conducting an interview with them. Memos were used to analyse data and codes. Imagination and creativity were used in memo-writing as they are essential in unpacking VPT challenges. This enhanced knowledge and understanding. The data, however, were allowed to “speak” for themselves and included all other considerations (Heath & Cowley 2004). This accentuates the significance placed on data. Coding allowed data segments belonging to each code to be sorted together. Coded segments were compared for similarities and differences and then grouped into categories. Focused coding followed initial coding, where the most significant or frequent initial codes that make the most analytical sense were discovered. Throughout focused coding, memos were used to raise focused codes into tentative conceptual categories. A memo was started with a title, usually the tentative name of the category. Interview scripts were coded one at a time in order to identify concepts and categories related to challenges being faced by VPTs. A working definition was then devised for each category by comparing each category with data, codes, subcategories and other categories, and by comparing the memo with other memos. During theoretical coding, memos were further compared, sorted and integrated.

In complying with the theoretical sampling technique that is required in grounded theory, subjects were chosen from organisations that are both similar and different in respect of various characteristics. This included the companies’ sectors or sizes, as well as the nature of the projects in which they are involved in (Khazanchi & Zigurs 2012). Commenting on sample size in grounded theory, Ng & Hase (2008) claim that a fundamental principle of Glaser’s approach
is that the emerging theory itself should determine who next to talk to or where to go for information. In this study, initially a purposive sample of about 10 people from the target population was chosen. This was followed by use of snow-ball and theoretical sampling to reach other participants who had similar VPT experience (Khazanchi & Zigurs 2012). Seven key categories of challenges, presented under next discussion section, emerged after focused coding of the first 15 participants interview data. No additional key categories emerged from interview data from participant 16 to 27. Since no new concepts or categories were emerging, the decision was made that the point of theoretical saturation had been reached and data collection ended (Salkind 2010: 550).

Validity and reliability
Reliability was achieved through theoretical sensitivity, iterative coding and theoretical sampling. Literature, professional and personal experience were the sources of theoretical sensitivity. Additional reliability was achieved through the iterative use of open and focused coding to bring out the concepts and discover any causal relationships or patterns in the data (Qureshi, Liu & Vogel 2006; Ng & Hase 2008). A well-known research method, grounded theory, was used in this research. During the research process support was sought from other professionals that were willing to provide scholarly guidance, such as members of academic staff and feedback from peers.

Results and Discussions
The main purpose of this research is to analyse the key challenges being faced by VPTs in South Africa PBOs. Seven key challenges emerged from the interview data as shown in Figure 1.1 below. These are “implementation challenges”, “critical skills shortages”, “VPT communication difficulties”, “lacking strategic support”, “lacking experienced VPT leadership”, “ICT difficulties” and “Government support lacking”. These will be discussed next.
Implementation challenges

Implementation challenges emerged as the leading key category negatively impacting VPTs. The category emerged 183 times from interview data, from 24 participants. This category is multidimensional and stems from the combined influences of VPT welfare, diversity challenges, scope management challenges, logistical challenges, country specific standards issues, monitoring and coordination challenges, as well as a critical shortage of collaborative tools. Ninety percent of the participants expressed their frustration and dissatisfaction with the implementation challenges being faced by VPTs. Commenting on the complexity of VPTs, VT019 advocates that “Geographically dispersed project teams can be extremely difficult to manage”. VT021 concurs and warns that “When it comes to that, the first thing that I would say is that remote projects are extremely challenging…. It’s a different “animal””. VT001 avers that “I remember the first day of my visit to South Africa. The main challenge was that we tried to “deduct” the first day; it’s like we were “peddling in the dark”. This shows lack of preparedness and planning. This demotivates VPT members which might lead to project failure and additional costs.

Challenges arising from travelling constantly nudge VPT members, in particular when one thinks of security, medical and school-related matters that affect family members (VT002, VT004). This can distract members if no structures are in place to manage them. On diversity challenges, VT005 claims that “In fact, from PM to technical implementation, to senior
executives, I think it’s a problem that goes right through the organisation”. In voicing further concerns, VT006 points out that “You are looked down upon, and if you have a solution you won’t raise it because you are already judging yourself that nobody is going to listen to you”. This destroys cohesion of the team. Derven (2016) concurs and advises that it is imperative that inclusive leaders be selected to ensure the success of VPTs.

Most of the participants claim they encounter unplanned scope and change management challenges. This ultimately lead to scope creep, quality and performance issues, and additional cost overruns if not properly managed (VT002, VT003 & VT008). Sometimes it’s more convenient to procure accessories you need in the area you’re working in, because site conditions may be different from those at home (VT006, VT003). However, the accessories can be readily available here in South Africa but not in other countries. Apart from this, if you ship equipment to another country, you need to certify it before you ship it (VT004). VT009 further complains that often there is no pocket money available to procure these ad-hoc items. VT004 & VT023 further claim that differences in quality standards between countries is another source of challenges. This resonates with Derven (2016)’s findings, who claims that “Companies increasingly rely on global virtual teams to foster growth and innovation, yet too often these teams are assembled without a clear process to ensure success”. It also emerged that this is worsened by top management cost-cutting measures to maximise on profit.

On monitoring and coordination challenges, VT012 claims that existing VPT processes and procedures are not strategized to allow collation among team members. Language barriers and time zones need to be properly noted and factored into all PM plans (VT013, VT016, VT021 & VT023). Organisations are taking too long to implement the lessons learnt to alleviate the complex and unique challenges VPTs face (VT006). Rodríguez-Sánchez and Perea (2015) concurs that organisations should maintain positive adjustment under challenging conditions and emerge from those conditions reinforced and more resourceful. This can only happen if organisations seriously implement lessons learnt from previous projects. Also research on expected challenges from other organisations who have gone through similar challenges would help.

Critical skills shortage

The second key challenge that emerged is categorised as Critical skills shortage. Critical skills shortage emerged 127 times from 19 participants. There are areas where it may be difficult, if not impossible, to get VPT members as competent as those at headquarters or other countries like India (VT002, VT010, VT019 & VT025). Commenting on the significance of the skills problem, VT021 avers that “There is a big skills deficit we can’t even wish it away. It is what it is, there is a massive skills deficit at all levels; you look at senior leadership, you look at middle management and I think more importantly, middle management”. The findings of the National Development Plan 2030 (2013) assert that SA is experiencing critical shortages of highly qualified doctors, engineers, and ICT professionals, forensic specialists, investigating officers, planners, accountants, prosecutors and curriculum advisors. From the data collected, resourcing difficulties emerged as one of the critical challenges. Asked to comment on resourcing for VPTs, VT008 claims that “The critical challenge is resourcing - resourcing of projects with the proper skills set. The challenge facing delivery is that we tend to put on any resource we feel is capable and is carrying on with the project in the resource team”. Windapo (2016) confirms that “South Africa will continue to experience skill shortages, particularly among the highly technical trades in which accuracy is required, such as for electricians, plumbers, roofers, fitters and welders, if the basic educational system is not strengthened”.

Critical skills shortage is therefore one of the major challenges facing VPTs in SA. They are poorly resourced with no mitigation plans in place. This challenge propagates other challenges like implementation challenges, VPT leadership challenges, project failures due to poor quality of work, lack of proper planning and cost-overruns among others. Although there is a critical shortage of skilled resources, organisations are still battling with skills transfer. They are busy overstretching the “thinly” skilled resources they have to meet organisational objectives, leaving hardly enough time for skills transfer (VT019, VT025). Critical shortage of skills, lack
of skills transfer and lessons learnt strategies, emerged as challenges that strategic leadership should address. However, the findings of this research point to lack of interest from top management as they are busy concentrating on improving the profit of the organisation and cutting costs.

Lack of VPT strategic support
The third emerging key challenge that has a detrimental effect on improving the performance of VPTs was categorised as the lack of strategic support. Lack of strategic support emerged 69 times from the data obtained from 19 participants during the interviews. The interview data implied that the lack of strategic support is a multidimensional concept; it stems from the combined influences of difficulties experienced with red tape and the top management “bottom-line” concept. Approximately 70 per cent of the participants claim that they have experienced lack of top management support. Top management’s fear of making strategic decisions also emerged as a concern. Commenting on this issue, VT009 claims that top management do not want to “put their heads on the block” (VT009). VT004 concurs and claims that “Okay, this is my experience: One leg in, one leg out”. On the contrary, VT025 argues that “From my side, I am glad we have that basic covered. We get all the necessary support right from the group CEO and the group managing directors of the various countries”. VT016 nevertheless cautions that top management provides selective strategic support only if the project falls within the ambit of the business’s core function.

In critiquing the “bottom-line” (profit) strategic approach, VT015 claims that cost-cutting benefits organisations’ profit and loss accounts, as it ultimately is about the “bottom-line” (VT021). Nevertheless, projects are scoped and priced based on highly skilled VPT members. When the organisation wins a tender, junior people are used to deliver the project in order to maximise on profit. On the other hand, there is staunch support from top management that is aware of the VPT concept, as they see it as another way to cut project costs (VT020, VT024). Management’s red tape and bureaucratic approaches further negatively impact on performance of VPTs (VT008, VT010). This is in sync with the views of Drouin, Bourgault & Gervais (2009) who claim that many VPT members are still at a disadvantage owing to a lack of resources that needed to be supplied by corporate managers who have little or no idea of the exclusive nature of VPTs. If top management does not do its work, it has a huge effect on the performance of VPTs, including schedule slippages and cost overruns (VT003). In expressing his impression of VPT collaborative tools VT003 avows that “I said to them, it’s simple; I can do it, but then you must give me the tools to do my work”. This overtly mean that, no matter how skilled you are, you need collaborative tools to successfully lead VPTs. The situation is worsened as some VPTs are constantly threatened with compliance issues (VT003, VT011).

Lack of VPT leadership experience
The fourth emerging key challenge negatively impacting VPTs was categorised as lack of VPT leadership experience. Lack of VPT leadership experience emerged 32 times from 14 participants. It is the main challenge VPT leaders face (VT007). Some project managers are very traditional in their approach (VT015, VT016, VT020 & VT021). Although some project managers have qualifications, they have not gone through the trenches of managing geographically dispersed projects; the skill of leading people from different cultures is lacking (VT016, VT020 and VT021). Support departments such as Human Resources, Procurement and Finance, which are critical in VPT success, also battle to understand basic PM (VT008). This point to lack of goal-congruence across the organisation. Consequences of this are project delays, cost-overruns and low VPT morale. This represents a major challenge as more than 50% of the participants expressed this view. Abrantes & Figueiredo, (2013) concurs that there is a critical need for VPTs to be flexible and innovative in developing the ability to adjust processes and structures in line with evolving project context.

Catching up on these challenges can be very demanding, as one will have to enter a damage control mode (VT014). VT008 warns that “…you have to pull all tools out of your magic box in order to put the project right[sic], in order to save your reputation on the market”. VT003 further claims that if this happens, you are “dead in the water”. It is important to note that the
consequences can be catastrophic. The organisation can even shut down due to these high costs of inefficiencies and litigations from customers.

**ICT Challenges**

ICT difficulties emerged as the fifth key challenge that has a detrimental effect on VPTs. ICT difficulties emerged 28 times from the interview data obtained from 14 participants. SA’s high data costs compared to those of other countries were raised as a major source of frustration (VT011). On the contrary, VT008 argues that “It’s not costs but a cultural belief; it’s a cultural thing again. We are used to executing projects face-to-face, rather than virtually”. However, South Africa’s National Development Plan 2030 (2013) report similar findings. It reports that the high domestic cost of broadband internet connectivity in South Africa is a major hindrance to economic development, which includes VPTs.

On the contrary VT010 argues that “Technology cannot assist in developing a unified culture”. VT011 further claims that “Our challenges are not from technology; our challenges are from people”. VT013 argues that technology can sometimes let you down and become frustrating for team members, such as when conference calls keep dropping or cell phone or internet signals are poor. Zuofa & Ochieng (2017), from Nigeria, shared similar challenges. In their study on VPTs they conclude that ICT was generally undependable due to poor network connections, unclear Skype and telephone calls, as well as other technology related challenges. It emerged from interview data that ICT challenges range from unreliable and outdated ICT infrastructure, unavailability of collaboration tools, high ICT costs and interrupted power supply that keeps tripping the ICT infrastructure. More than 50% of the participants raised ICT challenges. This resonates with International Telecommunications Union (2016) ICT development index rankings. In this report, SA ranked 86th in the world and 3rd in Africa behind Mauritius and Seychelles respectively. This shows developing countries have a long way to go to improve ICT infrastructure to match that from developed countries.

**Government support lacking**

It emerged that government support is lacking. This emerged as a challenge 26 times from 9 participants interview data. VT011 blames government for creating a job entitlement culture, that is, the entitlement of saying; “This is my job, this is mine and nobody will do it” (VT011). Government is also called upon to focus on the barriers affecting skilled labour and to find solutions to rectify this matter. Commenting on job entitlement culture, VT015 expresses considerable frustration “Yes, I agree we haven’t made it easy for international people to come and work in South Africa, especially the highly skilled ones. We don’t attract them to the country; we don’t offer them incentives, and we don’t offer favourable tax benefits”. Visa processing is another source of challenges as it takes a long time to be processed.

The government should formulate a collaborative framework or policy to streamline VPT activities and resource management (VT015). VT015 elucidates on this statement as follows “If you register your projects, for example, with government, to say that you “gonna” have 10 people operating in India, 30 people operating out of Ghana, 5 out of Kenya and there will be another six from Australia and the project management offices will be in South Africa, you register that project and you make it TAX efficient. You then make easy flow of money and payment to those various countries”. For enabling a VPT environment or framework, VT016 argues that “The role of government is to create an enabling environment. Are we enabling people to travel? Are we enabling the IT that we were talking about? Is it cheap for people to communicate”?

There is however limited literature on government support. This might overtly mean that this problem is mainly faced by developing countries. However the SA government acknowledges that it has a role to play. South Africa’s National Development Plan 2030 (2013) report that the high domestic cost of broadband internet connectivity in South Africa is a major hindrance to economic development. This is in-line with the results which report that VPTs can only succeed in a developed economy.

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20TH INTERNATIONAL ACADEMY OF AFRICAN BUSINESS AND 480 DEVELOPMENT CONFERENCE MAY 2019
**VPT Communication Challenges**

Communication difficulties emerged as the seventh key challenge that has a negative effect on VPTs. From the interview data obtained from participants, communication difficulties emerged 21 times from 7 participants as a VPT Challenge. Language emerged as a barrier to communication. Although the people concerned might all be communicating in English, their tone is often different (VT004). VT002 avers that, “There are gaps in the communication and “aah”, they speak Russian, not English. It is “broken” English”.

Asd to comment on ICT communication tools, 60% of the participants claim that they do not have the right tools. Commenting on the lack of ICT tools, VT006 states that “But if you don’t have the right tools, you take longer than is required, so make sure the technology that is out of there is available. Don’t say that this is just a technician, so I am “gonna” give him a tape measure, a traditional tape measure?”.

Drouin & Bourgault (2013) advise that training and tools constitute a key dimension of strategic support that has a positive effect, not only on the performance of teams, but also on the quality of decision-making. VT025 confirms that “You can give the best tools to individuals, but if they don’t have the knowledge and experience to run the projects, it will just be “garbage in, garbage out”. VT019 claims that it is important that collaboration tools be made available to members in order to improve the performance of VPTs. On knowledge and data-sharing, Drouin & Bourgault (2013) claim that VPTs should have access to more information owing to the wider range of knowledge contributed by their members. This leads to shared wisdom and greater team learning. Poor information-sharing starves VPTs of the “oxygen” needed to learn and deliver results. It leads to team members merely co-existing and not collaborating (Flynn, 2016).

**Conclusion and Recommendations**

Implementation difficulties and shortage of critical skills emerged as the main challenges negatively impacting performance of VPTs. Other challenges were VPT communication difficulties, lacking strategic support, lacking experienced VPT PM, ICT difficulties and government support lacking. In a similar research, Zuofa & Ochieng (2017) conclude that most of the challenges being experienced by VPTs can be linked to organisations, project teams and the virtual environment, and sometimes a combination of all of them. The research study point to a gap in business management strategy in the form of an integrated ‘conceptual model’ to address the key challenges facing SA PBOs. Future research should therefore address this gap and come-up with an integrated model that can assist organisations in improving the performance of VPTs.

Organisations must be willing to institute security policies, invest in needed technologies, provide procedures, be willing to embrace cultural diversity and set attainable goals to enable VPTs to mitigate implementation challenges (Golnaz & John, 2012). Top executives should be able to turn challenges identified in the study into opportunities. Ahuja (2010) advocates that, by understanding and resolving VPT challenges, organisations can create a strategic competitive advantage that transforms into other areas of the organisation. Rodriguez-Sánchez & Perea (2015) raise another dimension of resilience which management needs to take heed of in order to manage challenges and avoid the pitfalls of project failures. Organisations should empower their project managers, because they constantly have to contend with numerous difficulties that must be resolved while they are far away from their regional offices. The government should work hand in hand with organisations to address the critical shortage of skilled resources.

It emerged that the potential of technology is huge, and still largely untapped in most developing economies. Developing countries lack skilled labour, capital and also use these technologies less efficiently. It is important to note that continued and equitable expansion of reliable ICT depends on electricity. Government therefore needs to expand the energy sector at the same time as it expands ICT across the country. VPT Project managers should be involved directly in building, managing and controlling VPTs. The ability of a VPT leader to establish ground rules, build trust, develop self-management skills among team members, model appropriate
communication, empower the team and methodically address conflicts will determine the success or failure of a VPT (Golnaz & John, 2012). In managing effective VPT project delivery, Golnaz & John (2012) maintain that team members should have good interpersonal communication skills and the ability to take on leadership roles when called upon to do so. This might be in the form of team leaders to assist project managers in managing and controlling resources.

**Limitations**

The first limitation of this study is snowball-sampling that could have introduced some bias. It is important to point out that snowball-sampling can introduce bias as respondents are most likely to identify other potential respondents who are similar to themselves, resulting in a homogeneous sample (Saunders, Lewis & Thornhill, 2009: 241). The limitations of a Constructivist Grounded theory approach include the difficulty of conducting research in a setting outside of the researcher’s area of familiarity and expertise, where an unfamiliar setting might introduce restrictions on the researcher’s ability to reflexively interact with participants and to anticipate their concerns (Barnett, 2012).

**References**


20TH INTERNATIONAL ACADEMY OF AFRICAN BUSINESS AND 483 DEVELOPMENT CONFERENCE MAY 2019

PERCEPTIONS OF THE IMPACT OF UNETHICAL SUPPLY CHAIN PRACTICES ON SUPPLY CHAIN PERFORMANCE IN SOUTH AFRICA

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The purpose of the study was to investigate perceptions of supply chain practitioners on the impact of unethical supply chain practices on supply chain performance in South Africa. The study adopted a quantitative design to identify the drivers and enablers of unethical supply chain practices that affect supply chain performance. The study adopted a quantitative design to identify the drivers and enablers of unethical supply chain practices that affect supply chain performance. Questionnaires were distributed to supply chain practitioners, suppliers and finance persons whose role complements the supply chain function. A response rate of 69.7% was experienced. The results showed that knowledge, skills, accountability and compliance to regulations seem to be the variables that significantly impact on supply chain performance. In conclusion, the study recommends that more programs and workshops that educate practitioners on ethics and governance should be conducted to alleviate lack of knowledge and skills amongst supply chain practitioners. Organizations should enforce and tighten their policies around compliance in supply chain procurement to avoid mismanagement and maladministration. Weak enforcement mechanisms exposes organisations to unethical practices due to lack of proper accountability and monitoring mechanisms and compliance with supply chain procurement process.

KEYWORDS: accountability, compliance, ethics, governance, supply chain performance, regulations,

Introduction

Practitioners are compelled to implement supply chain management practices in an explicit way so as to guarantee fairness and accountability and hence ensure compliance to procedures. Furthermore, the policies adopted need to provide clarity on prominent penalties associated with non-compliance (National treasury, 2000). Unfortunately, supply chain management involves interaction of people, which gives rise to potential unethical practices at several stages of the product flow process that impact supply chain performance. Unethical practices are issues that are complex and problematic to deal with; as there are numerous ways they can be committed without noticing if there are no effective control and monitoring mechanisms. Unethical supply chain practices bring serious risks for establishing sustainable economies. Notwithstanding, such practices expose the organizations to risks of losing markets and may cause supply chain managers to lose their reputations or careers if discovered. In some instances, private organizations underestimate the risks of unethical supply chain practices or refrain from implementing deterrent measures to curb unethical supply chain practices because of costs (Arnold et al. 2012). Thus, unethical supply chain practices are a concern to an extent where prevention should be a priority. The rationale for this study is to investigate the impact of unethical supply chain on supply chain performance in South Africa. This will be done through
the identification of drivers, enablers, and set of deterrents for unethical practices and concluded with an appropriate conceptual framework for deterring unethical practices in supply chain to mitigate the risk and as a result, the trading businesses eventually manage to re-build its trust among all stakeholders.

Research Methodology

The research undertaken in this study was descriptive in nature. Leedy & Ormrod (2014) describe descriptive research as inspecting a situation in its present form without any changes or adjustments and giving a precise description or image of that state. This study employed a quantitative research approach to gather primary data on unethical practices in the supply chain. The study relied on data collected via a self-administered structured questionnaire circulated electronically and manually to 145 respondents and 101 questionnaires were completed in full and returned for final analysis, giving a satisfactory response rate of 69.7%. The sample comprised of a wide range of supply chain practitioners, suppliers and other interested parties. It consisted of close-ended questions. The questionnaire comprised of five sections. The first section looked at the background of the participants such as job category/position, department and years of experience. The second section looked at the drivers of unethical practices in supply chain, followed by the third section which looked at the enablers for unethical practices in supply chain. The last section (fourth) looked at types of unethical practices, which sought to establish the perception or attitudes of the respondents towards supply chain performance. A five-point Likert scales was utilised to measure the perceptions. The research sample was drawn from supply chain practitioners, suppliers and other interested parties that were attending a supply chain convention hosted by Smartprocurement in Johannesburg, South Africa. The sample comprised of 32.7 percent of participants who were Senior Managers, 32.7 percent of participants who were Managers and 13.9 percent who were Specialists with the remaining 20.8 percent being in other positions that included supervisory responsibilities. It was further observed that 33.7 percent of the participants confirmed that they were working in a supply chain function while 30.7 percent were working in an Operations department. 25.7 percent of the participants confirmed that they were working in a Finance department while the remaining 9.9 percent were working in other departments such as Administration.

Analysis of Results

This section presents the analysis of results.

Measuring effectiveness of drivers for unethical practices in supply chain

The perceptions of participants on the effectiveness of drivers for unethical practices in supply chain were evaluated using mean scores and standard deviations. The drivers for unethical practices, derived from literature, include knowledge and skill, leadership, accountability and monitoring mechanisms and regulations and policies. The perception of participants on the level of knowledge and skill in supply chain profession was measured using mean scores as indicated in Table 1. Table 1 also shows that participants expressed opinions that were homogenous on knowledge and skills in supply chain profession, as the standard deviation was moderate at 12.4% of the mean. Skewness and Kurtosis were in ranges of 1 and 3 respectively as shown, indicating normality of data.
Table 1: Perceptions of participants on the level of Knowledge and Skill

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Std. Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>4.2</td>
<td>0.7950</td>
<td>18.8</td>
<td>-0.6312</td>
<td>2.5565</td>
</tr>
<tr>
<td>Training</td>
<td>4.4</td>
<td>0.5826</td>
<td>13.3</td>
<td>-0.6260</td>
<td>1.2521</td>
</tr>
<tr>
<td>Employees skills</td>
<td>4.4</td>
<td>0.7855</td>
<td>17.9</td>
<td>-0.6634</td>
<td>1.8384</td>
</tr>
<tr>
<td>Capacity shortage</td>
<td>4.3</td>
<td>0.8641</td>
<td>20.2</td>
<td>-0.7346</td>
<td>2.8277</td>
</tr>
<tr>
<td>Education of SC Practitioners</td>
<td>4.5</td>
<td>0.7009</td>
<td>15.7</td>
<td>-0.8298</td>
<td>1.7680</td>
</tr>
<tr>
<td>Knowledge and Skill</td>
<td>4.3</td>
<td>0.5403</td>
<td>12.4</td>
<td>-0.2033</td>
<td>2.7434</td>
</tr>
</tbody>
</table>

*Key: Likert score of 1 means unfavourable and 5 most desired.

Table 2 indicates the perceptions of participants on leadership qualities in supply chain profession. Participants generally strongly agreed that there is a lack of good leadership qualities in supply chain profession. Leadership attribute recorded high with an unfavorable mean score of 4.5.

Table 2: Perceptions of participants on leadership qualities

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Std. Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture of honesty</td>
<td>4.8</td>
<td>4.1277</td>
<td>86.5</td>
<td>0.9413</td>
<td>2.7288</td>
</tr>
<tr>
<td>Promotion of ethical practices</td>
<td>4.4</td>
<td>0.7756</td>
<td>17.6</td>
<td>-0.1372</td>
<td>2.8763</td>
</tr>
<tr>
<td>Commitment to good governance</td>
<td>4.5</td>
<td>0.7696</td>
<td>17.2</td>
<td>-0.2994</td>
<td>2.4760</td>
</tr>
<tr>
<td>Decisiveness to eliminate risks</td>
<td>4.5</td>
<td>0.7565</td>
<td>16.9</td>
<td>-0.3524</td>
<td>2.0712</td>
</tr>
<tr>
<td>Empowered to deal with inconsistencies</td>
<td>4.5</td>
<td>0.6874</td>
<td>15.3</td>
<td>-0.3953</td>
<td>2.0653</td>
</tr>
<tr>
<td>Leadership</td>
<td>4.5</td>
<td>1.0322</td>
<td>22.8</td>
<td>0.6643</td>
<td>2.4964</td>
</tr>
</tbody>
</table>

*Key: Likert score of 1 means unfavourable and 5 most desired.

Participants were in agreement that there is a general lack of accountability and monitoring mechanisms in the supply chain profession. The accountability and monitoring mechanisms attribute was high with an adverse mean score of 4.5. Table 3 also shows that participants expressed opinions that were homogenous on accountability and monitoring mechanisms in the supply chain profession as the standard deviation was moderate at 10.3% of the mean.]
Table 3: Perceptions on accountability and monitoring mechanisms

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of controls</td>
<td>4.4</td>
<td>0.6553</td>
<td>14.8</td>
<td>-0.7249</td>
<td>-0.5054</td>
</tr>
<tr>
<td>Effectiveness of supply chain procedures</td>
<td>4.5</td>
<td>0.6265</td>
<td>13.9</td>
<td>-0.8523</td>
<td>-0.2727</td>
</tr>
<tr>
<td>Effectiveness of supply chain processes</td>
<td>4.5</td>
<td>0.6727</td>
<td>15.0</td>
<td>-0.1884</td>
<td>1.0365</td>
</tr>
<tr>
<td>Audits objectivity</td>
<td>4.4</td>
<td>0.7539</td>
<td>17.0</td>
<td>-0.6341</td>
<td>1.8523</td>
</tr>
<tr>
<td>Regular supply chain audits</td>
<td>4.4</td>
<td>0.8033</td>
<td>18.2</td>
<td>-0.4911</td>
<td>1.5695</td>
</tr>
<tr>
<td>Effectiveness of monitoring supply chain activities</td>
<td>4.5</td>
<td>0.7150</td>
<td>15.8</td>
<td>-0.8050</td>
<td>2.0522</td>
</tr>
<tr>
<td>Accountability of officials at work</td>
<td>4.6</td>
<td>0.7277</td>
<td>16.0</td>
<td>-0.5761</td>
<td>1.6542</td>
</tr>
<tr>
<td>Accountability</td>
<td>4.5</td>
<td>0.4623</td>
<td>10.3</td>
<td>-0.7464</td>
<td>2.5836</td>
</tr>
</tbody>
</table>

The perception of participants on the effectiveness of regulations and policies in supply chain profession was measured using mean scores as indicated in Table 4. Participants were in agreement that regulations and policies in supply chain profession are ineffective. The regulations and policies attribute was high with an adverse mean score of 4.3

Table 4: Perceptions of participants on regulations and policies

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design of procurement policies</td>
<td>4.1</td>
<td>0.9345</td>
<td>22.6</td>
<td>-0.3119</td>
<td>1.7857</td>
</tr>
<tr>
<td>Implementation of procurement policies</td>
<td>4.3</td>
<td>0.6548</td>
<td>15.1</td>
<td>-0.3728</td>
<td>1.4012</td>
</tr>
<tr>
<td>Compliance with supply chain policies</td>
<td>4.4</td>
<td>0.6645</td>
<td>15.1</td>
<td>-0.0687</td>
<td>1.7355</td>
</tr>
<tr>
<td>Compliance with National Treasury regulations policies</td>
<td>4.5</td>
<td>0.7284</td>
<td>16.3</td>
<td>-0.7433</td>
<td>1.7526</td>
</tr>
<tr>
<td>Conformance to supply chain standards</td>
<td>4.3</td>
<td>0.6991</td>
<td>16.1</td>
<td>-0.4933</td>
<td>1.8059</td>
</tr>
<tr>
<td>Regulations</td>
<td>4.3</td>
<td>0.5076</td>
<td>11.7</td>
<td>-0.2856</td>
<td>1.8277</td>
</tr>
</tbody>
</table>

Analysis of the enablers for unethical practices in supply chain using descriptive statistics

Table 5 indicates the perceptions of participants on enablers of unethical practices within procurement. Participants generally agreed that there is a high level of unethical practices within the supply chain function. The overall perception on enablers for unethical practices recorded a high and unfavourable mean score of 4.0. All the enablers of unethical practices elements in Table 5 which included supplier selection, transparency in supplier selection, supplier evaluation criteria, objectivity of supplier classification method, manipulation of supplier
classification method, involvement in unethical practices due to promises of good future business and collusion among suppliers recorded high and unfavourable mean scores that were between 3.7 and 4.2. Furthermore, Table 5 demonstrates that participants expressed opinions that were not homogenous on procurement activities as the standard deviation was moderate to high at 21.0% of the mean.

Table 5: Perceptions on enablers of unethical practices in supply chain

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Dev/ Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier selection</td>
<td>4.1</td>
<td>0.6735</td>
<td>16.5</td>
<td>-0.4951</td>
<td>0.6735</td>
</tr>
<tr>
<td>Transparency in supplier selection</td>
<td>4.2</td>
<td>0.7351</td>
<td>17.5</td>
<td>-0.7932</td>
<td>0.7474</td>
</tr>
<tr>
<td>Supplier evaluation criteria</td>
<td>4.0</td>
<td>0.7794</td>
<td>19.7</td>
<td>-0.5594</td>
<td>0.9088</td>
</tr>
<tr>
<td>Objectivity of supplier classification method</td>
<td>3.7</td>
<td>0.8710</td>
<td>23.6</td>
<td>-0.4429</td>
<td>0.5047</td>
</tr>
<tr>
<td>Manipulation of supplier classification method</td>
<td>3.8</td>
<td>0.8912</td>
<td>23.4</td>
<td>-0.3099</td>
<td>-0.2336</td>
</tr>
<tr>
<td>Involvement in unethical practices due to promises of good future business</td>
<td>4.0</td>
<td>0.8774</td>
<td>22.0</td>
<td>-0.5242</td>
<td>-0.0185</td>
</tr>
<tr>
<td>Collusion among suppliers</td>
<td>4.2</td>
<td>0.8799</td>
<td>21.0</td>
<td>-0.7393</td>
<td>-0.4426</td>
</tr>
<tr>
<td>Enablers</td>
<td>4.0</td>
<td>0.5247</td>
<td>13.2</td>
<td>-0.5953</td>
<td>-0.5901</td>
</tr>
</tbody>
</table>

Analysis of a set of unethical practices in supply chain

Table 6 shows the perception of participants on unethical practices with supply chain profession. Participants generally agreed that there is a high level of unethical practices within supply chain profession. This attribute recorded a high and unfavourable mean score of 4.1. The participants were of the view that supply chain profession has high levels of bribes, embezzlement and graft, fraudulent billing activities, favouritism, deceptive tactics, kickbacks and misleading vendor practices. The above-mentioned elements recorded high and unfavourable mean scores of between 3.9 and 4.2. In addition, Table 6 demonstrates that participants expressed opinions that were not homogenous on unethical practices as the standard deviation was moderate at 17.2% of the mean.
Table 6: Perceptions on unethical practices in supply chain profession

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Std. Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribes</td>
<td>4.1</td>
<td>0.8563</td>
<td>20.7</td>
<td>-0.0322</td>
<td>1.7342</td>
</tr>
<tr>
<td>Embezzlement and graft</td>
<td>4.1</td>
<td>0.8973</td>
<td>22.1</td>
<td>-0.2395</td>
<td>2.3297</td>
</tr>
<tr>
<td>Fraudulent billing activities</td>
<td>3.9</td>
<td>0.9453</td>
<td>24.1</td>
<td>-0.5641</td>
<td>0.0966</td>
</tr>
<tr>
<td>Favouritism</td>
<td>4.1</td>
<td>0.9468</td>
<td>23.3</td>
<td>-0.8414</td>
<td>0.1945</td>
</tr>
<tr>
<td>Deceptive tactics</td>
<td>4.2</td>
<td>0.9388</td>
<td>22.5</td>
<td>-0.2328</td>
<td>1.4904</td>
</tr>
<tr>
<td>Kickbacks and</td>
<td>4.2</td>
<td>0.8295</td>
<td>19.5</td>
<td>-0.8030</td>
<td>1.1772</td>
</tr>
<tr>
<td>Misleading vendor practices</td>
<td>4.1</td>
<td>0.9196</td>
<td>22.3</td>
<td>-0.8698</td>
<td>0.3272</td>
</tr>
<tr>
<td>Unethical Practices</td>
<td>4.1</td>
<td>0.7069</td>
<td>17.2</td>
<td>-0.5387</td>
<td>4.0813</td>
</tr>
</tbody>
</table>

Supply chain performance

Perceptions on supply chain performance within supply chain profession are indicated in Table 7. In this case, mean scores of 3.5 and above were favourable while mean scores of 2.4 and less indicated unfavourable opinions. Participants expressed neutral viewpoints on the supply chain performance within supply chain profession. Supply chain performance recorded moderate mean score of 2.9. Again, participants expressed neutral views on turnaround times and total cost of ownership, which recorded mean scores of 2.9 and 3.4 respectively. However, participants were not happy with the quality of services and products on offer. Service/product quality recorded low and unfavourable mean scores of 2.4 compared to a maximum possible score of 5. In addition, Table 7 demonstrates that participants expressed opinions that were not homogenous on unethical practices as the standard deviation was high at 31.8% of the mean.

Table 7: Perceptions on supply chain performance

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>% Std. Dev/Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service/Product quality</td>
<td>2.3</td>
<td>1.2879</td>
<td>55.6</td>
<td>0.5881</td>
<td>-0.8109</td>
</tr>
<tr>
<td>Turnaround times</td>
<td>2.9</td>
<td>1.2042</td>
<td>41.5</td>
<td>-0.0165</td>
<td>-0.9494</td>
</tr>
<tr>
<td>Total cost of ownership</td>
<td>3.4</td>
<td>1.0962</td>
<td>32.3</td>
<td>-0.2869</td>
<td>-0.3923</td>
</tr>
<tr>
<td>Supply Chain Performance</td>
<td>2.9</td>
<td>0.9141</td>
<td>31.8</td>
<td>0.3789</td>
<td>-0.3107</td>
</tr>
</tbody>
</table>

Measuring relationships between drivers, enablers and supply chain performance

The relationships between drivers, enablers and supply chain performance is analysed with reference to the Pearson correlation and multiple linear regression. The details of the analysis are presented in the subsequent sections. Pearson Correlation generally measures the degree of association between two variables in terms of size and significance. The correlation coefficient
ranges from -1 to +1. A correlation value of 0 between two variables means that there is no association between variables under consideration. However, correlation values of between 0 and 0.1 indicate weak relationship, 0.1 – 0.3 modest, 0.3 – 0.5 moderate, 0.5 – 0.8 strong, 0.8 - 0.9 very strong while correlation value of 1 between variables concerned represents a perfect correlation (Creswell & Clark, 2011).

Table 8 exhibits that knowledge and skill and supply chain performance, accountability and supply chain performance and compliance to regulations and supply chain performance demonstrated negative and modest associations with significant (p < 0.05) correlation coefficients of -0.242, -0.191 and -0.297 respectively. On the other hand, pairwise association between Leadership and supply chain performance and Unethical Practices and supply chain performance demonstrated negative and weak associations with non-significant (p > 0.05) correlation coefficients of -0.021, and -0.016 respectively. However, the association between Enablers and supply chain performance was positive but weak with non-significant (p > 0.05) correlation coefficient of +0.051.

Table 8: Relationship between drivers, enablers and supply chain performance

<table>
<thead>
<tr>
<th>Attribute</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge and Skill, A</td>
<td>Correlation</td>
<td>1</td>
<td>0.387</td>
<td>0.449</td>
<td>0.452</td>
<td>0.274</td>
<td>0.183</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.005</td>
<td>0.066</td>
<td>0.015</td>
</tr>
<tr>
<td>Leadership, B</td>
<td>Correlation</td>
<td>0.387</td>
<td>1</td>
<td>0.387</td>
<td>0.063</td>
<td>-0.063</td>
<td>-0.195</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
<td>0.534</td>
<td>0.534</td>
<td>0.050</td>
<td>0.837</td>
</tr>
<tr>
<td>Accountability, C</td>
<td>Correlation</td>
<td>0.449</td>
<td>0.387</td>
<td>1</td>
<td>0.326</td>
<td>0.066</td>
<td>0.048</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.000</td>
<td>0.000</td>
<td>0.001</td>
<td>0.511</td>
<td>0.635</td>
<td>0.055</td>
</tr>
<tr>
<td>Regulations, D</td>
<td>Correlation</td>
<td>0.452</td>
<td>0.063</td>
<td>0.326</td>
<td>1</td>
<td>0.106</td>
<td>0.208</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.000</td>
<td>0.534</td>
<td>0.001</td>
<td>0.292</td>
<td>0.037</td>
<td>0.003</td>
</tr>
<tr>
<td>Enablers, E</td>
<td>Correlation</td>
<td>0.274</td>
<td>-0.063</td>
<td>0.066</td>
<td>0.106</td>
<td>1</td>
<td>0.576</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.005</td>
<td>0.534</td>
<td>0.511</td>
<td>0.292</td>
<td>0.000</td>
<td>0.614</td>
</tr>
<tr>
<td>Unethical Practices, F</td>
<td>Correlation</td>
<td>0.183</td>
<td>-0.195</td>
<td>0.048</td>
<td>0.208</td>
<td>0.576</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.066</td>
<td>0.050</td>
<td>0.635</td>
<td>0.037</td>
<td>0.000</td>
<td>0.877</td>
</tr>
<tr>
<td>SC Performance, G</td>
<td>Correlation</td>
<td>-0.242</td>
<td>-0.021</td>
<td>-0.191</td>
<td>-0.297</td>
<td>0.051</td>
<td>-0.016</td>
</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>0.015</td>
<td>0.837</td>
<td>0.055</td>
<td>0.003</td>
<td>0.614</td>
<td>0.877</td>
</tr>
</tbody>
</table>

Relationship between drivers, enablers and supply chain performance

The causal relationship between drivers and enablers were measured using multiple linear regression model. Supply chain performance was the independent variable while knowledge and skill, Leadership, Accountability, Regulations, Enablers and Unethical Practices were independent variables. Table 9 shows that only compliance with Regulations has had a
significant (p < 0.05) effect on Supply chain performance within supply chain profession. There is no statistical evidence to suggest that knowledge and skill, Leadership, Accountability, Procurement and Unethical Practices has had a significant (p > 0.05) effect on supply chain performance.

Table 9: Impact of drivers and enablers on supply chain performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coeff</th>
<th>Standardized Coeff</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.256</td>
<td></td>
<td>4.535</td>
<td>0.00</td>
</tr>
<tr>
<td>Knowledge and Skill</td>
<td>-0.321</td>
<td>-0.190</td>
<td>-1.486</td>
<td>0.14</td>
</tr>
<tr>
<td>Leadership</td>
<td>0.099</td>
<td>0.112</td>
<td>0.975</td>
<td>0.33</td>
</tr>
<tr>
<td>Accountability</td>
<td>-0.181</td>
<td>-0.092</td>
<td>-0.804</td>
<td>0.42</td>
</tr>
<tr>
<td>Regulations</td>
<td>-0.369</td>
<td>-0.205</td>
<td>-1.819</td>
<td>0.04</td>
</tr>
<tr>
<td>Enablers</td>
<td>0.226</td>
<td>0.130</td>
<td>1.070</td>
<td>0.29</td>
</tr>
<tr>
<td>Unethical Practices</td>
<td>0.017</td>
<td>0.013</td>
<td>0.107</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Measure of model adequacy

Model adequacy was measured using Analysis Of Variance (ANOVA) as shown in Table 10. It is observed that the p-value of the model was less than 0.05 (p < 0.05). This means that the model is significant and that the dependent variable Supply chain performance is well defined in terms of knowledge and skill, Leadership, Accountability, Regulations, Procurement and Unethical Practices.

Table 10: Measuring model adequacy using ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.726</td>
<td>6</td>
<td>1.788</td>
<td>2.308</td>
<td>0.040</td>
</tr>
<tr>
<td>Residual</td>
<td>72.823</td>
<td>94</td>
<td>0.775</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>83.549</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Model adequacy was also measured using R2 value as shown in Table 11. It is observed that the R2 value was 61.25%. This is a fairly moderate value and indicates that 61.25% of the variance in supply chain is explained by knowledge and skill, Leadership, Accountability, Regulations, Procurement and Unethical Practices. This confirms that the regression model above can be used as a predictive tool for supply chain performance within supply chain profession.

Table 11: Measuring model adequacy using R-Squared

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7826</td>
<td>0.6125</td>
<td>0.5471</td>
<td>0.8802</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Discussion, Recommendations and Conclusion

Identifying the drivers of unethical practices in supply chain:
The perceptions of participants on the drivers of unethical practices in supply chain were evaluated using descriptive analysis. Results from the descriptive analysis indicated that there is lack of knowledge and skills amongst the supply chain practitioners. Sheoraj (2007) states that lack of expertise and capabilities have been noted as the biggest obstacles towards successful supply chain procurement in the country. Sufficient potential emanating from proper formations with complete knowledge, talented and specialized workforce is considered core competencies for unquestionable supply chain implementation. The standard of employees’ expertise and capacity skills are at a lower level in other government departments. Migiro and Ambe (2008) argue that a huge number of practitioners serving the public sector have undertaken several training seminars on supply chain, but they still fall short of required information and skills for clear execution. In general, practitioners involved in the production and distribution process require a high level of capabilities, abilities, expertise and knowledge to manage and oversee such functional processes in order to avoid the occurrence of unethical practices. The national and provincial government is undertaking and supporting relevant workshops that empower practitioners, but execution of these training workshops do not accomplish the intended goal (McCarthy 2006). In addition, Stemele (2009) supports that there is lack of proper accountability and monitoring mechanisms as evidenced from the descriptive findings. Based on the above discussions, it is evident that objective one, of identifying the drivers for unethical practices in supply chain management has been achieved.

Identify the enablers of unethical practices in supply chain:
The perceptions of participants on the enablers of unethical practices in supply chain practices were using descriptive analysis. The following were identified as dominant enablers of highly unethical practices in supply chain: biased and non-transparency in supplier selection, unclear supplier evaluation criteria, manipulation of supplier classification method, induced unethical practices due to promises of good future business, collusion either among suppliers or between suppliers and supply chain practitioners, and weak moral character of supply chain practitioners. According to Ntsubane (2017), organizations face a great risk of unethical practices in their supply chains and the most significant category of this risk causing organizations to lose more money is procurement malpractice and maladministration perpetrated by suppliers. Such unethical practices include kickbacks, fraudulent billing and various schemes intended to enrich suppliers while harming the business. Moreover, organizations face astonishing additional risks globally where government and other public representative collude with major suppliers to commit unethical activities. In addition, there is an enormous risk created by suppliers to product quality by unethically circumventing health and safety requirements, dodging required licensing and escaping authentic law prosecution.

Deterrents for unethical practices in supply chain:
The perceptions of participants on the set of unethical practices in supply chain practices used descriptive analysis. The following set of unethical practices were identified: bribes, embezzlement and graft, fraudulent billing activities, favoritism, deceptive tactics, kick-backs and mis-leading vendor practices. Kaptein, (2008), states that organizations are developing their own codes of ethics as a way to communicate their values to employees. This emanated from the recent organizational scandals that perpetuated requests among countless interested parties for improved private and public sector responsibility that requires a high-level of application of such codes in order to conduct business honestly and with integrity. Organizations have a responsibility to make these codes a living document by disciplining those who breach them through warnings and dismissal from their profession. The primary role players are normally ethical leadership and internal and external monitoring supervisory institutions. Kennedy (2014) states that to alleviate the dangers of unethical practices, current measures and processes should be regularly revised and evaluated for application, competence and usefulness because
even the most carefully planned and tightly controlled measures can be circumvented. In addition to preventive measures, procurement systems should be equipped with internal and external control structures, internal and external audit mechanisms as well as effective whistle-blower protection. The OECD (2007) further states that other stakeholders such as civil society, the media, the public and others through social control should also scrutinize procurement. A prerequisite for an effective and transparent monitoring of both private and public procurement is the conservation of accurate written records. Procurement should ensure that there are procedures in place to keep well-documented, justifiable and substantiated procurement decisions. Such records are securely kept in electronic form and can be made available to the public. The multiple linear regression between supply chain performance (dependent variable) and unethical practice drivers (knowledge and skill, leadership, accountability, regulations), enablers, and set of unethical practices – independent variables, only regulations was significant in the causal relationship. There is no statistical evidence to suggest that knowledge and skill, leadership, accountability, and enablers have a significant effect on supply chain performance.

Recommendations:

The following key recommendations and their implications for implementation are made to address key issues raised from the empirical findings:

(1) To alleviate lack of knowledge and skills amongst the supply chain practitioners more programmes and workshops that educate the practitioners, especially with regards to ethics and governance should be conducted. Follow-up training programmes and workshops should always be done.

(2) Lack of proper accountability and monitoring mechanisms and compliance with supply chain procurement process due to mismanagement and maladministration result in unethical practices. Despite the challenges in enforcing compliance in supply chain procurement process, organizations should make sure that they are enforcing and tightening their policies around compliance in supply chain procurement.

(3) Unethical practices as a consequence of the different enablers results in organisations losing revenue and customers, and therefore have serious impact on the economy and society. It is advised that organizations should desist from unethical practices so as to prevent such consequences. In addition, literature has provided a set of deterrents for unethical practices, which can be used as checks and balances to avoid unethical practices going forward.

References

Ntsubane, P. (2017) Culture and Leadership Prevent or Promote Fraud and Corruption. KPMG.


A CONCEPTUAL FRAMEWORK FOR THE IMPLEMENTATION OF A SUPPLY CHAIN MANAGEMENT POLICY IN STATE OWNED ENTITIES IN SOUTH AFRICA

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Ozias Ncube  
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The purpose of the research was to look at the barriers/challenges, drivers, enablers and critical success factors of implementing the supply chain management policies within State Owned Entities (SOE) focusing on Airports Company South Africa SOC Limited (ACSA) as well as the National Treasury legislations. Extensive literature review was conducted to come up with a proposed framework. The framework was further strengthened by data generated from the survey that was conducted at ACSA with the supply chain stakeholders. The framework consists of the drivers, enablers and the critical success factors for the implementation of policies. The research indicates that there is much improvement required in the ACSA space for the implementation of supply chain management policies and procedures and the recommendations are contained in the framework developed. The identified critical success factors, as well as the enablers that come from the quantitative analysis were intended to be simple to implement in any supply chain management function that is governed by South Africa’s National Treasury regulations. The findings identified the dominant drivers as (1) supply chain strategy; (2) resource capabilities and (3) leadership support. The dominant enablers were identified as (1) people, (2) technology, (3) processes and (4) appointment of a chief procurement (CPO). The key measures of success were identified as (1) turn-around times; (2) bankable savings and (3) lessons learned from previous projects.

Keywords – barriers/challenges, critical success factors, drivers, enablers, SCM performance measurement, supply chain management.

Introduction

Section 217 of the South African Constitution gives a guideline that procurement of goods and services should be done in a competitive, transparent, equitable, fair and cost efficient manner. This guideline is the principle in which procurement and contracting is performed in organs of the state. The organs of state include government departments from the national, the provincial level, municipalities and SOE’s which are classified as schedule 2 and schedule 3 in the Public Finance Management Act (PFMA). The role that supply chain management can play in government and state owned entities is not well understood. Both the supply chain practitioners and the organisational leadership do not seem to understand the economic and social power that decisions made in supply chain environment impact on business, the intended recipients and as well as service delivery. The organisational structures and internal systems within which procurement takes place, in many instances of government and SOE’s entities are not ideal and this causes apathy and no buy-in from internal stakeholders and communities towards the function of Supply Chain Management. Irregular expenditure has been highlighted by the auditor general in support of this assertion as stated in the 2016/17 financial Auditor General

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South Africa media release (AGSA, 2018). To examine this further, this research was guided by the following objectives: (1) to identify the drivers for the adoption of Supply Chain Management policies and procedures by Airports Company South Africa; (2) to identify the enablers for the implementation of Supply Chain Management policies and procedures by Airports Company South Africa; (3) to identify the critical success factors for the implementation of Supply Chain Management policies and procedures and (4) to develop a conceptual framework for the successful implementation of Supply Chain Management policies and procedures at the selected SOE in South Africa.

**Literature Review**

According to the Public Sector Supply Chain Management Review (2015), supply chain management in SOE’s and in the South African government have been marred by bad service, low skills, incapacity and suppliers who were taking advantage of the situation and charging government inflated prices but the establishment of the Office of the Chief Procurement Officer is changing the landscape (Treasury). The Office of the Chief Procurement Officer is currently focusing on creating value for the money that government is spending on projects as well as ensuring that service delivery happens at all spheres of government and driving socio economic transformation (Treasury). According to Rushton et al, (2010) buying or procurement entails identifying the need, finding where the goods can be sourced (choosing a supplier), negotiating if need be, placing an order and accepting the offer if the price is right, receiving the goods and ultimately paying for the goods.

Most of the organisations define their procurement as sourcing the right item, at the right price, at the right time, at the right quantity, from the right supplier (Sutton, 2013). This is the backbone of any purchasing system. Supply chain management on the other hand is defined as the value chain that starts from the demand forecasting through to the payment of the goods received (Baldwin & Lopez-Gonzales, 2015). The South African constitution is the basis of all regulations and legislations from which supply chain management policies and procedures are crafted by the different organs of state. Section 217 (c) of the constitution, which deals with procurement in the government departments and in state owned companies, states that when any entity of the government procures goods and/or services, it must be fair, cost effective, competitive, equitable and transparent (Treasury). According to the 2015 Public Sector Supply Chain Review, the following functions will reside in the office of the chief procurement officer: Governance, Monitoring and Compliance, SCM client support, Strategic sourcing, Policy, Norms and Standards, Contract management, ICT, e-procurement and data management (Treasury). A relationship exists between e-procurement and sustainable procurement and there are both benefits and disadvantages in relation to public sector supply chain management (Walker and Brammer, 2012). Ideally e-procurement works with larger suppliers who may have systems that are linked to their customers’ ERP systems and on the one hand it may cause job losses because businesses would no longer need personnel who do ordering, stock taking and all other related activities because these would be done seamlessly between companies who have their procurement systems linked (Walker and Brammer, 2012).

Supply chain management, as a discipline that is fairly new, poses a challenge in filtering the concepts of SCM to the organisations for competitiveness and sustainability (Closs, Speier and Meacham, 2011). According to Closs et al, it therefore requires buy-in from executive level in order to derive the benefits that can be felt by the whole organisation. One of the challenges that organisations may face in implementing supply chain management is the choice of technology or supply chain solutions which may result in customer dissatisfaction whilst the business is still trying to get to know how to use the technology (Sridharan, Royce Caines, Patterson, 2005). The technology disruption can cause losses and decrease the value that the shareholders are expecting (Sridharan et al, 2005). For a supply chain to be sustainable in the 21st century, organisations need to think about greening their supply chains because this will impact on their bottom line as more and more stakeholders, particularly customers, are...
interested in saving the planet and ensuring that organizational operations do not harm the environment and the communities in which they operate (Sarkis, Zhu, and Lai, 2011). Supply chain integration is one of the challenges that might be experienced which relates to how supply chain is incorporated in an organisation’s other core functions for example, operations and supporting functions (Frohlich, and Westbrook, 2001). According to Ambe and Badenhorst-Weiss (2012), some of the other challenges that are facing Supply Chain Management in the public sector are: a) Decentralisation of the procurement functions b) Lack of SCM and procurement professionals c) Non-compliance with policies and procedures d) Inadequate planning and forecasting of requirements e) Unethical behaviour. Abbasi and Nilsson (2012) concur with some of the challenges above indicating that the costs, complexity, mindset, cultural changes, uncertainties and operationalisation are some of the areas that are challenges in supply chain management.

**Methodology**

Quantitative method was used for this study. A questionnaire was constructed with objective questions that enabled the analysis of the collected data. The targeted population was senior managers and middle managers who dealt with day to day operations of the different business units within the organisation and are either served by a supply chain department of are themselves in the supply chain department. In particular, the sample comprised group managers, senior managers, managers and specialists from the whole business as well as commodity specialists, senior buyers and buyers in the SCM function. The population size was 110 and a sample size of 60 was the minimum that was required to give a meaningful insight about the problem. The respondents were chosen because of their proximity and relevance to the function of SCM within the business and participation was voluntary. A questionnaire was sent via email to the respondents which focused on questions regarding drivers, enablers, barriers, critical success factors, compliance considerations and performance measurements for a successful implementation of supply chain management policies.

**Analysis of Results**

The majority of the respondents were from Finance and Operations function of the SOE and were mostly middle managers and specialists. The highest qualification of the respondents was at least a bachelor’s degree. This constituted 60.0% of all the respondents. Most of the respondents have stayed with the SOE for between three and six years followed by those who have been with organisation for two or less years.

This analysis focused on identifying what was emerging as dominant and minority views of the respondents about the various aspects of the supply chain management function. The views were informed by the desire to align supply chain management to the business strategy, the barriers and/or challenges that are perceived in terms of the implementation of the SCM policies as well as the drivers and the enablers for the implementation of supply chain management policies and procedures. The focus was also on how the SCM governance and compliance was viewed by the respondents and what was perceived to be the critical success factors for the implementation of SCM policies. The conclusion looked at the performance measurement that could be put in place to ensure the successful implementation of the SCM policies and procedures. The analysis sought to see if there is a common understanding in the various aspects of the supply chain management function and how it ties up with the organisational strategy.
Table 1: Drivers for SCM adoption

<table>
<thead>
<tr>
<th>Drivers for SCM adoption</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increased customer satisfaction</td>
<td>60%</td>
<td>59%</td>
<td>58%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>2. Improved operational efficiency</td>
<td>59%</td>
<td>58%</td>
<td>57%</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>3. Reduced inventory costs</td>
<td>58%</td>
<td>57%</td>
<td>56%</td>
<td>55%</td>
<td>54%</td>
</tr>
<tr>
<td>4. Enhanced supply chain visibility</td>
<td>57%</td>
<td>56%</td>
<td>55%</td>
<td>54%</td>
<td>53%</td>
</tr>
<tr>
<td>5. Better risk management</td>
<td>56%</td>
<td>55%</td>
<td>54%</td>
<td>53%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Note: The numbers indicate the percentage of respondents who agree with each driver.
Based on the respondents data in Table 1, the drivers of the adoption of the policies and procedures are listed in order of importance based on the affirmative response rate as a) the role of SCM is viewed as Strategic within ACSA, b) ACSA sourcing expertise reside in SCM, c) most of ACSA’s procurement is done through closed or restricted bids, d) other departmental policies and procedures (e.g. Ethics, Finance, IT, HR) support and are aligned with the SCM processes, e) ACSA identifies potential suppliers through market intelligence and f) finally cost containment.

Based on the respondents data regarding the enablers for the adoption of supply chain policies and procedures, the results of the respondents reflected the dominant enablers listed in order of importance based on the affirmative response were as follows: ACSA having a defined Enterprise Development Strategy, ACSA having a well-defined Supply Chain Strategy that is communicated to operations, ACSA SCM roles and functions are clearly defined and understood by all parties, SCM processes are designed to improve customer satisfaction, the business/operations understand the role of SCM, ACSA operations respect and understands the role of SCM and ACSA practices project sourcing within its SCM function.

Based on the respondents’ data, compliance consideration for the successful implementation of SCM policies and procedures are listed in order of importance based on the affirmative response rate as a) clear performance indicators to measure SCM performance, b) continuous improvement in supply chain processes, c) ACSA practises and adheres to Demand Plans to ensure allocated Capex budget is spend every financial year, d) ACSA has strategic suppliers for critical commodities and e) there is a strong compliance, risk management and governance within SCM.

Based on the respondents’ data, the critical success factors for the implementation of the SCM policies and procedures are listed in order of importance based on the affirmative response rate as (a) SCM processes that are integrated with other operational processes, (b) a practice of category management for maximising efficiencies and (c) a defined supplier database management for use by the supply chain personnel.

Performance Measurement: Based on the respondents’ data, performance measurement for the implementation of SCM policies and procedures are listed below, in order of importance based on the affirmative response rate as customer inquiry resolution time is consistently measured; clear performance indicators are in place for order fulfilment; a clear performance measure for the supply chain function; there are clear measures in place for customer satisfaction; clear supplier performance management/contracts management; clear indicators to measure negotiated savings from contracts; inventory is measured and reported on periodically; category management introduction has yielded bankable savings.

Regression analysis

A multiple regression analysis was performed for the different categories of the survey variables against performance and the results in Table 2 were obtained. The survey variables were drivers, enablers and critical success factors and their relationship to the performance measures for the implementation of the supply chain management policies and procedures in ACSA. The following observations are derived based on the 5.0% level of significance and the null hypothesis that the variables have no influence on performance.
Table 2 Regression analysis

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-0.49281</td>
<td>0.337756</td>
<td>-1.45907</td>
</tr>
<tr>
<td>Compliance</td>
<td>-0.0578</td>
<td>0.179229</td>
<td>-0.32248</td>
</tr>
<tr>
<td>Critical success factors</td>
<td>0.369927</td>
<td>0.131586</td>
<td>2.811285</td>
</tr>
<tr>
<td>Enablers</td>
<td>0.340859</td>
<td>0.147425</td>
<td>2.352781</td>
</tr>
<tr>
<td>Drivers</td>
<td>0.314778</td>
<td>0.182859</td>
<td>1.721427</td>
</tr>
</tbody>
</table>

The p-values for the following categories have been found to be less than 0.05 and hence they have a significant influence on performance – (1) Critical success factors for the implementation of the SCM policies and procedures, and (2) Enablers of the adoption of the SCM policies and procedures. These results imply that the critical success factors and enablers do have a strong bearing on the performance measures of supply chain management and they are indicative of what should be prioritised to enhance SCM performance in ACSA. As per the analysis in Table 2, what needs to be prioritised is critical success factors, enablers, drivers then compliance. This is contrary to most literature review because the two variables would normally have a direct bearing with performance. In ACSA, the critical success factors would have a positive impact on the success and adoption of the SCM policies and convince the business that there is drastic change that is needed. The p-values for the following categories have been found to be greater than 0.05 and hence conclude that there is insufficient evidence to suggest an influence on performance – (1) compliance Consideration for the successful implementation of SCM policies and procedures, and (2) drivers of the adoption of the SCM policies and procedures.

It is interesting to note that compliance issues and dominant drivers considered by the respondents do not have an impact on the successful implementation of the SCM policies when in practice in ACSA compliance is normally viewed by business as an inhibitor of performance and it is perceived as stifling flexibility and the business feels that the SCM personnel do not have the right expertise to carry out the requirements of the business. However, in practice the dominant drivers that came through are what usually is considered as pain points by the business.

Correlation Analysis

The following observations can be derived from the correlation matrix in Table 3:

- All the categories have high correlation with performance (greater than 0.70), suggesting that all the different categories have an impact on performance. With, Critical success factors for the implementation of the SCM policies and procedures and Enablers of the adoption of the SCM policies and procedures showing higher correlation with performance compared to, Compliance Consideration for the successful implementation of SCM policies and procedures and procedures and Drivers of the adoption of the SCM policies and procedures.

- Compliance Consideration for the successful implementation of SCM policies and procedures has high association with Enablers of the adoption of the SCM policies and procedures and Drivers of the adoption of the SCM policies and procedures (greater than 0.80)

- There is a high association (greater than 0.80) between Enablers of the adoption of the SCM policies and procedures and Drivers of the adoption of the SCM policies and procedures.

From this analysis a change in any of the variables will have an impact on the performance of the supply chain management function. The business has always contended that if turnaround times are quicker, they would appreciate the function of supply chain management because it would be adding value to their operations and thereby the strategic imperatives of the business will be realised through supply chain as an enabler and a function that adds value.
### Table 3: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Compliance</th>
<th>CSF</th>
<th>Enablers</th>
<th>Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>0.739382944</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical success factors</td>
<td>0.771602115</td>
<td>0.789102</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enablers</td>
<td>0.788006184</td>
<td>0.858951</td>
<td>0.783067</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Drivers</td>
<td>0.74368758</td>
<td>0.835533</td>
<td>0.725463</td>
<td>0.800265</td>
<td>1</td>
</tr>
</tbody>
</table>

Based on the regression and correlation analysis, the following can be deduced:

- Both, compliance consideration for the successful implementation of SCM policies and procedures and drivers of the adoption of the SCM policies and procedures are essential in the performance measurement of the implementation of the SCM.

- When a regression analysis was redone with only these 2 categories, they both had p-values that were less than 5.0%, suggesting that their influence on performance is reduced in the absence of the other 2 categories.

- Correlation analysis showed a high correlation between both these categories and Enablers of the adoption of the SCM policies and procedures and further regression analysis including the three categories - Compliance Consideration for the successful implementation of SCM policies and procedures, Drivers of the adoption of the SCM policies and procedures and Enablers of the adoption of the SCM policies and procedures, shows that both Compliance Consideration for the successful implementation of SCM policies and procedures and Drivers of the adoption of the SCM policies and procedures become significant influencers of performance.

These observations suggest that the three critical categories necessary for the performance measurement of the implementation of the SCM are Compliance Consideration for the successful implementation of SCM policies and procedures, Drivers of the adoption of the SCM policies and procedures and Enablers of the adoption of the SCM policies and procedures.

It is therefore necessary for the supply chain function to continue to drive governance and compliance for the successful implementation of policies and procedures as well as to enforce the identified drivers such as cost containment and the alignment of the SCM policies to other business policies for the smooth and efficient success of the SCM function. Figure 1 provides a framework that summarises the results as discussed.
Conclusion

The recommendations are both inward and outward looking where the inward focuses on what is recommended for the SOE and outward looking where the recommendations will centre on the profession and the practitioners in the supply chain management space.

- **Recommendations for the SOE and the SCM Profession**

  The analysis reveals that competency, capacity (head count), enabling technology, clear value proposition that allows for flexibility and agility but within the confines of the prescribed legislation as well as leadership support are strongly recommended as interventions for the successful implementation of supply chain policies and procedures in ACSA. There is a common understanding amongst all the respondents that ACSA should prioritise capacity and technology to enable successful implementation of SCM policies and procedures. The auditor general concentrates on governance and compliance when supply chain audits are performed in SOE’s, therefore the supply chain function still needs to strongly drive governance and compliance to ensure that irregular and fruitless expenditure is eliminated. Once this is done, performance will be improved.

- **Professional implications**

  The research identified several issues that are pertinent to the successful implementation and adoption of supply chain policies and the following need to be put in place. A supply chain strategy should be developed and communicated to the whole organisation and the strategy should be aligned to the total strategy of the business in order for the supply chain function to add value to the business. Staff capabilities and capacity – the supply chain management function should be resourced appropriately with competent and capable staff that can add value to the whole business. The current technology should be relooked to make it appropriate to fully enable the execution of policies and business requirements. It will also assist in the measurement of turnaround times which business can measure supply chain on. Continuous training programs should be put in place to ensure that both the SCM personnel and business are aware of the changes in legislation and policies and procedures that have to be used for the procurement of goods and services. A communication strategy should be developed in the supply chain management function to ensure that business is always abreast of any additions and/or changes.
in the internal policies as well as the National Treasury instructions. Strategic sourcing and contracts management should be fully implemented to derive value for the business.

References


AGSA1:


CHALLENGES FOR IMPROVING INTEGRATED CONSTRUCTION SUPPLY CHAIN IN TANZANIAN BUILDING PROJECTS; THE CASE OF DESIGN & BUILD COMPETENT ENTITIES

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With the increasing global competition and with demands to deliver top quality projects at very competitive prices, construction firms need to focus on the new ways of influencing productivity through integrated construction supply chain (ICSC). It is a promising approach to successfully achieve long term relationships with suppliers, good financial flow integration, information, process and trust integration. Despite ICSC’s growing need, there is inadequate knowledge on the challenges for its application. The objective of this study is to explore the challenges for improving ICSC in building projects in Tanzania. The study used mixed research approach where by quantitative method was first used and qualitative method was later used to supplement the questionnaire response. Sixty-five questionnaires were received from clients, consultants, main contractors, sub-contractors and suppliers for the ten building projects selected through snowball sampling. Findings shows that, inefficient organization structure, inadequate information flow, lack of staff training hinder the application of ICSC. In order to benefit from ICSC and curb the low application it is recommended that construction companies should encourage crucial investment in modern IT technologies, identifying non-value adding activities, application of ICT in modern way and training staff were ranked high in promoting the application of ICSC. Awareness and implementation of these strategies could facilitate the application of ICSC.

Key words; Building Projects, Challenges, Construction Industry, Integrated Supply Chain and Tanzania.

Introduction

The potentiality of ISCS emanates from the ability to give an opportunity to key supply chain participants for working cooperatively and collaboratively in planning, designing and procuring in construction to increase productivity, add value to the client and contribute greatly to the economy. It is a management approach in which the key supply chain participants comprising of clients, consultants, main contractors, subcontractors and suppliers work in highly collaborative environment i.e. having a joint risk management, use of collaborative tools in information sharing and transparency during construction and throughout the project life cycle so as to reduce performance related problems in order to achieve value for construction clients (Sospeter and Rwelamila, 2018). Despite its growing need, there is inadequate knowledge on the challenges for improving ICSC. Around the world, the identification of challenges for implementation of ICSC vary widely among industries (Matiku, 2017). Therefore, by knowing the challenges for improving ICSC will help to improve projects performance in Tanzanian Construction Industry. Unlike with other industries, Construction as a business has unique
characteristics where several fragmented organizations such as the main contractor, consultant, subcontractor and suppliers are given supply contracts of goods and services to provide the customer (construction client) a designated product. Also has non-repeated projects in the sense that cannot contribute to obtain gains of scale in production systems like it is for the manufacturing industry.

The fact that Tanzania has a quest to remain competitive in the world, it is still faced with several problems (Sospeter & Kikwasi, 2017). There have been observed failures/problems of incomplete project time schedules, perceived low productivity, cost and time overruns, conflicts and disputes and resulting claims and time-consuming litigation in most building projects (Matiku, 2017). These have been acknowledged as the major causes of performance-related problems facing the building projects in Tanzania. With the increasing global competition, construction firms’ in Tanzania need to focus on the new ways of influencing productivity through integration of key supply chain participants and use of modern procurement method i.e. design and build and management contracting methods to achieve global standards. The integration of these flows will increase the probability of a successful project. (Handfield and Nichols, 2003; Tatsiopoulos et al., 2016) argue that integrated supply chain management is becoming recognized as a core competitive strategy. It is aimed to synchronize and involve a set of activities from the demand for construction by client, design, procurement of works and materials, execution and coordination up to the delivery of a project through information flow, logistics and cash flow to forming a constructing network with suppliers, sub-contractors, architects and owners to enhance value of the product (Matiku, 2017).

There is a great importance in the use of integrated supply chain in construction projects as it is based on the coordination of materials, information and financial flows between various construction project teams in a project. This is due to its ability to establish long term relationships with suppliers, good financial flow integration, and information flow integration and trust integration (Price et al. 2004; Sundar, 2018). Due to the success in other countries integrated construction supply chain is the fitting path for construction industry in attaining competitive strategy. Despite of the benefits of ICSC, currently in Tanzania, most of the projects are procured through a traditional form of contract. It is an old way of managing construction supply chains using traditional procurement system which is characterized by fragmentation nature of the key supply chain participants namely client, consultant, main contractor, subcontractor and suppliers. As organizations continuously seek to provide their products and services to customers within agreed budget, time and quality better than the competition, it is important for construction stakeholders to realize that they cannot do it alone, rather they should collaborate with their supply chains to succeed (Sospeter & Rwelamila, 2018). Therefore, the need to analyse challenges for improving application of integrated construction supply chain practice in Tanzania as applied by other countries is paramount.

Although, a number of literature in other countries have discussed integrated supply chain, its role in construction projects, its benefits, overcoming challenges in implementing supply chain, factors affecting its application, issues in industrialized building system and strategies; a few of them are such as those done by (McDermott and Khalfan, 2012; Tucker et al., 2001; Sundar, 2018; Abdulla & Nasir, 2017 and Vrijhoef & Voordijk, 2003). For example, in Japanese construction industry is well known for the integrated approach to the project it adopts in establishing long-term contractor-subcontractor relationships (Ireland, 2004). In 2003 they developed a web technology to assist contractors and suppliers in working collaboratively in distant locations. In Europe, contractors and clients use supply chain management (Cox and Ireland, 2002). These contractors have managed this through establishing consistent relationship with suppliers that they may have a willingness to work with difficulties and disagreements, organizing a program in discussing a cooperative approach of solving various problems (Vrijhoef and Voordijk, 2003). Therefore, these contractors hope to receive large discounts from a small number of firms and, they involve suppliers at the early stage of the project to reduce contractor’s contingency fees.
In Europe, the Bam group which is the one of the largest contracting active in construction has succeeded in various construction projects due to their ability to integrate their construction supply chain in various components of procurement, logistics and quality control. In UK, Alshawi and Ingiringe (2003) reports a Collaborative Construction information network being a web-based facility that helps in collaboration between users for the benefit of improved shared project information in searching and retrieval in a project, therefore, enabling better and faster information access leading to a more informed decision making. Furthermore, most of these studies have focused on developed countries with few studies within the developing countries. According to (Matiku, 2017) concluded that absence of IT contributed to minimal extent of ICSC application. A study done by Sospeter and Rwelamila (2018) indicates that, although construction key participants have ICSC knowledge, there is low application of ICSC. The minimal extent of application of ICSC contribute to ineffectice and in efficiency in project delivery. Also, it was noted that, low involvement of key project participants early in the design stage and absence of mutual objectives were indicators for low application of ICSC. There is a need for specific studies especially within SSA among stakeholders on the challenges that hinder improvement of ICSC application. Nevertheless, the available few studies focus on the supply chain integration in other industries such as agriculture industry (Hasenklever, 2016), manufacturing and Timber production (Ochieng and Price, 2009. The specific study is relevant in Tanzania construction industry because it differs with other industries in terms of nature of activities, characteristics of the industry, business environment, procurement systems and end products. Therefore, little is known about the challenges that hinder application of the ICSC concept by many stakeholders of the Tanzania construction industry.

Theory and Practice of Supply Chain Management

Construction supply chain systems

Construction supply chain consist of stakeholders who are directly involved in the construction during the execution of onsite operations of the project such as the main contractor, subcontractor, engineering consultant, client and suppliers (Pryke, 2009). On average material, cost contributes 50% to the project cost and hundreds of material and equipment suppliers take part in the supply chain. Apart from these suppliers, activities of the construction projects are subcontracted to specialty contractors such as designers, electrical, engineering, plumbing etc. Supply chains in construction could be divided into two major groups such as materials chain and construction chain, which help to separate the procurement and management operations. However, both chains are linked through a supply chain management database, which is further linked with central project database. This would ensure the smooth flow of information within the different chains and results in an increase in the supply chain collaboration within the supply chain partners (Desai et al. 2015). Different procurement systems categorize various construction supply chain systems for instance in traditional procurement system the design consultants are the tier one supplier working for the client and the contractor has a supply chain of specialist sub-contractors and suppliers while in design & build procurement system the main contractor is the tier one supplier working for the client and will have a supply chain of design consultants, specialist sub-contractors, and suppliers.

Traditional VS integrated construction supply chain

Koskela and Vrijhoef, (2000) in their study said that supply chain management checks on the interdependency among partners of the supply chain in the coordination of the activities in order to increase transparency by integrating various activities and hence improved coordination and resulting to efficient project performance. ICSC has the ability to establish long term relationships with suppliers, good financial flow integration, and information flow integration and trust integration. Integrated construction supply chain considers long term plans when managing projects, joint efforts and planning which increases efficiency. They also consider specific and defined end product which makes them focused as compared to the traditional way.
The traditional way of managing construction supply chain differs from integrating ways construction supply chain as illustrated in Table 1.

**Table 1: Difference between traditional and integrated construction supply chain**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Traditional</th>
<th>Integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Presence of short-term plans and goals</td>
<td>Presence of long-term plans</td>
</tr>
<tr>
<td>2</td>
<td>Improper planning leading into no harmonization between channel partners</td>
<td>High speed of operations due to interconnecting flows, just in time delivery and quick response across the channel</td>
</tr>
<tr>
<td>3</td>
<td>Multiple organizations with different objectives involved in production process</td>
<td>One organization responsible for the production process</td>
</tr>
<tr>
<td>4</td>
<td>Lack of joint planning</td>
<td>Joint efforts and planning</td>
</tr>
<tr>
<td>5</td>
<td>Lack of information sharing and monitoring</td>
<td>Constantly planning, controlling and monitoring process</td>
</tr>
<tr>
<td>6</td>
<td>Uncertain demand forecast, and inadequate tools make forecasting/planning huge challenge</td>
<td>Reliable demand forecast, and planning can be done</td>
</tr>
<tr>
<td>7</td>
<td>High degree of standardization repeatability</td>
<td>Project-unique design and material specifications with little or no repeatability</td>
</tr>
<tr>
<td>8</td>
<td>Wider and less specific product</td>
<td>Specific and defined end product</td>
</tr>
<tr>
<td>9</td>
<td>Build to stock is commonly used</td>
<td>Build to order is the widely used model</td>
</tr>
<tr>
<td>10</td>
<td>Project-specific suppliers and distribution networks</td>
<td>Pre-defined supplier and distribution network</td>
</tr>
<tr>
<td>11</td>
<td>Many suppliers supplying to a wide range of end users</td>
<td>Many suppliers supplying to a specific end user i.e. converging supply chain</td>
</tr>
</tbody>
</table>

*Source: (Koskela and Vrijhoef, 2000; updated by Matiku, 2017)*

**Characteristics of construction supply chain**

The construction project produces to satisfy a client. Unlike manufacturing industry where multiple products pass through the factory and are distributed to many customers. Construction project apart from rare exceptions are temporary supply chain producing one product through repeated reconfiguration of project organizations (Briscoe and Dainty, 2005). It is typical make-to-order supply chain, with every project creating a new product except little repetition. As a result, the construction supply chain is typified by instability, fragmentation and especially by the separation between the design and construction of a built project. There are two primary schools of thoughts within supply chain management theory within the construction industry. First is the logistics theory and it reduces waste through efficient management of the flow of supply of materials to construction site. In this logistics are done by viewing suppliers as clusters of subcontractor around main contractor (Asad et al.2005). (Bertel et al.2008) also looked at the logistic theory in construction and concluded that a fast increase in productivity is due to just-in-time delivery of building materials required at the site. The second is the lean thinking that involves the promoting the coordinating the supply chain parties in a project (O’Brien et al.2002). The construction supply chain has been characterized as: project-based nature (Koskela and Vrijhoef, 2000) (Cheng et al.2010). (Gosling et al.2014), Network design (Aziz and Hafez, 2013; Vrijhoef and Voordijk, 2003) and Demand forecast ((Ireland, 2004; Gosling et al. 2013; Olhager, 2003).
Construction Process and the Key Participants on a typical project in Tanzania

The construction process in Tanzania is fragmented and complex, as it is made up of numerous projects of various sizes, managed by several different players and stakeholders as indicated in Figure 1. throughout its life cycle. The construction process in Tanzania was inherited from the British system of construction, which involves several stages that are distinct or may overlap depending on the nature of the construction and the procurement methods. Basically, various procurement systems are used in Tanzania. They include traditional procurement method, design and build, Project management and Build, Operate and Transfer (BOT). Traditional procurement, there is clear separation between design and construction responsibility while Design and build, design and construction responsibility are contracted by a single entity or contractor. For a typical building project based on the traditional procurement system (which is mostly used in Tanzania) the construction process is divided into four main phases, namely, briefing, design and procurement, construction and operation and maintenance (Ntiyakunze, 2011). Figure 1. presents the construction phases.

**Figure 1. Construction project phases**

Figure 1. shows the four different phases of construction process which is dependent on each other, the briefing or pre-design stage is an early stage of design in which broad outlines of client wishes, wants are then made into functions, and then rough sketches (models) are then produced by an architect. Detailed design is done by the architect and engineer is given approved architectural drawings to produce structural design drawings. At the same stage, procurement is considered where by the bill of quantities are done by the quantity surveyor and is when main contractor and subcontractor are procured through tendering proceedings by the procuring entity. Also, in this stage, the suppliers are determined. At the construction stage, the contractor is called upon to build the structure according to the approved design, specifications and at an agreed cost and time. By this traditional contract it is not easy to apply ICSC as each key project participant work on their own.

**Challenges for implementing ICSC**

Various studies have shown that organizations traditionally have found it difficult to adapt to this integrated system due to the conflicts and difficulties arising from the construct of organizations and traditional lines of authority. According to (Mcdermont & Khalfan 2012; Aziz & Hafez, 2013) explained the barriers and challenges as follow: Lack of Organizational set up and resistance to the concept is perceived as dilution of authority wanting weak control to several related business processes. This results in continuation of a silo approach to the various construction project elements and continuation of some of the legacy management principles and processes. Lack of trust inside and outside the company stems from the fact that new integrated supply chain management system is not adequately communicated and explained to the various stake holders along with the key benefits. Often than not, it is viewed by the employees and the middle management as a ‘change’ without reason and there is not enough Senior management support and sponsorship. Likewise, the traditional supplier relationship, which is expected to be converted to a relationship of alliance or partnership with risks and benefits, is not adequately explained to the suppliers/contractors and this creates an element of distrust (Matiku, 2017). This is compounded by lack of guidance in the creation of
effective alliances with supply chain partner results in lack of clarity to the various stakeholders.

Other challenges are; failure of companies to develop measures for monitoring performances of alliance results in the inability to effectively monitor the quality of performance of alliance partners and brings about correction in individual cases. Lack of integrated information systems and E commerce linking firms to the parent organization makes flow of information and decision making difficult. Inability of companies to broaden vision of supply chain to larger business processes and accordingly integrate the company’s internal procedures. Low Risk Culture: there is a general perception that stakeholders are unwilling to take or share risks and often opt for tried and tested construction methodologies and processes. Cost of Innovation and commercial risk: clients are sometimes unwilling to share the cost or pay a premium for sustainable construction innovation. Because of commercial risk, and a long history of conservative and adversarial relationship, suppliers do not always share certain commercial information and hence there are practical limits to transparency. For this generic model of the problems in the construction process, the term "supply chain” refers to the phases through which construction materials proceed before becoming a permanent part of the project. The term covers thus both permanent supply chains, that exists independent of any particular project, and temporary supply chains, configured for a particular project.

Research Approach

In order to understand the challenges for improving integrated construction supply chain practice in building projects in Tanzania, this study used a mixed approach where it entails both quantitative and qualitative approaches (Creswell, 2013). The quantitative approach (survey method) was first adopted in obtaining the extent of application of integrated construction supply chain practice in building projects in Tanzania. This research method was selected because it allowed a researcher to conduct in-depth study of the research topic and more understanding on the subject matter after critical analysis of results from the selected cases. (Yin, 2010) informs that through case study approach large amount of information may be obtained as a result this design was sought to be ideal for exploring information from an area where little information was known. The study was conducted in Dar es Salaam due to presence of several ongoing building projects which sought to be resulted from recent government plans to move to Dodoma and transforms Dar es Salaam into a business city, this welcomes the need to have as many as possible large buildings for both commercial and residential activities. In conducting the study, the researcher highlighted various reasons for the selection of building projects during data collection as they include multiple numbers of key players in pursuance of the given project. (Christopher et al. 2004) noted that building projects covers a wide range of materials, product, systems and specialists’ services, supplied by a variety of industrial sectors and currently organized on fragmented basis, therefore making it viable for the study of supply chain integration.

Selection of projects

Projects selected for this study were largely focused on envisions or offering of an opportunity to learn and gather new ideas and information regarding the application of integrated construction supply chain practice in building projects in Tanzania. (Yin, 2010) said that multiple case studies are essential compared to single case study when the research is new and unique that give analytical generalization which requires numerous cases to compare results of the case study to a theory that may have much wider application than single case study. In this case multiple projects were therefore involved by a researcher to explore the differences between cases on application of integrated construction supply chain practice.

To select the most crucial cases for detailed analysis, the survey was conducted to obtain potential large building projects based in Dar es Salaam. From the Contractor’s Registration Board portal and through snowball sampling the researcher obtained a list often large building projects in Dar es Salaam. Ten building projects selected in Dar es Salaam were namely; Residential Apartments for Magomeni-Quarter Ex-tenants-Kinondoni municipality, Proposed
construction of complex terminal building and its facilities—Ilala municipal, Proposed Construction of Mwalimu Nyerere Foundation Square building at Zanaki street and Mansfield street, Kinondoni—Dar es Salaam and new PPF head office building—kinondoni municipal, Proposed construction of NHC Victoria Plaza building, Kinondoni municipality—Dar es Salaam, Proposed construction of office building for ministry of water (Maji house) at Ubungomaji—Dar es Salaam, Proposed construction of Sky tower building in Makumbusho, Kinondoni municipality—Dar es Salaam, Proposed construction of Mzizima tower at Mkafta Street & India Street, Ilala—Dar es Salaam, Proposed construction of NHC Morocco square office Tower building at Mwaikibaki road, Kinondoni municipality—Dar es Salaam and Proposed construction of Mlimani Plaza building, Kinondoni municipality—Dar es Salaam. At this stage questionnaire survey was used to determine the challenges that hinder the application of integration practices by building actors and extent of application of integrated construction supply chain practice in the ten case projects.

Questionnaire survey was adopted with the aim of determining the challenges key project participants face when practicing ICSC. Sixteen challenges were obtained from literature and using questionnaire survey, the challenges that hamper improvement of ICSC in Tanzania were identified. Twenty large construction projects based in Dar es Salaam were selected through randomly sampling before filtering them to those whom only apply ICSC. Questionnaires were sent to 100 respondents; 10 from client, 20 consultants, 25 the main contractors, 15 subcontractors and 20 suppliers from ten construction sites were asked about the challenges they encounter when practicing ICSC and then asked to rank the top most challenges on a 1-5 Likert scale. The main part of the questionnaire was designed to obtain the challenges faced when improving integrated construction supply chain (Creswell, 2013). The data from questionnaire were analyzed using Statistically Packages for Social Sciences (SPSS). From this stage, the researcher found that the data obtained was enough as they gave the potential features of the projects.

Findings and discussion

Respondents Profile

The demographic characteristics of 65 respondents obtained from the field comprised of Age, education, gender, position, experience in construction industry, experience in building project and project team members. Various age groups were involved. Most respondents belong to age between 40-45 years of age. Followed by 29 – 39 years. This implies that according to the nature of the research topic large number of managers whose said to have enough experiences were involved so as to give out their views on integrating other supply chain team members in building projects, generally this granted an opportunity to people whose ages tend to be higher in the industry and that the information was obtained from people of higher age who seem to understand well the matter.

Education level amongst respondents were also involved during data collection where by most respondents had degree level, 49.23% followed by masters 35.38% were masters. It is correct to say that 87.69% have degree and above. This indicated that large number of respondents whose involved in the study had an ability to understand the topic precisely. Moreover, the study included gender of the respondents whereby 76.92% of the respondents included were male and 23.07% were female, this shows that most of the building projects involve more male compared to female, since the construction activities are seen as male related because they require much energy and in most cases construction activities in Tanzanian Projects involves large number of men compared to women. Most of women engage in consultancy services or supplier of materials. During data collection of the study in the surveyed projects various positions were included in the study were most of them were engaged as head of departments (36.92%) followed by senior management (27.69%). This implies that the large number of head
of departments followed by senior management were purposively selected by the researcher due to their level of experiences from various projects.

The information provided during the study requires much people with enough experience from various projects as per level of experiences observed from the study. The construction Industry as well as building projects experience several respondents had an experience of 6-10 years followed by 15 and above years of experience in construction project handling. This implies that inclusion of people with huge experience paves a way of gathering potential information on any matter under study. Researcher went far by looking on the building projects experiences across all the visited projects where then found that experiences that range from 11-15 years of experiences had 32.30%, followed by those with more than 15 years of experiences which had 29.23% numbers of the total respondents. The study also involved various members of the project team (key supply chain integrated team) such as clients who were 15.38% of the total respondents, 15.38% main contractors, 21.54% sub-contractors, 35.38% consultants and finally 12.30% suppliers of the total respondents.

**Challenges for improving integrated construction supply chain practice (ICSC)**

Responses from the selected projects with some missing values, 65 respondents elicited their knowledge on the challenges hindering full application of integrated construction supply chain in building projects. Table 2. shows the mean scores as ranked by responses, mean scores were used as a ranking benchmark indicating the average position the respondents voted for the five-point Likert scale i.e. ‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’, ‘strongly agree

*Table 2: Challenges faced during improving the ICSC*

<table>
<thead>
<tr>
<th>S/N</th>
<th>Challenges</th>
<th>Rating Scale</th>
<th>Total</th>
<th>Mean Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inefficient organization structure</td>
<td>0 7 19 24 31</td>
<td>65</td>
<td>4.95</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Poor knowledge on the management</td>
<td>0 5 20 32 8</td>
<td>65</td>
<td>3.66</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>Lack of staff training</td>
<td>0 0 4 40 21</td>
<td>65</td>
<td>4.26</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Lack of production staff</td>
<td>0 3 13 39 10</td>
<td>65</td>
<td>3.86</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Lack of top management support</td>
<td>0 5 10 31 19</td>
<td>65</td>
<td>3.88</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>Lack of willingness to invest in SC integration</td>
<td>0 4 12 29 20</td>
<td>65</td>
<td>3.96</td>
<td>13</td>
</tr>
<tr>
<td>7</td>
<td>Information system support accounting and finance only</td>
<td>0 1 7 39 18</td>
<td>65</td>
<td>4.13</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Unable to invest in SC integration</td>
<td>0 4 6 37 18</td>
<td>65</td>
<td>4.06</td>
<td>10</td>
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Table 2. shows that the most critical challenge facing the application of integrated construction supply chain in building projects in Tanzania are; inefficient organization structure, inadequate information flow, lack of staff training, lack of mutual objectives and lack of team spirit with mean values of 4.95, 4.46, 4.26, 4.23 & 4.21 respectively.

Other factors such as inefficiency of traditional procurement, lack of willingness to invest in SC integration, lack of top management support, lack of production staff and poor knowledge on management had average potential with mean values of 3.98, 3.96, 3.88 & 3.86 respectively. Challenges discussed in literature review were organization structure, Lack of good information flow, lack of staff training, lack of morale and motivation, lack of top management support and ignorance of integrated construction supply chain (Gosling & Towil, 2013) of which some of these challenges are also ranked by the respondents in the field. It is imperative that challenges are identified, and actions are to be taken to influence the application of integrated construction supply chain practice in Tanzania.

Discussion of the findings

Inefficient organization structure
Respondents have ranked this strategy as the first with a mean score of 4.95 which implies that they strongly agree that most of the construction companies have no supply chain management in their organization structure to support the integration of construction supply chain. With supply chain management the company improve performance and productivity, and this is evaluated through parameters of quality, cost and time.

Inadequate information flow
Information includes facts provided or learned about something or someone. In construction sites most, information transferred are drawings details, correspondence letters, project schedules, request for inspections and report on daily, weekly and monthly basis. In Table 2. it is ranked second by the respondents as the second most critical challenge faced in the course of improving integrated construction supply chain. This means that there is information bias to some members of the project team. For example, during the interview with key informant, he said “information from the designer first is received by senior management and later transferred to junior management with some or little information”. This was said partly due to failure to establish one integrated information system whereby all the project information is available and are easily accessed.
Lack of staff training

Failure to train staff regarding integrating supply chain team in working collaboratively throughout the project lifecycle is ranked as the third most critical challenge faced for improving integrated construction supply chain with a mean score of 4.26. This entails that most of the employees in the construction sites are not prepared in knowing the need to work with other members of the project team in an integrated manner.

Lack of mutual objectives

Mutual objectives of the teams bind together parties into one agreement of undertakings duties together to accomplish the assigned tasks and to large extent contribute to an improved ICSC in the project. However, the study indicates that respondents with the mean value of 4.23 argued that mutual objectives is a challenge to many projects as selfishness among individuals who undertake project goals violates course of action towards mutual agreement between parties of the project (Client part and Contractor’s part).

Generally, respondents agree to varying degrees to all listed challenges as critical ones when improving ICSC. However, challenges such as lack of top management support, lack of willingness to invest in ICSC and lack of staff training also mentioned by (Koskela and Vrijhoef, 2000; Pryke, 2009 and Aziz & Hafez, 2013) have led the concept of ICSC management become ineffective due to minimal extent of application of integrated information system, joint risk management and transparency. From the previous discussed challenges; inefficient organization structure, inadequate information flow, lack of staff training, lack of mutual objectives and lack of team spirit were top five challenges ranked low by respondents.

Conclusion and Recommendation

The study has established that, key stakeholders with ICSC knowledge agree that the challenges hinder improvement of ICSC. These challenges are: inefficient organization structure, inadequate information flow, lack of staff training, lack of mutual objectives and lack of team spirit were the top five challenges. These challenges have been contributed to low application of ICSC and were largely observed by absence of modern IT-tools in the sharing information, preparing accurate demand schedules, low involvement of key project participants early in the design stage and absence of mutual objective. Whereby, such units could have had a significance role in ensuring high application of ICSC by easy information sharing, ensuring early design completion, timely project completion and increased project performance. It is recommended that; Construction companies should be encouraged to invest in modern IT tools in improving information sharing within departments/units and with other key project participants to minimize the problem of inadequate information flow. Also, setting goals prior to the process while involving all key chain participants at early stages of the project could help. By so doing, objectives, efforts and guidelines will be set by the responsible entity in order to map expectations and develop trust to ensure effective application of ICSC. Furthermore, training the staff has great influence on the application of ICSC. Training will strengthen skills that each employee of building project needs to improve and in further it assures success and development of either an organization or the industry at large. This implies that training of the staff on supply chain is of crucial need for both project success and addressing weaknesses in the project work places.

Limitation and contribution of the study

This research has limited its scope to ICSC in Tanzania construction industry with a specific focus on design and build projects hence the results are influenced by the nature of activities, characteristics and procurement systems of the industry. However, it is Authors belief that developing countries of similar economic, cultural and business set up could benefit as well, as these are among dimensions that contribute to the industry comparative advantage of which ICSC belongs.
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Project failure has become the norm for many organisations in multiple industries with large amounts of funds wasted in the process. It has negative financial consequences and negatively impacts on the ability to provide services to customers, meet organisational strategic goals with a domino effect on the economy. Literature indicates that the inability to manage project stakeholders is a main contributor to project failure. This research was conducted to explore project stakeholder impact and influence on project performance from the perspective of experienced project managers in South Africa. A case study approach was applied using a qualitative online questionnaire to collect data from experienced project managers. Results found that project stakeholder management poses risks to project success, and that the project manager role, experience and exposure is a major contributor to effective project stakeholder management. Requiring organisations to employ project managers with appropriate knowledge and skills especially on large and complex projects, and upper management to drive the selection and development of project managers and ensure that appointment to projects is fit for purpose. The study also found that the lack of project management maturity within organisations is also a contributor to poor stakeholder management. Recommendations are made on how to strengthen project stakeholder management within organisations.

Keywords: Project Stakeholder Management, Project Managers, Project Success, Project Failure.

**INTRODUCTION**

According to Graham and Englund (2004) future growth in organizations will be a result of successful development projects that generate new products, services, or procedures. The success of such projects is dependent on meeting the needs of project stakeholders. Projects are performed by people for people and they affect other people. All projects have stakeholders in the form of individuals or organizations. According to Ward and Chapman (2008) it is acknowledged that most projects have a wide range of stakeholders who have some form of interest that can influence progress and outcomes of the project in one way or the other.

The PMI states that stakeholders are those individuals (or organisations) with a vested interest in a project that may be active or passive participants on the project, but they all have one thing in common, each of them has something to either gain or lose because of the project (PMI, 2013). Kezner (2013) indicates the importance of project stakeholder management by asserting that project managers must fully understand the issues and challenges facing each stakeholder. Project management literature places a lot of emphasis on the need to understand project stakeholders, their needs and their influence. Not all stakeholders want projects to succeed, hence there is a need for project teams under the leadership of the project manager to understand each stakeholder when executing projects.
The evaluation of project sizes is always defined in terms of variables like scale of investment, the number of employees allocated, the social impact of the project, and the complexity of the project (Zhai, Xin and Cheng, 2009). The size and complexity of a project increases the possibility of a larger number of stakeholders in a project. Assudani and Kloppenborg (2010) indicate that to ensure success, project managers need to (1) identify all stakeholders and rank them according to importance (2) build relationships with and manage the expectations of the most important stakeholders, and (3) communicate effectively with all the stakeholders. The effective management of project stakeholders is reliant on strategies identified in managing such stakeholders to increase the chances of project success.

Assudani et al. (2010) state that there is a need to agree on project success criteria defined by certain stakeholders and the project manager must be able to identify the stakeholders who must define what success looks like. Stakeholder engagement at repeated points throughout the project is required, and the need to continuously maintain a collaborative working relationship between project manager and stakeholder if project success is to be attained. Heldman (2016) indicates that stakeholder engagement is not a one-time event but rather a process that must be engaged for the lifecycle of the project. Stakeholders are also a factor in all the stages of a project lifecycle and they are also a factor in all the project knowledge areas as defined by the PMI.

Burke (2013) states that experience has shown that the selection of the project manager is a key appointment for a project and can influence the success or failure of that project. Liu and Chiu (2016) investigated the Influence of Project Partnering on Stakeholder Role Ambiguity and Project Manager Risk Perception in Information Management System Projects in a Taiwanese context and found that role ambiguity of users and developers (stakeholders) significantly influences final project performance.

Research Questions

The following Research Questions (RQs) were formulated:

RQ1 - Who are the stakeholders of a typical large project and what is their possible impact and influence on a project?

RQ2 - What are the possible challenges in the identification and management of project stakeholders?

Research Sub-Objectives

The following sub-objectives were formulated to meet the primary objectives:

Identify the various categories of stakeholders, their needs, interest in a typical project;

Understand the stakeholder management processes practiced, if any;

Identify challenges experienced by project managers when interacting with the process of managing stakeholders;

Determine strategies that can be applied to deal with challenges of managing stakeholders in a project; and

Determine the effects of stakeholder management challenges when executing projects.

STAKEHOLDER MANAGEMENT THEORY AND PRACTICE

Stakeholder management theory in the project environment has evolved and gained significant in the last decade. So much so that the Project Management Institute (PMI)’s 5th edition of the Project Management Body of Knowledge publication (PMI, 2013) removed stakeholder management from the communications knowledge area and inserted a full chapter dedicated to stakeholder management. The emphasis on stakeholder management is important to enable project managers to effectively manage stakeholder relations, to enable project success and effective management of stakeholder expectations. Project decision-making and execution must be based on engagements with stakeholders in line with a predefined stakeholder management
plan or strategies. In addition, the South African King IV report (IODSA, 2016) launched under the leadership of Professor Mervin King has also highlighted the need to focus on stakeholder management by companies by ensuring proper governance.

According to Rajablu et al. (2015) project outcomes are impacted by stakeholder influential attributes and the way in which they understand the project. There is a need for stakeholders to understand the project scope, goals and any other project related artefacts to enable proper decision making and to have a shared understand of what the project outcomes should be. Nauman and Piracha (2016) cite Jaspen and Eskerod (2008) and suggest that project success involves more than the triple constraint of project management and involves the effective management of stakeholders. Technical knowledge of project management and the ability to apply various project management tools is crucial for project managers, but it will not benefit the project if the project manager is skilled in the art of project management but fails to properly manage stakeholders. Stakeholder management is a crucial skill required for the best results in managing any project.

There are several stakeholder management models and frameworks, and researchers concur on the key basic steps of stakeholder management which are identification, analysis and management.

**Stakeholder Identification**

Bourne et al. (2006) indicate that the stakeholder circle methodology which is one of the frameworks for project stakeholder management consists of three parts and the first part is the identification of stakeholders. PMI (2013) indicates that the advantage of identifying stakeholders allows the project manager to identify the required focus for each stakeholder or a group of stakeholders. The project manager is required to cast the net wider in the process of identifying stakeholders to make sure all stakeholders who have an interest and potential influence in the project are identified, and later analysed so that the stakeholder management plan can be as comprehensive as possible.

According to Lopez and Mañas (2013) the first step in the process of managing project stakeholders is identification. All stakeholders must be identified in any project and projects initiated by state owned companies or government departments tend to have a lot more internal and external stakeholders due to the public interest nature of such projects. Lopez et al. (2013) state that some project deadlines are missed by the failure to correctly identify stakeholders at the beginning of a project. There is also a tendency by organizations to focus on external stakeholders and neglecting the internal ones that can potentially derail a project or prove to be valuable champion of the project.
Figure 1.1 illustrates the understanding that the project manager and the project team are also project stakeholders and projects have various categories of stakeholders that must be looked at when the process of stakeholder identification is undertaken.

**Stakeholder Analysis**

It is important to note that projects have primary stakeholders who are directly impacted by the project and secondary stakeholders who are indirectly impacted by the project. Any project at any given time will have a variety of stakeholders and the ability to properly analyse their impact and influence is a crucial component of creating a proper stakeholder management plan Coplan (2006). Stakeholder analysis is the assessment of key participants of a project and the level to which their needs, interests and challenges are affected by a project. Project managers must have the required skills to conduct the required stakeholder analysis to enable the development of a stakeholder management plan to contribute towards project success. In addition, Coplan (2006) advocates that the stakeholder analysis process represents the first step in building relationships by identifying (1) Organisational project readiness; (2) Interests of stakeholders; (3) Conflict of interest between various stakeholders; (4) Roles and responsibilities of various stakeholders; and (5) Ability of various stakeholders to be active in the project.

Stakeholders vary and thus their involvement and participation in the project will vary thus it is important that project managers understand these variations to effectively manage the stakeholders. Eskerod and Huemann (2014) advise that conducting stakeholder analysis in projects serves to assist the project team members to execute the project by identifying ways to procure project resources, avoiding counter actions, and understand the interests of project stakeholders. Some of the important project stakeholders are responsible for project financial and non-financial resources. The project manager and project team members must be able to balance the needs of stakeholders who provide resources and those who do not provide any resources and yet can influence the direction of the project.

**Stakeholder Management**

Herr and Maliszewski (2014) indicate that Stakeholder management enabled by emotional intelligence competency empathy and independence is one of the big five challenges faced by project managers executing projects that have international stakeholders. There is more to be done by project managers over and above following best practice when managing stakeholders. The best practice frameworks provide tested approaches to the discipline of stakeholder management.
management and equally important is the ability of project managers to exude interpersonal skills in managing various stakeholders that have different interests in the project. Project managers are supposed to lead the project and most of the leadership that must be provided is in relation to people involved in the project as stakeholders.

Conflict management and negotiation skills are very important skills required by project managers as part of managing various stakeholders. The varied requirements of stakeholders will vary thus increasing the probability that the project manager will be required to manage clashes of interests amongst different project stakeholders. According to Burke (2013) it is the responsibility of the project manager to manage a process of influencing, nudging and negotiating trade-offs and compromises to enable alignment of stakeholders in a project.

Stakeholders do not only have requirements, but they are also contributors to projects. According to Retfalvi (2014) an important step in ensuring that project stakeholders respond in a responsible and accountable manner is to clearly identify what they are expected to do in a project. The roles of various stakeholders must be clearly articulated. The expectations the project manager has of each stakeholder must be understood by all the parties to enable accountability. The process to properly manage project stakeholders must be inclusive of their requirements and their responsibilities to enable effective interaction between the project managers and the various stakeholders.

The management of project stakeholders must take a leadership posture rather than a controlling position. Leadership skills will enable the project manager to provide the required direction during project execution and deploy the correct interventions that are relevant to various contexts. Eskerod and Vaagaaas (2014) cite (Barnard:198) by stating that each stakeholder is assumed to have free will and a power of choice and thus the need for the project management team to work with various stakeholders to convince them to contribute positively to the project. The project manager is required to provide leadership to enable various stakeholders to contribute to project success.

RESEARCH METHOD AND INSTRUMENT FOR THE STUDY

This research applied a qualitative research method. According to Welman et al. (2005) qualitative research methods are normally used successfully in the description of small groups, communities and organisations. According to Pandey and Patnaik (2014) qualitative research involves the use and collection of variety of empirical material in different forms, including but not limited to personal experiences and introspections that describe routine and problematic moments and meaning in individual’s lives. The research project looked at the project stakeholder management practices of experienced project managers with a focus on the project environment of a single selected consulting company, thus the usage of qualitative methods was selected.

According to Leedy and Ormrod (2015) case study researchers focus on a single case because its exceptional qualities can promote understanding for similar situations. Mzinduko Holdings (Pty) Ltd is the South African project management consulting company used as a case study. The target respondents are project managers with more than 5 years’ experience managing projects in different industries, and managing projects for various customers. They have worked with various stakeholders, managed projects with many stakeholders, and involved in stakeholder management as part of their day to day activities. Data was collected via self-administered questionnaires emailed to the 12 project managers employed by Mzinduko Holdings Consulting Division. 9 respondents participated translating to a 75% response rate, and they all had a range of 6 – 20 years project management experience. The three highest ranked industry experience was telecommunications (67%); Finance/Banking, Health/Medical, and Education were equally ranked at 56%. Most of the questions enabled respondents to pick more than one response by ranking their relevance to the question asked. The data collected was based on the personal experiences of project managers when managing project stakeholders, and key themes identified.
RESEARCH FINDINGS

Identification of Various Categories of Stakeholders, Their Needs, and Interest in a Project

The results show that the process of identifying stakeholders in a project is not a simple process and thus requires a tried and tested technique to enable the possibility of identifying all required stakeholders. Various techniques of stakeholder identification exist in practice, and project managers working at a consulting company with several years of project management experience prefer the brainstorming technique (100% of respondents) as a vehicle of project stakeholder identification. The second preferred method of stakeholder identification is the conversations technique (selected by 89% respondents). Baker (2012) indicates that several project stakeholder techniques exist in practice and brainstorming and interviews with subject matter experts and other stakeholders are some of the methods that exist in practice. The lowest ranked methods were workshops and stakeholder analysis that were equally ranked at 11%. The identification of stakeholders is crucial in making sure that no one is left behind during project implementation. The stage at which stakeholders are identified is important for project success. The results indicate that most project managers surveyed select different stages of the project management cycle as the most important to identify stakeholders.

The project initiation stage of the project was ranked the highest for project stakeholder identification at 67%, and the next where 56% of the respondents stated that this should be done throughout the life cycle of the project. The result also shows that the majority of project managers that responded to this research believe that stakeholders must be identified at the beginning of the project and throughout the lifecycle of the project. According to PMI (2013) it is important for project success to identify stakeholders earlier in the project phase so that their interest and influence can be analysed, and the assessment and identification of stakeholders should be reviewed regularly.

The highest ranked reasons used by project managers to classify project stakeholders are mainly the impact the stakeholder has on the project (indicated by 100% of the respondents), followed by the influence wielded by the stakeholders (89%). The third ranked reasons at 78% were – financial power, interest in the project, and impacted by the project. The influence of a stakeholder was the strongest theme (89% of respondents) applied by experienced project managers to classify project stakeholders. The next ranked theme selected by only 33% of the respondents was positional or financial power. When project managers are conducting a stakeholder analysis exercise the most relevant information is knowledge a stakeholder has (ranked number 1 by 89% of the respondents), followed by the role of the stakeholder selected by 78% of the respondents. The results show that the reasons used by project managers to classify project stakeholders are mainly the impact the stakeholder has on the project, the impact the project can have on the stakeholder, and the financial power of the stakeholder. Influence wielded by stakeholders, impact and their ability to financially impact the project came out as strong themes used by experienced project managers to classify project stakeholders. The knowledge a stakeholder has also came out as the aspect project managers look for when conducting stakeholder analysis exercise.

100% of the project stakeholder categories encountered by project managers are those that are either resistant, neutral, or a supporter of the project. Only 11% of the respondents indicated that they encountered stakeholders that are agents of change, or clearly driving their own agenda. Project managers encounter stakeholders who are supporters, resisters and those who are neutral equally when managing projects. The results show a balance of categories with no category appearing to be strong between stakeholders who are either resisters, supporters or neutrals. The resisters were identified as the most likely to impact a project in a negative way.

Effects of Stakeholder Management Challenges When Executing Projects

Respondents indicated that if project stakeholders are not identified the likely outcomes are budget overrun, project delay, and project failure equally ranked at 78%. The low ranked outcomes were inability to use project results (33%); scope creep (22%); project results not accepted (22%); and incorrect requirements (11%). The findings indicate that the majority of
respondents believe that project delays, budget overruns and project failure are the major consequences if correct stakeholders were not identified for a project. The results also indicate that the inability to use the final project output is one of the most likely consequences for lack of proper stakeholder identification. The other possible consequences identified in the results is possibilities of scope creep which will likely mean more time and money required for the project.

**Challenges Experienced by Project Managers When Interacting with the Process of Managing Stakeholders**

55% of the respondents indicated that guidance and support is provided by project offices and organisations for project managers regarding stakeholder management in projects. On the other hand, 44% of the respondents indicated that no support or guidance is received. The results show that the respondents were divided when asked if there is adequate guidance and support provided by project offices and organisations regarding how project stakeholder management must be done in projects.

In relation to the common mistakes made by project managers when managing stakeholders, respondents equally ranked rushing the process of stakeholder identification, and once-off identification of stakeholders the highest at 89%. This is closely followed by poor stakeholder analysis at 78% and lack of stakeholder management plan at 67%. The lowest ranked common mistakes were expectations not clearly communicated, and incorrectly engaging stakeholders at 11% equally. In relation to the common mistakes committed by project managers when managing stakeholders, the results indicate that the respondents believe that, rushing the process of stakeholder identification, once-off identification of stakeholders and poor stakeholder analysis as the main mistakes committed by project managers. The results also indicate that project managers contribute in one way or the other in the inability to properly manage project stakeholders.

The results indicate that project managers contribute in one way or the other to the poor management of project stakeholders. The lack of interest by stakeholders ranked the highest at 89% as a cause for poor stakeholder identification outcomes. This is followed by interference and lack of project sponsor involvement equally ranked at 67%. Stakeholders who lack interest in a project are disruptive and negative thus create challenges for projects and project managers.

Research findings confirm a correlation between poor project stakeholder management and the experience of the project manager with 78% of respondents indicating this. The balance of the respondents opted not to respond to this question at all. The results also indicate a correlation between poor project stakeholder management and the experience of the project manager.

Most respondents (89%) indicated that cultures experienced in various organisations and industries have an impact on how stakeholders are managed in projects, with a minority of 11% stating that it does not. Respondents provided detailed opinions in response to this question with two dominant themes emerging (1) cultures dominated by turf wars and political power used to drive project direction; and (2) low project management maturity of an organizations lends itself to silo mentality and power dynamics trumping project governance. The cultures experienced in various organisations and industries have an impact on how stakeholders are managed in projects. The culture tends to determine how projects are executed in organisations according to respondents. The results also show that the inability to align the needs and requirements of various stakeholders causes challenges for project managers when managing stakeholders.

When asked the question whether organizations give project managers adequate authority required to manage stakeholders most respondents (89%) indicated no, with only 1 respondent out the 9 confirming the granting of adequate authority. The limited power given to project managers in organisations is one of the causes of challenges when project managers interact with stakeholders. The majority of respondents indicated that project managers do not have the required power to enable them to effectively command the required respect to properly manage stakeholders. Most of the respondents believe project managers are not pitched at the right position levels in organisations.

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Strategies That Can Be Used to Properly Deal with Challenges of Managing Project Stakeholders

Industry knowledge was ranked the highest (89%) as the main attribute and intervention required for a project manager to be effective when managing project stakeholders. Training was the second highest ranked intervention at 56%. Effective steering committees (44%) and peer reviews (22%) were also identified by the respondents and interventions that can assist in improving project stakeholder management in projects. The lowest equally ranked interventions at 11% each were collaboration between project management and change; informal interaction with stakeholders; understanding environmental dynamics; and personal development. This shows that most of the respondents’ value industry knowledge as the best tool project managers must possess to effectively manage project stakeholders. Training is the second most important intervention that must be done to enable project managers to have the required skills to properly manage stakeholders when managing a project. The ability of steering committees and their effectiveness was identified by respondents as a third most valuable intervention that is important in making sure project managers manage stakeholders properly.

The result indicates that standardization is the best preferred option to be employed by an organisation to derive success when managing project stakeholders – ranked number 1 at 56%. While relying on project manager’s expert judgement was the second option selected at 44%, followed by reliance on lessons learned at 33%. The majority of respondents view project stakeholder management standardisation in organisations as the best way in which organisations can establish the culture of success in project stakeholder management. The project managers surveyed have a lot of years’ experience in project management and consulting environments. They have also been involved in a variety of industries, hence they view project manager expert judgment as an asset for organisations to achieve success in managing project stakeholders. Historical project data is flagged as a crucial organisational asset, and the respondents placed lessons learned from previous projects, and a contributor to project stakeholder management success.

CONCLUSION AND RECOMMENDATIONS

The identification of project stakeholders and analysis of their needs and interests is a daunting task that is still elusive for project managers that have extensive project management experience. The process of identifying stakeholders will differ depending on the industry and the project being executed. The outcomes of the stakeholder identification process, stakeholder analysis and the subsequent management of project stakeholders is reliant on several variables including but not limited to project manager experience; organisational culture; organisational political dynamics including the impact of the external environment; industry in which the project is been executed; the attitudes and behaviours of stakeholders; and the ability of project managers to use tried and tested stakeholder identification techniques.

The stage at which the identification of project stakeholders is done is also a contributor to the success or failure of a project. The outcome from the results shows varying views by the project managers regarding the stages in which project stakeholders must be identified.

The impact a project has on a stakeholder and the impact the stakeholder can have on a project are the best determinants of identifying stakeholders for projects. Experienced project managers are aware that there is more to stakeholder categories than the impact reason, they take cognisance of other variables that are of interest to stakeholders. Project management theory alludes to the complex nature of this aspect of a project. Forman and Discenza (2012) indicates that the process of stakeholder analysis is systematic in nature and is done to analyse qualitative information to establish whose interest should be taken into consideration when managing a project. A project manager can get all project management aspects right and fail to effectively manage stakeholders which may lead to project failure. The experience of a project manager and exposure to the industry in which the project is being executed is a crucial contributor to proper project stakeholder management.

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The research found that there is a correlation between industry knowledge and proper execution of the identification of stakeholders. The need to know the industry is based on the views expressed that culture of organisations impacts projects and so does industry and organisational politics. In practice the project managers are required to engage with almost all the categories of stakeholders hence the need to be diligent in managing project stakeholders. Projects experience resistors, supporters and those who are neutral and thus making sure there is a balance and relevant interaction with all the categories is one of the most important jobs of a project manager in a project.

Based on the research finding the following recommendations were made to Mzinduko Consulting:

Project managers need the required experience to manage projects and thus organisations must appoint fit for purpose project managers for each project;

Project managers must understand the industry in which they are managing projects to adequately navigate the project stakeholder landscape;

Apply existing project management frameworks, tools and techniques as a guide to how stakeholder management is conducted;

Project management practitioners should conduct stakeholder identification throughout the lifecycle of a project, irrespective of the size of the project – and not at the initiation stage only;

Project stakeholders will always have varying needs and requirements and all stakeholders must be identified and a plan must be in place for interaction with the stakeholders;

Organisational culture and political dynamics are always at play when executing projects and interacting with stakeholders thus project managers must understand organisational cultures and organisational political dynamics.

The study focused on a case study of a small consulting company thus future studies should focus on a wider audience including project offices and project management professional organisations. This will assist in expanding the population base to get to the depth of challenges and possible solutions to the stakeholder management aspect of projects.

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THE RAELATIONSHIP BETWEEN PROCUREMENT STAKEHOLDERS AND ITS EFFECT ON THE PERFORMANCE OF THE SOUTH AFRICAN COMMUTER BUS INDUSTRY: THE CASE OF GAUTENG

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This paper investigates the relationship between the key stakeholders of the commuter bus industry in Gauteng Province and its effect on performance. The paper is descriptive and exploratory in nature and employed a mixed-method research approach. The data were collected from a sample of 18 respondents who are key stakeholders directly involved in the procurement of subsidised commuter bus services in the Gauteng province using face-to-face interviews with a semi-structured questionnaire. The findings revealed that the procurement practices employed, namely, interim, negotiated and tender contracts, have complicated the stakeholders’ relations. Limited relations prevail with stakeholders preferring the procurement practice employed (while operators prefer the negotiated method and the government prefers the competitive method), compliance with the policies and a commitment to building the industry as a whole, to mention but a few. The paper then recommends that the government needs to continue working on the relationship with the operators for the betterment of this industry. All operators should be considered or consulted in all communication and/or planning.

Keywords: procurement, relationship, commuter bus industry, Gauteng province, South Africa

Introduction

In the South African public sector, procurement is seen as a strategic tool for socioeconomic development. To provide uniformity in this function, it is guided by the Supply Chain Management Policy Framework developed in 2003 (Ambe 2016: 280). The adoption of the supply chain management (SCM) framework led to the development of the SCM policy. Hence, each government entity is driven by its own SCM which is unique to its operations. Nevertheless, the commuter bus industry is complex and its operations are not in line with the recommended regulations. Procurement in the industry is marred by a number of challenges, such as the fact that no new contracts have been concluded since 2001 (Walters & Manamela 2016:3). In addition, the current practices favour the subsidised (commonly known as the formal) operators over the unsubsidised (informal) ones, with the former benefitting from government contracts. In addition, most of the old operators are still in the system, limiting the opportunities for new operators to enter the market successfully.

Although transport policies have been developed to guide this industry, they have not been fully implemented and have led to the current operational challenges this industry is facing (Walters, 2014:4). For example, stakeholders disagree on the specific procurement practices to apply and this has added to the general dysfunctionality in the industry (Simpson, McKay, Patel, Sithole, Chipp & Mambo 2012:23). According to the Southern African Bus Operators Association

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(SABOA 2015), the procurement practices being employed in the industry do not meet the needs of South Africans, neither in terms of business opportunities and growth for the operators, nor in terms of the rendering of commuter bus services; this affects commuter services at large. There is a huge gap between the ideal commuter bus industry and the actual operations (Munshi 2014:1). However, limited studies have been conducted on the commuter bus industry in South Africa exist (Walters & Manamela 2016:11). Most of the studies on the commuter buses focus on policy implementation such as Walters (2014) and Luke and Heyns (2013). Following the deliberations above, a research gap was identified. Hence the need for this paper.

This paper investigates the effect of the relationship between the key procurement stakeholders on the performance of the commuter bus industry in Gauteng. It then makes a contribution to the body of knowledge by providing an understanding of the benefit of a coordinated relationship between these shareholders on the performance of this industry in Gauteng, as well as South Africa at large.

Literature review

This section of the paper provides a review of the relevant literature. It explores procurement in the public sector management context, as well as procurement methodologies within the commuter bus sector. It concludes with a discussion of the effects of the relationship between the stakeholders on the performance of the commuter bus industry.

Procurement in public sector management

Fourie (2015:38) defines procurement as a business function with an economic activity, a business process in a political system, and as a strategic profession. It can also be used as a social tool, allowing tax money to be returned to domestic residents, creating more jobs and reducing imports (Fourie 2015). It has also been used by governments to achieve socioeconomic objectives, such as improving the economy, protection against foreign competition, stimulating competition within industries and various other economic benefits (De La Harp 2009:6). In South Africa, under the apartheid government (pre-1994), procurement practices favoured large, established companies and it was difficult for small businesses to participate in business with the government (Ambe 2016:279). When the new government took power in 1994, procurement was given a constitutional status and was put under the management of the National Treasury (Ambe & Badenhorst-Weiss 2012:245). Owing to a number of inconsistencies within the procurement functions, both provincial and in municipalities, the Supply Chain Management Framework was introduced to bring about uniformity in public procurement.

Procurement methodologies within the commuter bus sector

Commuter buses are used within the commuter bus sector, which falls under the auspices of the Department of Transport (DoT) and forms part of the public transport spectrum (Walters, 2014:1). This sector is then further divided into municipal buses, the new Bus Rapid Transit system and subsidised and unsubsidised buses (DoT 2013). Procurement practices in this industry are guided by the White Paper on National Transport of 1996. In the commuter bus industry, the standard procurement methods that are used are based on the methods used in the general public procurement in South Africa, but adapted to the specific needs of this sector (Ngcamphalala & Ambe 2016:7).

- Stakeholders within the commuter bus industry

In this paper, the procurement stakeholders in the commuter bus industry consisted of subsidised commuter bus operators in Gauteng and the Department of Transport. For this paper, twelve subsidised commuter bus operators were chosen to eliminate saturation of information and six government officials were chosen (officials of the National DoT and Gauteng Provincial Department of Roads and Transport that are involved in the commuter bus industry). From the actively involved government officials, four officials from the National DoT and two officials
from the Gauteng Provincial Department of Roads and Transport were chosen to participate in this research. These were selected on the basis of their involvement in the commuter bus industry, ranging from contracts allocation, policy development and institutional policies within public transport. They were at different levels of seniority, experience and expertise within the industry to allow reliable contrasting views for a rich analysis. Gauteng was chosen because its subsidies constitute the biggest chunk of the government’s budget for commuter buses.

- Procurement practices employed within the commuter bus industry

The following procurement practices are employed within this industry: interim contracts, negotiated contracts and competitive contracts (Walters 2010:362).

*Interim contracts*

Interim contracts (ICs) were concluded in 1997. This was intended as an interim measure by the government to allow the existing operators the opportunity to hand back their operating permits, as part of the process to prepare for the tendering system and to help the operators become financially ‘fit’ (Walters 2010:362). This was a ticket-based subsidy system. Subsidies were paid according to the number of tickets sold and the costs and losses were claimed by the operator (Walters 2010:363). The main disadvantage of these contracts was their vulnerability to dishonest activities on the part of some operators and some government officials who were defrauding the system, which resulted in the government not getting ‘value for money’. They are currently operated on a month-to-month basis.

*Tender contracts*

These contracts were concluded in 1997, following the challenges caused by the ICs. The government had to introduce these without delay in line the White Paper policy objectives (Walters 2010:363; 2014:2). These contracts are government controlled, with the government specifying the required services and inviting operators in an open market to tender for these services. They are currently operated on a month-to-month basis.

*Negotiated contracts*

This form of procurement was introduced between 1999 and 2000 through the National Land Transport Transition Act (NLTTA). Originally, it was intended to assist government-owned and municipal operators, since they were financially ‘unfit’ to participate in competitive tendering (Walters & Cloete 2008:1163). This form of contract is flexible and allows bus operators to negotiate contract conditions before accepting the contractual terms (Simpson et al., 2012:23). In this contract, provision is made for the Model Tender Document (MTD), issued by the DoT. They are currently operated on a month-to-month basis. Below is a summary of the procurement practices employed within the commuter bus industry in South Africa.
Table 1: Procurement practices within the commuter bus industry in SA

<table>
<thead>
<tr>
<th>Types of procurement</th>
<th>Contract characteristic</th>
</tr>
</thead>
</table>
| Interim contracts    | Introduced in 1997 as a transition arrangement between government and existing operators.  
  Were meant to last for three years initially.  
  Currently operate on a month-to-month basis. |
| Tendered contracts   | Based on a standard contract document. Mostly stand-alone services in rural or urban areas.  
  Five years originally.  
  Currently operate on a month-to-month basis. |
| Negotiated contracts | Mostly applicable to state-owned and operated buses.  
  Five years originally.  
  Currently operate on a month-to-month basis. |

Source: Author’s own compilation

The effects of the relationship between procurement stakeholders on the performance of the commuter bus industry

The relationship challenges facing this industry stem from the introduction of the procurement practices employed by the set policies, which have led to many challenges, such as, among others, a lack of funds to cover the operational demands of the industry (Sibande 2013:1; Walters and Heyns 2012:37; Walters 2014:2). Since the introduction of these contracts, the National Department of Transport has had to approach the Treasury Committee annually for additional bus subsidies (DoT 2002:2), since there have been constant shortfalls in the operational budgets in this industry. This is a real and serious dilemma facing government. The government (through the DoT) is busy with efforts to improve the industry and its operations (Sibande 2013:1). This will be done through continuous improvements to the current status of operations and the allocation of contracts and the future plans for an integrated transport system. However, because of South Africa's complexity, specifically in public transport, and because of our history (Mitchell & Walters 2011:251), while it might be a challenge to involve all parties, it is an imperative.

Within the commuter bus industry, the following attributes in relation to the relationship between the key stakeholders were identified from the literature review:

- Commitment on policy implementation

  Policy implementation refers to the mechanisms, resources and relationships that link policies to programme action (Mthethwa 2012:37). Luthuli (2007:96) concurs that public policy is useless if no proper implementation strategy is in place to ensure delivery. Public policy implementation should consist of organised activities by government directed at the achievement of the set goals and objectives. Within the commuter bus industry, the delay in the full implementation of the policies guiding the procurement practices shows a lack of commitment from the government’s side. According to various studies (DoT 2002:8; Mitchell & Walters 2011:242; Walters 2014:2), there have been a number of amendments to the procurement practices employed, which at times may be viewed as not having been thoroughly researched from the beginning. These have led to the extension of subsidised bus contracts on an ad hoc basis. These policy implementation inconsistencies affect the relationship between the stakeholders and are holding back the growth of the industry.
Compliance on policy implementation

It is important that the actors or those whom the policy affects be taken into account (Tebele 2016:89). It is therefore no surprise that without compliance with a public policy, a public policy is in danger of being unsuccessful because the reaction of those at whom the policy is aimed cannot be controlled (Tebele 2016:89). Within the commuter bus industry, operators are also not fulfilling their contractual obligations. For example, according to Jacob Khawe, chairperson of the Gauteng Provincial Legislature Committee for Roads and Transport, PUTCO is supposed to operate with 152 buses in Soshangue (on the far outskirts of the city of Tshwane), but they have only 123 buses, making them 27 buses short (Haynes 2017:2).

Coordinated relationship amongst stakeholders

Coordination reflects engagement in joint activities relating to structure or process between organisations (Roberts-Lombard, Mpinganjira and Svensson, 2017:4). Based on the literature review, in the commuter bus sector, there is limited coordination amongst the stakeholders which affects industry performance. The delay in the proper implementation of these policies has led to most of the subsidised operators feeling some animosity towards the government and its initiatives and the industry at large (Walters 2010:366). According to Heyns and Walters (2012:48), some of the interim operators had concerns that the government was forcing them to share 40% of their operations with the taxi industry and small bus operators, since there were limited funds to cover the operational needs of the industry. This contributed a great deal to the negative relationship between the government and the operators. Operators feel the industry has been neglected by government and is stagnant (Venter 2015:1). The government is focused on the BRT system, injecting money into it, while the bus industry is collapsing due to the lack of funds to cover the operations.

Consideration in allocating subsidies

In the implementation process, political, financial, managerial and technical resources are needed (Mthethwa 2012:42). Throughout the policy implementation process, it is important to ensure that those who oppose the policy change do not block access to these critical resources. At times, the policy outcome is different from what the planners conceive as a result of the change process and the conflict occurring in the implementation stage. This is true with the commuter bus industry. The set policies are not fully implemented when it comes to the allocation of subsidies. Operators feel the government lacks consideration when it comes to the adjustment and increment of subsidies. The government wants operators to offer good quality services when they are not being paid well. Malijeni Nqaleni, the National Treasury intergovernmental relations deputy director concurred with this, when she said South African public transport operators need “to do more with less” as the economy contracted and the national fiscus faced increasing financial pressure (Venter 2015:1). Since 2009, subsidy allocations have been reduced and this has led to serious cash flow and profitability problems for many operators (Venter 2015:1).

Commitment in organising the industry

For governments to successfully implement policies, they require democratic public participation, where policy makers and the public continually engage in dialogue, examine the consequences for fundamental values, as well as sharing the burdens and benefits (Mthethwa, 2012:42). In the national sphere, different stakeholders should be involved in order to reduce political pressure on the government. If the government is the only planner with no public involvement in the development and implementation of policies, then the commitment to render quality services will be compromised. In the commuter bus sector, operators feel the government is struggling with the reorganising of this industry (Schalekamp, 2015:10). There is still a lot to be done when it comes to transforming and restructuring this industry, for example, to implement the complex policies (SCM policy); to address human and political interferences; and to limit inadequate understanding of, or attention given to, the implementation phase of policies (Mitchell & Walters 2011:252). In short, the relationship is strained. Operators do not trust the government (Walters 2008; Walters et al., 2012:52). Walters and Heyns (2012:42) concur, saying the government is applying a top-down approach instead of a bottom-up approach.
of involving the operators in the planning and reforms in the industry. According to Finn and Walters (2010:356), the relationship between government and the operators is worsening. The level of trust is damaged and the operators would love to see the government being “more forceful” in dealing with this industry, especially in its contractual obligations.

In response to the operators' concerns, the government is requesting them to be patient and flexible in terms of the reconceptualisation of the practices in the industry in line with the National Development Plan, which calls for a streamlined urban transport system (Munshi 2014:1). The operators also have to align their operations with Gauteng’s plan, which aims at integrating all the different public transport sectors into an effective service. From this brief discussion, it is evident that the government is doing everything in its powers to remedy the challenges between these stakeholders, but as alluded in the introduction, this industry is complex and it is not easy to balance the needs of all the parties. To further explain the relationship between the key stakeholders and its effects on the performance of the commuter bus industry, and based on the literature review, the paper provides a conceptual framework, highlighting the positive and negative effects of a coordinated relationship or the lack of a relationship on the performance of this industry. Figure provides this framework.

![Conceptual framework on the relationship between the stakeholders](image)

**Figure 1: Conceptual framework on the relationship between the stakeholders**

*Source: Compiled by author*

From the above framework, it is evident that a coordinated relationship has a number of positive benefits for the commuter bus industry, especially in terms of its growth and financial stability.

**Research and Methodology**

For this paper, a research objective to establish whether a trusting relationship exists between procurement partners in the commuter bus industry was achieved using a mixed-method approach. This aimed to investigate the relationships within the commuter bus industry and obtain an in-depth understanding of these relationships using both a quantitative and a qualitative research methods, over two phases. Phase 1 involved an in-depth literature review and Phase 2 consisted of a face-to-face interview questionnaire containing semi-structured...
questions that was conducted with government officials and commuter bus operators. Questions consisted of open-ended questions where the respondents had to justify their responses (mixture of quantitative and qualitative research). These questions assisted the researcher in reaching the final conclusions of the paper and also allowed for the achievement of triangulation.

A total of 18 respondents (12 commuter bus operators and 6 government officials) were interviewed. This population was not large enough to warrant a quantitative research approach. A further limitation was the limited amount of literature on procurement practices employed within the commuter bus industry. Fortunately, literature is available on procurement in general. The questions in the questionnaire were guided by the literature review to address the research problem and to answer the research objectives. The questionnaire consisted of a five-point Likert response format with different end points, namely, 1 (no extent) to 5 (very great extent), 1 (strongly disagree) to 5 (strongly agree) and ranking with end-point 1 (not important at all) to 5 (extremely important) and respondents had to respond to statements relating to the relationship between the stakeholders in the commuter bus. The data collection was conducted by the researcher in order to develop a relationship and build trust with the respondents (especially the commuter bus operators), who have proven to be sceptical about government’s intentions on a number of occasions, as experienced by other researchers such as Walters and Manamela (2016: 4). The collected data were analysed using both descriptive and inferential statistics by means of the Statistical Program for Social Sciences (SPSS, version 24). Descriptive statistics were used to describe the main features of the data in quantitative terms, and inferential statistics were used to determine statistically significant differences. The open-ended responses were used to give more meaning to the respondents’ views on questions, where applicable (Gray, Williamson, Karp and Dalphin 2007:44).

Findings and Discussion

This section of the paper presents the findings and a discussion on the perceptions of the respondents on the relationship between the procurement actors within the commuter bus industry in South Africa.

Relationship between stakeholders in the commuter bus industry

The respondents were asked to indicate on a five-point Likert response format, statements relating to the relationship between the stakeholders in the commuter bus industry with end points 1 (no extent) to 5 (very great extent) the extent to which they agreed with the status of the relationship. The responses were measured in mean values and standard deviations as reflected in Table 2.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean Statistic</th>
<th>Std. error</th>
<th>Std. deviation Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of commitment on policy implementation by government</td>
<td>3.39</td>
<td>.164</td>
<td>.698</td>
</tr>
<tr>
<td>Lack of compliance on policy implementation by operators</td>
<td>3.33</td>
<td>.140</td>
<td>.594</td>
</tr>
<tr>
<td>Lack of coordinated relationship between government and operators</td>
<td>3.00</td>
<td>.243</td>
<td>1.029</td>
</tr>
<tr>
<td>Allocated subsidy does not meet operators’ operational demands</td>
<td>4.61</td>
<td>.183</td>
<td>.778</td>
</tr>
<tr>
<td>Lack of commitment by government to build the industry</td>
<td>3.67</td>
<td>.323</td>
<td>1.372</td>
</tr>
</tbody>
</table>

Source: Author’s own compilation

As indicated in Table 1, what was most concerning to the respondents with regard to their relationship was “the allocated subsidy not meeting the operators’ operational needs” with a
mean value of 4.61. This was followed by “the lack of commitment by government to build the commuter bus industry” with a mean value of 3.67, and then “the lack of commitment on policy implementation by government” with a mean value of 3.39. The least concerning factors were “the lack of compliance on policy implementation by operators” with a mean value of 3.33 and “the lack of coordinated relationship between the government and the operators” with a mean value of 3.00.

While most of the respondents acknowledged that the allocated subsidies not meeting their operational needs was their main concern, the overall stakeholders’ relationship is above average although there is a definite need for improvement. This shows this issue with subsidies to be the crippling factor in the industry, as confirmed by SABOA at their 2017 conference (SABOA 2017). This then means that the government needs to continue working on the relationship with the operators. All operators need to be consulted in all communication or planning. What is also evident at the moment is that most of the small bus operators are in the dark regarding the reform processes in the industry that are currently underway. This brings about division amongst the operators. Accordingly, such a divided industry is weakened and, hence, its success and overall performance and growth will be compromised. If the key stakeholders do not pay attention to their relationship, the industry will collapse.

Analysis of responses from open-ended questions
This section provides a summary of the data acquired from the open-ended questions. These data were used for triangulation to assist the researcher in reaching the final conclusions of the paper.

Following the interview discussions, a theme emerged in the verbal data obtained in response to the question on the differences in perceptions regarding the relationship between the procurement actors within the commuter bus industry. The findings follow.

With regard to the relationship status between the stakeholders, it emanated from the interviews conducted that there is a coordinated relationship between the stakeholders. The majority of the respondents indicated that the relationship has definitely improved when compared to the time when the interim, tender and negotiated contracts were introduced. Others, however, still felt that the relationship is poor.

Some of the respondents indicated that there is commitment from the government to implement the set policies. They advised that the government has tried to support the industry by training people for the effective implementation of the set policies.

“There is commitment, but there are some impediments. For example, issues like capacity. You have to build the capacity. You might not be able to keep the capacity in-house. Because there are very few people who specialises. Also, the market forces dictate … if there is demand in the private industry, you cannot hold on people” (Respondent 1).

Some respondents indicated that they too sometimes do not comply with some of the policies.

“Yes, there are inconsistencies from our side. For example, they say if for some other reason you fail to break a shift, you need to report the government, but how can that be? How can you report on something that will take your money?” (Respondent 3)

Most of the respondents indicated that there is a harmonious relationship between the government and operators, and that there are open channels of communication.

“We have a relationship ... let me take our operations for instance. We have a relationship with government, because most of the time we communicate, even if they don’t meet our expectations, but there is that coordination” (Respondent 4).

The findings from the open-ended questions reiterate what was found in the literature and from the descriptive data; that is, that there is coordination amongst the key stakeholders in the commuter bus industry. These parties just need to capitalise on this for the betterment of the
industry. Table 3 below presents a summary of the relationship status between the stakeholders, based on the open-ended questions.

**Table 3: Relationship status between the stakeholders:**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment on policy implementation by government</td>
<td>There is commitment on the policy implementation. The challenge is just the capacity to implement these.</td>
</tr>
<tr>
<td>Compliance on policy implementation by operators</td>
<td>Some of the operators are not consistent, because they do not report when they cannot honour their shifts.</td>
</tr>
<tr>
<td>Coordinated relationship between government and operators</td>
<td>There is a harmonious relationship between the respondents.</td>
</tr>
<tr>
<td>Subsidy not meeting operational demand</td>
<td>The allocated funds do not meet the operators’ operational needs.</td>
</tr>
<tr>
<td>Commitment by government to build the industry</td>
<td>There is commitment, but there are too many challenges hindering the effective operation of the industry.</td>
</tr>
</tbody>
</table>

*Source: Author’s own compilation*

**Conclusions**

This paper investigated the relationship between the actors within the commuter bus industry in South Africa. It was established in the literature that the delay in the proper implementation of these policies has led to most of the subsidised operators feeling some animosity towards the government and its initiatives, as well as the industry at large (Walters 2010:366). However, the results revealed that there is a harmonious relationship between the stakeholders (government and the bus operators). This means that the stakeholders can sit together around the table, although all is not well. The results also revealed that there are other inconsistencies that affect the relationship, with the most rated being that “the allocated subsidies do not meet the operators’ operational demands”, followed by “the government’s lack of commitment to build the industry” and “lack of government commitment to policy implementation” (mean value of 3.39–4.61). “The lack of compliance on policy implementation by the operators” and “lack of a coordinated relationships between the government and the operators” were rated the lowest (mean value of 3.00–3.33).

It can therefore be concluded that the results confirm the findings from the literature that there is a correlated relationship between the stakeholders in the industry in relation to the selected relationship elements, however, there are a few elements that still need some attention, namely, the funding, compliance with the policies and a commitment to build the industry as a whole. From this discussion, the stakeholders need to invest in building this industry in order for it to grow and contribute to job creation in South Africa.

**References**


PERCEPTIONS OF CLOTHING INDUSTRY STAKEHOLDERS ON FACTORS AFFECTING DEMAND PLANNING IN THE CLOTHING INDUSTRY: THE CASE OF GAUTENG CLOTHING INDUSTRY

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Demand planning plays a critical role in the clothing industry. However, there are inconsistencies on the perceptions of the clothing industry stakeholders on factors affecting demand planning. The purpose of this paper is to determine the perception of clothing industry stakeholders regarding factors affecting demand planning in the clothing industry of Gauteng. A descriptive study was conducted based on structured questionnaire. The collected data was analysed using the Kruskal–Wallis test. The results revealed that there are perceived differences regarding factors affecting demand planning by clothing industry stakeholders. These factors are scheduling manufacturing of customers' orders, planning for fashion clothes, the point of sale (POS) system usage, clothing imports, estimating future clothing requirements, a recession and the effect of the late arrival of clothes. The paper recommends that there should be better coordination and engagements by the stakeholders when planning for demand. Planning for clothes should be tailor made according to different stakeholder's needs; and each factor must be observed and treated differently by different stakeholders. Furthermore, the government should strive to create a favourable platform for collaboration between the stakeholders.

Key Words: Demand planning, Demand planning approaches, Manufacturer, Fabric suppliers, Fashion designers, Clothing industry, Gauteng, South Africa.

Introduction

Since 2004, when the South African government lowered tariffs on the import of goods and services into the country, the South African clothing industry has been declining (Nattrass & Seekings, 2012:10). This decline has affected negatively the level of sales, employment, gross domestic product (GDP) as well as the accuracy of demand planning (Kim, 2012:1285; Rotunno, Vezina & Wang, 2012:2). Demand planning is critical in the South African (SA) clothing industry. Staritz and Morris (2013:9) proclaimed that clothes forms part of the basic needs of human beings and the desire for clothes will continue to exist. The demand planning process of customer clothing starts at the producers of raw materials; moves to fabric suppliers, clothing manufacturers and finally to the end customer (GGDA, 2014:2). The demand planning process of the clothing industry indicates how the material production supply is communicated within the supply chain (SC) partners (Cao, Scudder & Dickson, 2017:81). SA clothing customers reverted from buying clothes locally to buying clothes from international producers (Matsoma, 2016:107). The challenge intensifies as SA retail clothing organisations are also buying clothes imported from China and they are economical to purchase when compared to the clothes produced by SA clothing manufacturers (Media Club South Africa, 2015:14). Cao et al. (2017:84) indicated that in the past 200 years the clothing industry tried to industrialise by focusing on employing a majority of unskilled workforce, manufacturing clothes to satisfy the local market and raising more funds to advance technologically. According to Viok (2006:227),...
the industry remains an important sector in terms of employment, especially in the SA labour market, with regard to job creation. The clothing industry in South Africa was concentrated in the Western Cape, and KwaZulu-Natal (Nattrass & Seekings, 2012:1). However, but after realising the importance of demand planning, the city of Johannesburg established centres in 1994 where various clothing styles are produced with the aim of improving clothing demand (Oberhofer, 2012:7). The SA clothing industry consists of three key stakeholders, namely fabric suppliers, fashion designers and clothing manufacturers (GGDA, 2014:2; Oberhofer, 2012:65; Staritz & Morris, 2013:9). It is critical to note that in the process of satisfying customers’ clothing demands, the SA clothing industry is faced with opportunities as well as challenges (Nattrass & Seekings, 2012:6).

Matsoma (2016: 7) posit that there are challenges affecting demand planning in the clothing industry in South Africa. These challenges stem from the incorrect scheduling of clothing material and the incorrect planning for fashion clothes, the incorrect use of the point-of-sale (POS) system, an influx of clothing imports, the incorrect estimations of clothes, recession as a global economic condition, and the late arrival of clothing material (Aksoy, Azturk & Sucky, 2012:223; Nattrass & Seekings, 2012:17). While it has been established that there are differences in the perceptions of clothing industry stakeholders regarding demand planning approaches, there is little or no research that articulates the perceptions of the stakeholders on factors affecting demand planning. For example, Belmokhtar, Herrera and Thomas, (2010:1), assert various stakeholders have diverse views on the decision-making processes of production. Clothing industry stakeholders such as fashion designers, clothing manufacturers and fabric suppliers differs in their approach to modelling uncertainties, aggregation and disaggregation processes (Nielsen & Steger-jensen, 2008). Matsoma and Ambe (2017:9) stress that there are diverse views on demand planning with regards to hierarchical and optimal demand planning approaches being employed. For example, stakeholders that follow a hierarchical demand planning approach seems to be more effective for basic clothes as they have a planning horizon of 12 months while the optimal demand planning approach seems to be more effective for fashion clothes because they have a planning horizon of six months. Given the strategic importance of the clothing industry to the socio-economic development of the South African economy, the lack of proper demand planning may have a negative effect on declining number of clothing manufacturers, the decline in manufacturing output as well as the fluctuation on employment levels. Hence, the paper strives to understand the perceptions of the clothing industry stakeholders on how they perceive the factors affecting demand planning.

Therefore, the questions that defined the paper can be stated as follows:

What are the factors that affect demand planning in the Gauteng Clothing Industry in Gauteng?

Are there diverse views on the factors affecting demand planning by the clothing industry stakeholders?

In this paper, we want to determine the perceptions of the clothing industry stakeholders regarding the factors affecting demand planning. The paper will contribute to the body of knowledge on the clothing industry and demand planning, especially on the clothing industry in Gauteng. The remaining section of the paper will present the literature review, research methodology, findings and conclusion.
Literature review

This section presents the literature review. In this section demand planning, the South African clothing industry and factors affecting demand planning in the clothing industry will be discussed.

Demand planning

Demand planning can be defined as an estimation of customer needs and other planning measures, as well as actions that illustrate planning with participants in the value chain (Rexhausen, Pibernik & Kaiser, 2012:269). According to Hugo and Badenhorst-Weiss (2011:17) demand planning involves various activities, which are applied in managing the value chain process. Having realised the importance of demand planning, the city of Johannesburg established centres in 1994 where various clothing styles are produced with the aim of improving demand planning for clothing (Obernhofer, 2012:67). Manufacturing organisation in the city of Johannesburg realised that in order to improve demand planning; they need to produce highly fashionable clothes (Nattrass & Seekings, 2012:3). This indicates that demand planning is critical to the clothing industry of South Africa.

The South African clothing industry

Clothing industries in SA are situated in various provinces of the country, with the majority of them found in the Western Cape, KwaZulu-Natal (KZN), the Free State as well as Gauteng (Volk, 2006:227). According to Salm (2002:7), the SA clothing industry began to increase in volume and in product offering after the Second World War. The SA clothing industry started in Cape Town and then spread to Johannesburg in the 1920s and 30s (Nattrass & Seekings, 2012:2). Natural clothing fabrics which come in different mixes are used around South Africa (Barnes, 2005:5). There are various stakeholders in the clothing industry who contribute towards the productivity of this industry. These stakeholders are fabric suppliers, fashion designers and the clothing manufacturers as briefly discussed below:

Fabric suppliers

Fabric suppliers are the main contributors in the functioning of this industry as the production of clothes starts with fabric production. Fabric production is crucial as clothing material are used to produce final garments in various styles and colours. Fabrics are made from yarns and the yarns are woven in order to make fabrics (NY Fashion Center, 2015). The yarn is produced from cotton. South Africa is the world’s top producer of wool, and the country is also one of the top five mohair-producing countries in the world (South Africa.info, 2015). Furthermore, South Africa harvests 40 000 tonnes of cotton yearly (SouthAfricainfo, 2015). Salm (2002:17) says there are 3 400 cotton suppliers and 15 000 suppliers of wool in South Africa. Therefore, demand planning in the clothing industry should start with the fabric supplier right through to the manufacturing of clothes. However, it is important to manufacture clothes according fashion requirements and to design clothes according to current fashion trends. This makes the role of fashion designers to even more important in the manufacturing of clothing.

Fashion designers

Fashion designers are more involved in the creation of various clothing brands than clothing manufacturers (Oberhofer, 2012:67). Fashion started in global cities such as Paris, London and New York and these countries are viewed as the main fashion trend setters. Fashion production is growing and is controlled by market forces, which consist of individual requirements and desires (Shen, Choi, Wang & Lo, 2013:266; Oberhofer, 2012:65). Fashion manufacturing tools have been separated into international garments industry segment and the domestic clothing styles segments (Skov, 2011:138). Fashion centres, which existed from way back in cities such as Paris, London and New York and are dominate the fashion industries of various states and regions in terms of fashion clothes production (Skov, 2011:139). However, global fashion has also lead to the growth of fashion in African countries. African countries started to compete globally and to grow their fashion markets domestically (Oberhofer, 2012:83). The fashion industry also grew in South Africa, and this gave birth to an increase in fashion designers in South Africa and other African countries (Oberhofer, 2012:83). SA fashion designers have recently started competing in the global fashion world (Oberhofer, 2012:67). According to Skov (2011:138), fashion centres where fashion designing is conducted, are localised. In South Africa, fashion centres in the city of Johannesburg were established where style makers, such as Stoned Cherrie, were established and developed (Oberhofer, 2012:71). Some fashion designers are operating as owners of small organisations, they run the fashion designing organisations. Other fashion designers are employed within the clothing production industry.

Clothing manufacturers

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Clothing manufacturing is critical as clothes are one of the basic requirements of human beings (Chaudhary, 2011:2). Authors such as Nattrass and Seekings (2012:6) and Staritz and Morris (2013:9) posit the view that some of these clothing factories are known as the cut, trim and make (CTM) industry. The CTM factories are the ones which are accountable for cutting and trimming clothing fabrics and for making complete garments according to clients’ requirements. The clothing production factories have a chance to outsource the manufacturing service of clothes to the CTM factories in order to meet the clothing demands; however, the manufacturers have the final word regarding the design of clothes they require (Staritz & Morris, 2013:9). As indicated in this section, the key stakeholders of the clothing industry such as fabric suppliers, fashion designers and clothing manufacturers, are critical in the production operation of the clothing industry.

Table 1: A summary of the distinctive attributes of the clothing industry stakeholders

<table>
<thead>
<tr>
<th>Clothing industry stakeholders</th>
<th>Key attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabric suppliers</td>
<td>Cotton and wool producers, Yarn processing to clothing fabric, Clothing fabric production, Clothing manufacturers and fashion designers</td>
</tr>
<tr>
<td>Fashion designers</td>
<td>Design various fashion brands, Produce unique fashion designs, Cater for unique customer fashion styles</td>
</tr>
<tr>
<td>Clothing manufacturers</td>
<td>Knitting and sewing clothing fabric, Final clothing garment producers, Caters for both basic and fashion clothes</td>
</tr>
</tbody>
</table>


As reflected in Table 1, each stakeholder in the clothing industry has unique attributes, which add value to demand planning and production improvement in this industry. The expertise of all three of the clothing industry stakeholders is required for the functioning of this industry. Even though their expertise also contributes towards improving the economic wealth of the country there are factors which affect demand planning in this industry.

Factors affecting demand planning practices in the clothing industry

The challenges affecting demand planning in the clothing industry in South Africa stem from the incorrect scheduling of clothing material; planning for fashion clothes; the incorrect use of the point of sale (POS) system; an influx of clothing imports; incorrect estimations of clothes; recession as an unfavourable economic condition; and the late arrival of clothing material (Aksoy et al., 2012:223; Nattrass & Seekings, 2012:17). These challenges are briefly explained below:

- Incorrect scheduling of clothing material: Many stages are involved in the manufacturing process of clothes, such as fibre and yarn processing, including the production of fabrics itself (Aksoy et al., 2012:222). Nenni et al. (2013:1) confirm that clothing fabrics sometimes arrive late at manufacturing plants and these results in shortages. Delays in the arrival of fabric can be attributed to supplier distances but these shortages must be communicated to customers (Aksoy et al., 2012:223; Thomassey, 2010:471). SA retail clothing argues that clothes purchased from South African manufacturers are expensive and they therefore support manufacturers outside SA (Media Club South Africa, 2015:14).

- Planning for fashion clothes: Demand planning in the SA fashion industry is affected by ever-changing customers fashion styles, while manufacturers strive to predict customer demand patterns with a level of great accuracy (Gu & Liu, 2010:1). Fashion styles change constantly; hence, it is not easy to conduct demand planning with regard
to fashion clothes. Fashion exhibitions exert a great influence on the clothing styles being manufactured (Oberhofer, 2012:67).

- Incorrect use of the point-of-sale (POS) system: Hamister (2011:432) says that information distortion is a challenge when using the POS system. According to Chaudhry and Hodge (2012:70), it is questionable whether the POS system of clothing retailers is linked to the customers’ systems, as errors are bound to exist in demand planning. (Ni & Fan, 2011:1531)

- Influx of clothing imports: Trade and liberation has led to an influx of clothing imports in SA (Ramdass, 2007:6). The SA clothing industry also suffers as a result of cheap imports from China (Media Club South Africa, 2015: 6). Bhardwaj and Fairhurst (2010:166) confirm that the global clothing industry suffers as a result of the extensive imports of fashion clothes for ladies, which resulted in a sales loss for the clothing industry.

- Incorrect estimations of clothes: The complexity of the manufacturing process makes it difficult to estimate with accuracy in the SA clothing (Aksoy et al., 2012:222). However, Ni and Fan (2011:1529) reiterated that estimators need the required expertise when conducting future estimations.

- Recession as an unfavourable economic condition: The 2002 global recession has destabilised the performance of the majority of organisations in South Africa (Simos, 2002:32). Anderssen (2011:11) indicates that there was a sales decline in one of the leading SA clothing retail stores due to the global recession. The recession resulted in a decrease in the need for clothes which were seen as luxury items during a global recession (Kim, 2012:1286). To use past sales history during a recession period does not produce good estimation results (Matsoma, 2016:146).

- Late arrival of clothes: Extended lead time of clothing fabric is a challenging issue in the South African clothing industry because the clothing manufacturers order clothing materials internationally (Nattrass & Seekings, 2012:19). De Villiers et al. (2010:178) confirmed that such delays in the manufacturing and delivery of fabrics may have serious repercussions in the industry as some factories are likely to lose valuable customers due to delays. Table 2 presents a summary of factors affecting demand planning in the SA clothing industry.
Table 2: A summary of factors affecting demand planning in the SA clothing industry

<table>
<thead>
<tr>
<th>Factors</th>
<th>Description of factors</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduling</td>
<td>Complex manufacturing, timely and correct plan, communication and cost</td>
<td>Aksoy et al. (2012:222); Media Club South Africa, 2015:14; Nanni et al. (2013:1); Thomassev, (2010:471)</td>
</tr>
<tr>
<td>Fashion planning</td>
<td>Fashion trend, changing needs</td>
<td>Qu &amp; Liu (2010:1); Obarofo (2012:67)</td>
</tr>
<tr>
<td>POS System</td>
<td>Data distortion, system integration, POS access</td>
<td>Chaudhry and Hodge (2012:70); Hamister (2011:432); Ni &amp; Fan, 2011:1531</td>
</tr>
<tr>
<td>Imports of clothes</td>
<td>Oversupply of clothes, cheap imports, sales loss</td>
<td>Ehardwaj and Fairnurst (2010:166); Media Club South Africa, 2015:6; Ramdass (2007:1)</td>
</tr>
<tr>
<td>Estimation of clothes</td>
<td>Complexity of clothes, errors, expeditor</td>
<td>Aksoy et al. (2012:222); Ni and Fan, 2011:1520</td>
</tr>
<tr>
<td>Recession</td>
<td>Sales decline, historical sales, clothes becoming a luxury commodity</td>
<td>Simos (2002:32); Nattrass and Seekings (2012:9); Sokorton (2011:7); Steyler and Powell (2010); Kim (2012:1286)</td>
</tr>
<tr>
<td>Late arrival of clothes</td>
<td>International supplier, delays</td>
<td>Nanni et al. (2013:1); Aksoy et al. (2012:223); Thomassev, (2010:471); Nattrass and Seekings (2012:19)</td>
</tr>
</tbody>
</table>

Source: Researcher’s own compilation

As reflected in Table 2, Scheduling gets affected by complex clothing manufacturing processes, time, communication and the cost of garment charged. Fashion is constantly changing due to customer demanding fast fashion while clothing stakeholders suffers from the distortion of the data in the POS system. In addition, it is not certain that the demand planning system of clothing manufacturers is linked with the system of clothing retailers. Cheap imports, especially from China reduce sales in the clothing industry. Due to complex clothing manufacturing processes, clothing estimations results in errors. The clothing stakeholders experience sales losses during a recession as clothes becomes a luxury commodity. Historical sales data do not assist in improving clothing estimations and results in errors in demand planning. There are also delays regarding the arrival of fabrics especially from international suppliers. These factors need to be managed properly to ensure the effective and efficient management of demand planning in the clothing industry, especially in South Africa, where the industry experiences fluctuations in the number of clothing manufacturers, manufacturing output, as well as in employment. Below is the conceptual framework of the study which; indicates the clothing industry stakeholder's perceptions on these factors. All these factors affects the clothing industry stakeholders differently as their impact vary according each organisations in the clothing industry. Figure 1 below presents a conceptual framework of the study which covers the perceptions of clothing industry stakeholders on impact of factors affecting demand planning in the clothing industry.
As indicated in Figure 1, the framework of the preliminary literature review covers concepts such factors affecting demand planning in the clothing industry, the impact of each factor—both positive and negative impacts. In terms of the positive impact of these factors, regarding demand planning of clothing stakeholders, proper scheduling of customer demand improves service, communication and productivity. The appropriate planning of fashion leads to proactive plans and improvements when analysing fashion trends. Having access to the POS system assists in reducing estimation errors and in increasing profit. In addition, attending of trade exhibitions result in reduced estimation errors but clothing estimators should also acquire formal training. This will results in improvements on clothing demand planning. On the same note, delays in fabrics and reactive planning of fashion results in stock loss. Lack of POS access leads to sales losses and stock distortion. Also, lack of skills in estimating and failure to attend fashion shows lead to errors. During a recession past sales history should not be used when estimating clothes. Late deliveries lead to delays in manufacturing and this signifies a lack of proper demand planning.

**Research design and methodology**

In this study, a quantitative approach using the survey method was used to achieve the objectives of the study. The survey involves obtaining data on situations or occurrences or events (Leedy & Ormord, 2014:195). In South Africa, the clothing industry is concentrated in the Western Cape, KwaZulu-Natal, Free State and Gauteng. Gauteng was chosen for data collection because it was convenient and accessible to the researcher. The paper employed a non-probability sampling technique. This means that the researcher chose a sample size, which was easily available and accessible. Convenience sampling was employed in this study. A total sample of 56 clothing industries was chosen. Managers, supervisors and specialists constituted the sample of the study, based on convenience. Structured questionnaire was administered and hand delivered to the respondents who are based in Pretoria and Johannesburg. The demand planning practices questions were measured using a five-point Likert-type response-format scale with 1 indicating strongly agree and 5 strongly disagree. The collected data was analysed using a Kruskal Wallis test and presented using a pie chart and in percentage and mean values in order to determine the differences in demand planning among the key stakeholders in the Gauteng clothing industry.
Findings

This section of the paper presents the findings in relation to the perceptions of the clothing industry stakeholders regarding factors affecting demand planning. The following hypothesis was tested to determine whether there is a significant difference in the perception of the clothing industry stakeholders about factors affecting demand planning. The Kruskal–Wallis test’s chi-square test value, the p-value and the relevant level of significance are shown for each statement. The findings of the study are discussed in relation to (i) key clothing stakeholders in the clothing industry; (ii) the perceptions of the respondents regarding factors affecting demand planning and (iii) the perceptions of clothing industry stakeholders regarding factors affecting demand planning.

Key clothing stakeholders

This section presents the distribution of the key stakeholders represented in the study. Figure 3 presents the distribution of the key stakeholders in percentages.

Figure 2: The clothing industry stakeholder distribution (in %)

Source: Author's own compilation

As shown in Figure 3, there are three stakeholders in the clothing industry. The clothing industry is made up of 46.4% clothing manufacturers, 32.1% fabric suppliers and 21.4% fashion designers. Therefore, the majority of the respondent in the clothing industry are clothing manufacturers.

Factors affecting demand planning

This section of the findings presents the results with regards to factors affecting demand planning. Respondents were asked to indicate the extent to which they agree with the factors affecting demand planning. The findings are presented using percentage scores as reflected in table 3 below.
### Table 3: Factors affecting demand planning

<table>
<thead>
<tr>
<th>Factors affecting demand planning</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduling of clothing-manufacturing of customers’ orders</td>
<td>70.27</td>
</tr>
<tr>
<td>Planning for fashion clothes</td>
<td>58.34</td>
</tr>
<tr>
<td>POS system usage</td>
<td>47.39</td>
</tr>
<tr>
<td>Imports of clothes</td>
<td>53.55</td>
</tr>
<tr>
<td>Estimation of future clothing requirements</td>
<td>45.72</td>
</tr>
<tr>
<td>Recession as a global economic condition</td>
<td>64.87</td>
</tr>
<tr>
<td>Effect of late arrival of clothes</td>
<td>68.32</td>
</tr>
</tbody>
</table>

*Source: Questionnaire*

*Note: some of the percentages do not add up to 100% on account of missing values, as some of the respondents did not answer specific statements relating to factors affecting demand planning.*

As shown in table 3, the scheduling of customer orders is seen as the factor with the highest percentage (70%) that has impact on demand planning. The late arrival of clothes (68.32%) and a recession (64.87%) are viewed as factors with the second highest percentage impact on demand planning. Planning for fashion (58.34%) as well as clothing imports (53.55%) are in the third place of factors which affect demand planning in the clothing industry. The POS system (47.39%) and clothing estimations (45.72%) are seen as the factors with the least impact on demand planning in the clothing industry of Gauteng.

**Perceptions of respondents on factors affecting demand planning.**

This section of the findings presents the perceptions of the clothing stakeholders in relation to factors affecting demand planning. Respondents were asked to indicate the extent to which they perceive the impact of factors affecting demand planning in their organisations. The findings are presented using the mean scores as reflected in table 4 below:
Table 4: Perceptions of the clothing stakeholders in relation to factors affection demand planning

<table>
<thead>
<tr>
<th>Factors affecting demand planning</th>
<th>Stakeholders</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduling</td>
<td>Fabric Suppliers</td>
<td>22.53</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>26.86</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>29.16</td>
</tr>
<tr>
<td>Planning for fashion clothes</td>
<td>Fabric Suppliers</td>
<td>15.17</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>25.25</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>28.63</td>
</tr>
<tr>
<td>POS system</td>
<td>Fabric Suppliers</td>
<td>13.60</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>23.02</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>20.06</td>
</tr>
<tr>
<td>Imports of clothes</td>
<td>Fabric Suppliers</td>
<td>18.77</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>30.28</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>22.25</td>
</tr>
<tr>
<td>Estimation of future clothing requirements</td>
<td>Fabric Suppliers</td>
<td>22.91</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>18.94</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>17.54</td>
</tr>
<tr>
<td>Recession</td>
<td>Fabric Suppliers</td>
<td>15.97</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>32.26</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>25.40</td>
</tr>
<tr>
<td>Arrival of clothes</td>
<td>Fabric Suppliers</td>
<td>20.27</td>
</tr>
<tr>
<td></td>
<td>Clothing Manufacturers</td>
<td>29.90</td>
</tr>
<tr>
<td></td>
<td>Fashion Designers</td>
<td>24.45</td>
</tr>
</tbody>
</table>

Source: Author's own compilation

A brief description on the findings regarding the perception of clothing industry stakeholders is presented below:

Scheduling: With regards to scheduling, fashion designers tend to agree more (29.16) that scheduling is critical for planning demand compared to clothing manufacturers (26.86) and fabric suppliers (22.53). This means that scheduling is critical to clothing stakeholders. The result is aligned to the literature as various authors in the literature stated that short the manufacturing process, communication, time as well as the cost of garments becomes crucial in scheduling customer demand.

Planning for fashion clothes: In terms of planning for fashion clothes, fashion designers (28.62) agree more on the importance of planning for fashion clothes than clothing manufacturers (25.25) and fabric suppliers (15.17). This is in agreement with the literature used in the study which indicates that fashion is overcharging as clothing customers demand fast fashion.

POS system: Clothing manufacturers agree more (23.02) that the POS system is important when planning for customer demand than fashion designers (20.06) and fabric suppliers (13.60). This is in line with the literature where authors in demand planning indicates that data distortion and a lack of access to the POS system by clothing partners results in demand planning errors.

Imports of clothes: Clothing manufacturers agree more (30.28) that clothing imports should be considered in demand planning than fashion designers (22.25) and fabric suppliers (18.77). This tallies with the literature as various authors agree that the influx of cheap imports especially from China reduces sales in the clothing industry.

Estimation of future clothing requirements: Fabric suppliers agrees more (22.81) than clothing manufacturers (18.94) and fashion designers (17.54) that it is crucial to estimate for future
clothing needs. The literature also agrees with these statements as authors mentioned that the manufacturing process of clothes is complex and it is not easy to estimate clothes with great accuracy.

Recession: Clothing manufacturers agrees more (32.26) than fashion designers (25.40) and fabric suppliers (15.97) that a recession may affect demand planning in the clothing industry. Authors in the literature also alluded that sales loss are experienced during recessions as clothes become a luxury commodity and that history do not yield great results.

Late arrival of clothes: Clothing manufacturer agrees more that clothing orders to arrive late can be a problem (29.90) than fashion designers (24.45) and fabric suppliers (20.27). This is in agreement with the literature as it is stated that there are delays in fabric orders especially from international suppliers.

It is confirmed that proactive and short manufacturing planning regarding fashion may improve demand planning in the clothing industry. This will allow clothing stakeholders to meet ever-changing fashion customer's needs. From the above research findings, it is shown that clothing stakeholders agree that short manufacturing plans improve demand planning; however, fabric suppliers feel strongly that the manufacturing process of clothes is very complex and results in estimation errors. Even though some stakeholders such as clothing manufacturers and fashion designers feel that constant fashion changes do not affect demand planning in their organisations and do not contribute to estimation errors. It may be assumed that fashion designers may be focusing more on designer wear and do not need to follow trends as designers produce unique brands. On the other hand, clothing manufactures may seemed to cope with constant changes in fashion trends. The findings also reveals that the POS system of retailers and manufacturers should be linked and that data distortion exists concerning the POS system. This will allow for improvement in communication and in planning for customers’ needs. From the research finding it is clear that during a recession period the sales of clothing may decline and lead to inaccuracy in demand planning.

Conclusions

This paper investigates the perceptions of the clothing industry stakeholders regarding factors affecting demand planning in the clothing industry of Gauteng. Convenience sampling was employed on 56 clothing industries stakeholder namely managers, supervisors and specialists. Structured questionnaire were delivered to the respondents who are based in Gauteng. The demand planning practices questions were measured using a five-point Likert-type response-format scale with 1 indicating strongly agree and 5 strongly disagree. The collected data was analysed using Kruskal Wallis test and presented in a pie chart, with the percentages and mean values in order to determine the differences in demand planning among the key stakeholders in the Gauteng clothing industry. The results revealed that a short manufacturing process is recommended when planning for customers’ needs for clothes. Some clothing stakeholders believe that ever-changing fashion clothes affect proper demand planning, whereas others disagree with the statement. The results also indicated that the complexity of clothing manufacturing results in imbalances in demand planning. For demand planning and communication to improve amongst clothing stakeholders, the POS of all in the clothing value chain should be linked. In addition, sales normally declines during a recession period and the lead time becomes extended especially concerning clothes bought internationally. From the research findings, it is clear that the clothing industry stakeholders followed different practices in demand planning and it is recommended that each factor affects the demand planning of clothing stakeholders differently. This paper also recommends that there should be better coordination and stakeholder engagement when planning for clothing demand. This paper makes a contribution to demand planning in the clothing industry, specifically to clothing stakeholders in Gauteng.
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REVERSE LOGISTICS CHALLENGES IN MANUFACTURING PHARMACEUTICAL COMPANIES IN SOUTH AFRICA - THE CASE OF THE CITY OF TSHWANE

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Knowledge concerning the challenges of reverse logistics facing manufacturing pharmaceutical companies in the city of Tshwane is very limited and motivated the researcher to do this study. The return on investments in manufacturing pharmaceutical industry is potentially high, hence this study aims to find better ways of dealing with the challenges of reverse logistics such as gatekeeping, technology, waste elimination, transportation and product recalls within the pharmaceutical industry. This study was quantitative in nature. Questionnaires were posted via SurveyMonkey to manufacturing or production personnel, logistics or operations managers, factory managers, procurement managers or personnel and sales personnel; each in one of the fifty (50) pharmaceutical companies. There was a total of 127 respondents. The results indicated that 34.13 percent strongly agreed with the fact that they face a variety of challenges in their respective pharmaceutical companies about reverse logistics. A further 32.54 percent agreed. The results indicate that there are challenges faced in the manufacturing pharmaceutical companies; ranging from transport and gatekeeping (amongst others). These statistics show that there are challenges faced in this industry; as the 66.67 percent of the respondents indicated that they strongly agreed or agreed; and solutions need to be found to solve these challenges. This has led to the conclusion that reverse logistics is important for manufacturing pharmaceutical companies as medication does get returned from time to time.

Keywords: Reverse Logistics (RL), Manufacturing pharmaceutical companies (MPC's), Challenges, South Africa (SA), City of Tshwane (CoT).

Introduction

Returns within the pharmaceutical industry are worth billions (Kabir, 2013). Currently, in South Africa there is inadequate academic research in this field of reverse logistics, especially in the manufacturing pharmaceutical companies (Badenhorst and Nel, 2012). This identifies a gap that needs to be investigated. Reverse logistics is defined by Agrawal and Choudhary, (2014:14) as “the process of planning, implementing, and controlling the efficient, cost-effective flow of raw materials, in-process inventory, finished goods, and related information from the point of consumption to the point of origin – for the purpose of recapturing or creating value or proper disposal”. Reverse logistics has been in existence as long as forward logistics but was not equally acknowledged and rising trepidation concerning the social and environment has instigated reverse logistics to convert into a dire element in countless businesses (González-Torre, Álvarez, Sarkis and Adenso-Díaz, 2010).

In reverse logistics drugs may not be recycled, but rather disposed of. Furthermore, slow-moving products need to be vended off, or moved to other suppliers, or seasonal goods that have reached the finale of their sales life (Rogers, Melamed and Lembke, 2012). Kabir (2013) states that the world has become familiar with products that have been revised throughout
manufacturing because of unacceptable quality, or with good materials or components being returned from the production floor, because of excess production (manufacturing returns). Authors such as Ayvaza, Bolatb & Aydınc, (2015:391); Trochu, Chaabane & Ouhammadou, (2018:33); John, Sridharan, Kumar & Krishnamoorthy, (2018:312) have all noted how reverse logistics has been receiving a lot of attention recently and they have been doing research on this topic. Amongst the many reasons why this topic has been receiving a lot of attention recently is because firms had to develop their current strategies to be more sustainable due to factors such as the firm’s green image, political, social responsibility and the economy (Ayvaza, Bolatb & Aydınc 2015:391).

Returns in manufacturing pharmaceutical industry are on the rise and it is becoming a growing concern for the companies affected. This problem is also occurring in the researcher’s home town, which has led to the identification of reverse logistics challenges in manufacturing pharmaceutical companies (MPCs) in the City of Tshwane (COT).

The aim of this study is to investigate reverse logistics challenges in MPCs in the City of Tshwane in South Africa

**Literature review**

It is difficult enough to achieve the flow of products by means of forward logistics, so one can only envisage the number of challenges that are encountered when dealing with reverse logistics (Reese, 2011). There are numerous challenges in reverse logistics such as gatekeeping, waste elimination, miscommunication, product recalls, transportation and damages within the pharmaceutical industry, as well as supporting managers in recovering their organisational performance and therefore reducing their financial losses. Reverse logistics is given little priority hence many organisations do not have defined procedures or determination to address it (Rajagopal, Sundram and Naidu, 2015). The design of a reverse logistics technique is a major challenge, since if it is not designed correctly; the system as a whole will be ineffective and will lead to loss of profit (Rubio and Jiménez-Parra, 2014).

Transactions occur in a highly competitive environment and accommodating product returns can cause sever challenges for the management of logistics. However, this cannot be avoided because it is inevitable to have certain product returns due to faulty goods or expired medicine. The notion of reverse logistics and return is costly, electrifying and time consuming for everyone involved such as retailers, manufacturers, and clients (Stănciulescu, 2011).

It is an extreme challenge at many pharmacies to handle returns, yet it is indeed needed, since the end-consumer’s satisfaction has to be retained (Elmas and Erdoğmuş, 2011). Some of the challenges that occur are retailer to manufacturer conflict, deteriorating market value due to time delays, quantity and timing, lack of formal operating events, alterations in quality, lack of performance measurement, and a shortage of skilled resources (Shaik, 2015).

It can be very challenging for manufacturing pharmacies to make a reverse logistics course for a product, predominantly because the accessibility of an efficient plan of circulation may be unavailable (Stănciulescu, 2011). The management of delicate medicine could also be a challenge as there is a high likelihood that they could be damaged in transit, resulting in a great loss. Firms can try to avoid this by cultivating sound packaging standards and educating transporters on how to handle such goods.

Different manufacturing pharmacies will use diverse methods to deal with the challenges of reverse logistics, but the corporate objective should be to recover reflectivity into the merchandises in motion throughout the reverse logistics flow (Reese, 2011). Lack of forecasting can lead to surplus inventory which could also be a challenge, as it might lead to outdated products within manufacturing pharmacies.
Reese (2011) explains that since companies face various challenges when dealing with reverse logistics, companies can either implement new resolutions to better restore their reverse logistics progression, or else they can delegate their reverse logistics courses to service providers to gain economies of scale by using specialists in growing reverse logistics processes. There is no doubt that addressing reverse logistics challenges is an important, measured ability (Stănciulescu, 2011).

After what has been said in various literature by Kabir, (2013) and Shaik, (2015), it should be recognised that reverse logistics as an area of study is increasing and becoming of importance. Challenges and solutions should be explored, especially in this field of manufacturing pharmacies (Rogers, Melamed and Lembke, 2012).

In this study the researcher has noted that reverse logistics development for staff members is a challenge and therefore management must take this into consideration and implement training for staff and employ qualified personnel who are more confident in handling reverse logistics problems and challenges. Badenhorst (2017:602) further indicated that management is also implicated in these challenges by the following organisational barriers; (i) lack of commitment by managers; (ii) lack of internal coordination; (iii) lack of awareness and management initiation; (iv) lack of strategic planning; (v) resistance to change; and (vi) lack of knowledgeable personnel resources and training.

## Research design

This study adopted a quantitative approach and measured variables. Burns and Bush (2010) define quantitative research as research comprising the use of arranged questions in which the response options have been predetermined and many respondents are involved. Data are collected and analysed in numeric form in quantitative studies, which tend to highlight large-scale and illustrative sets of data (Changcheng, 2011).

## Population and sampling

There are two sampling methods that the researcher could have used in this study (probability or non-probability sampling). In probability sampling, there is a probability and a chance for each case that is being selected from the population to be equal for all the cases (Saunders, Lewis and Thornhill, 2012). According to Leedy and Ormrod (2013:214), “in non-probability sampling, the researcher has no way of predicting or guaranteeing that each element of the population will be represented in the sample”. This study used non-probability purposive sampling since it is mostly focused on the opinions and the perspectives of the employees involved. The present study targeted the 100 manufacturing pharmaceutical companies based in the City of Tshwane (CoT) (The South African Pharmacy Council, 2015). The sample size was set as 50 manufacturing pharmacies which were selected randomly from the 100 manufacturing pharmaceutical companies. Random sampling was used because participants were randomly selected from the sample frame (Bryman et al., 2017). The sample of actual participants included respondents that run the issue or who authorise or process customer return transactions, replacement or credits products, and redistribute returns or restock (Huscroft, Hazen, Hall and Hanna, 2012).

## Data collection

A quantitative method was used to effectively examine reverse logistics in manufacturing pharmaceutical company about which there is currently little understanding in South Africa. The study aims to make observations and describe characteristics of the workers within the firms. This is done so that the results will provide adequate insight into whether the research objectives, namely, investigating the challenges of reverse logistics, have been attained.

Data were collected via a survey administered to the workers within the organisations. SurveyMonkey was used to send questionnaires to procurement managers or personnel,
logistics or operations managers, factory managers, sales personnel and manufacturing or production personnel in each of the fifty (50) manufacturing companies. A SurveyMonkey offers patterns that make questionnaire design easy and allows the researcher to present a variation of item types, such as multiple-choice items and rating scales (Leedy and Ormrod, 2012). Furthermore, SurveyMonkey is administered online, which is less time consuming and less expensive and it can be sent to individuals who are situated far away. The questionnaire took no longer than 20 minutes of the respondent’s time to complete.

Validity and reliability

According to Leedy and Ormond (2013:89) “the validity of a measurement instrument is the extent to which the instrument measures what it is needed to measure”. Reliability is a very important aspect that researchers should take into account when conducting a pilot or/and the main study. This should be done even when they use pre-existing questionnaires whereby many researchers use validated questionnaires or survey’s but neglecting the issue of reliability checking (Hazzi and Maldaon, 2011).

Data analysis

Data analysis was conducted by using the Stata V13 statistical software. Stata V13 is similar to Statistical Package for the Social Sciences (SPSS), “a software package used for statistical analysis” to examine and identify the present state of reverse logistics (Levesque, 2007). Beginning with descriptive analyses is the usual analysis approach to discover and obtain a “feel” for the data. The analyst then turns to address unambiguous questions from the study’s hypotheses or aims, from questions and findings, from studies reported in the literature and from patterns suggested by the descriptive analyses (Schoenbach, 2014). The findings were used as recommendations to improve reverse logistics practices and performances in the manufacturing pharmaceutical industry.

Results

In this section, some of the results found in this study are presented and discussed. In conducting this research, the researcher needed answers from individuals that deal with reverse logistics in the MPCs. The respondents had to first determine which role they played in their respective MPC.

There are different positions in the MPCs, such as: logistics manager, operations manager, factory manager, procurement manager, personnel manager, manufacturing or production personnel, and sales personnel. Table 1 shows that there was a good response of 91.33% from the priority personnel that comprised the target for this questionnaire (manufacturing or production personnel, logistics or operations managers, factory managers, procurement managers or personnel and sales personnel).
TABLE 1: Position in organisation (V1)

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics manager</td>
<td>12</td>
<td>9.45%</td>
<td>9.45%</td>
</tr>
<tr>
<td>Operating manager</td>
<td>11</td>
<td>8.66%</td>
<td>18.11%</td>
</tr>
<tr>
<td>Factory manager</td>
<td>13</td>
<td>10.24%</td>
<td>28.35%</td>
</tr>
<tr>
<td>Procurement manager</td>
<td>22</td>
<td>17.32%</td>
<td>45.67%</td>
</tr>
<tr>
<td>Personnel manager</td>
<td>19</td>
<td>14.96%</td>
<td>60.63%</td>
</tr>
<tr>
<td>Manufacturing or production personnel</td>
<td>29</td>
<td>22.83%</td>
<td>83.46%</td>
</tr>
<tr>
<td>Sales personnel</td>
<td>10</td>
<td>7.87%</td>
<td>91.33%</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>8.66%</td>
<td>99.99%</td>
</tr>
<tr>
<td>Total</td>
<td>127</td>
<td>99.99%</td>
<td></td>
</tr>
</tbody>
</table>

Most of the respondents hired in their MPC were manufacturing or production personnel (22.83%). The data further showed that a small number of 8.66% (other) of the employees that responded to the questionnaire were: quality personnel, production associate, speciality technician, production supervisor, quality assurers, regulators and interns. The results indicate that there were a few personnel managers (14.96%).

The results also revealed that one of the strategies used by MPCs in the CoT is technology, but the technology being used should to be advanced and current.

Hart (2008) explains that leading manufacturing pharmaceutical companies are finding ways through process improvements, the use of technology, and an understanding of the restrictions imposed by foreign customs to constantly expand the boundary of integration. This makes technology a very important component of the processes used, and the transactions conducted. The respondents indicated that having advanced technology is very important in assisting with the challenges faced in their MPC. The results showed that 57.94% of the respondents believed that it has a very high influence, a further 39.68% indicated that it does have an influence, 1.59% of the respondents indicated that it has medium influence and only 0.79% of the respondents felt that it had no influence.

The use of transportation is very important for any type of organisation, as goods are moved to and from it. Agrawal and Choudhary (2014) suggest that the major reverse logistics cost is transport and within as much as 25% or more of the total reverse logistics costs is the transportation cost.

The actual physical movement of goods from one point to the next inside the reverse logistics system is considered as transportation in the reverse logistics procedure (Agrawal and Choudhary, 2014). The respondents in the MPC indicated in Figure 2 that transport does play a very important role as indicated by the very high influence they have selected.

All respondents indicated that transport does play an important role indicated in Figure 2.
As mentioned in the literature review, the return of drugs is usually due to damages in transit. Gatekeeping is therefore one of the processes that needs to take place. Table 2 showed that 32.54% of the respondents indicated that gatekeeping has a very high influence and if not handled correctly, it causes delays in the process and none of the respondents indicated that it does not have any influence. Many respondents (57.94%) indicated that it has a high influence.

**TABLE 2: Gatekeeping**

<table>
<thead>
<tr>
<th>Gatekeeping</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No influence</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Low influence</td>
<td>1</td>
<td>0.79%</td>
</tr>
<tr>
<td>Medium influence</td>
<td>11</td>
<td>8.73%</td>
</tr>
<tr>
<td>High influence</td>
<td>73</td>
<td>57.94%</td>
</tr>
<tr>
<td>Very high influence</td>
<td>41</td>
<td>32.54%</td>
</tr>
<tr>
<td>Total</td>
<td>126</td>
<td>100%</td>
</tr>
</tbody>
</table>

The results clearly indicate that gatekeeping is one of the essential processes of reverse logistics and it needs to be taken into careful consideration. There are other processes that are important when dealing with reverse logistics, such as collection and storing. The collection and receiving of these returned drugs are very important and the respondents of the manufacturing pharmaceutical companies did indicate that in their responses. The respondents viewed the collection process as one of the challenges being faced by their companies. The responses indicated that only 3.97% of the respondents feel that the collection process is not a challenge. The results further indicated that 96.03% view it as a high, or very high influence. None of the respondents felt that collection has no influence. Clearly, the collection process can be viewed...
as a challenge for many manufacturing pharmaceutical companies. The next figure (Figure 3) indicates the overall results of respondent's beliefs as to whether there are challenges being faced by the manufacturing pharmaceutical companies.

![Figure 3: Histogram of respondent’s perceptions regarding challenges in their manufacturing pharmaceutical companies.](image)

*Source: Makaleng, (2017)*

**FIGURE 3: Histogram of respondent’s perceptions regarding challenges in their manufacturing pharmaceutical companies.**

Figure 3 further indicated that only 3.96% of the respondents do not necessarily believe that there are challenges in their manufacturing pharmaceutical companies.

**Ethical considerations**

Research ethics can be defined as the standards of the researcher’s behavior in relation to the rights of those who become the subject of a research project, or who are affected by it (Saunders, Lewis and Thornhill, 2012: 680).

During the period of study, these essential ethical considerations were followed as suggested by Saunders, Lewis and Thornhill (2012);

• The researcher focused on the research questions and did not by any means hinder in any manner that might have jeopardised the integrity of data and the study.

• The researcher was the only resource for data collection and the identities of respondents were protected.

• The researcher acknowledged that participation was voluntary, and the respondents could withdraw their participation from the study at any time they deemed fit.

• No personal details were needed to enhance the confidentiality and anonymity of respondents and there were no unpleasant or damaging effects on the individual and the company.

• The researcher communicated the aim, objectives, nature and future use of findings to respondents prior to commencement of data collection activities.

• Under no conditions was the report presented in such a way that others became aware of how a participant responded. Data collected was confidential and was only be used for the study.
Conclusion

This paper examined the challenges of reverse logistics in the manufacturing pharmaceutical companies. The challenges faced ranges from gatekeeping and transportation (amongst others). The usual way of moving goods in the manufacturing pharmaceutical companies is from the suppliers to the customers. In the reverse logistics process, the goods move from the customer to the supplier. This could be due to drug defects/damages/drug expiration. A lot of manufacturing pharmaceutical companies in the CoT did not predict that drugs will be returned since goods are only produced to move forward. Reverse logistics has been in existence as far back as logistics; though many organisations do not want to undergo reverse logistics because they view this as being a financial loss. The researcher realised in the study that the reverse logistics of drugs is not as easy as it sounds; as drugs cannot be resold or re-furbished.

When drugs are returned due to defects/damages, the only option is to destroy them. Drugs cannot just be disposed of anywhere; as they are harmful to our environment; and certain environmental regulations and laws need to be followed. There is an absence of reverse logistics studies in the manufacturing pharmaceutical companies and that is another reason why this study was undertaken. The expectation for this study is to make the many manufacturing pharmaceutical companies realise the significance of applying models for reverse logistics since it is an imperative part of logistics. For future research, researcher can look into reverse logistics in another industry (Automobile, retail pharmacies, FMCG) and can also make use of a qualitative research approach or mixed method approach.

References


Track 13
The Path to Local and Community Development
IMPROVING PRODUCTION AND EFFICIENCY: PATHWAY TO ECONOMIC DEVELOPMENT AMONG NORTHERN NIGERIA RURAL RICE FARMING COMMUNITIES

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Nigeria has low rice productivity. This problem is solvable through improved rice technology by West Africa Rice Development Agency (WARDA). This study considered rice productivity/efficiency in Kaduna and Nasarawa States, Nigeria, focusing on farmers cultivating New Rice for Africa (NERICA). Four-stage sampling technique was used: Kaduna and Nasarawa States were randomly selected among major rice producing states; two Local Government Areas (LGAs) were randomly selected from each state; five rice producing communities were randomly selected from each LGA; 243 rice farmers were selected for the study. Rice production had increasing returns to scale of 1.44. Farmers were cost inefficient, with scope for improvement in production. Average productivity (AP) was 25.90; marginal productivity (MP) was 13.21; total factor productivity (TFP) was 12.79. Farmer’s age had negative and significant influence on AP and MP. Farmer’s age and land tenure status had negative and significant influence on TFP. Extension contact, adoption of improved rice technology and level of farm commercialization positively influenced AP and MP. Level of formal education, extension contact, adoption of improved rice technology and level of farm commercialization positively influenced TFP. Improvements in extension service delivery, enhanced technologies’ availability and utilisation were recommended to ensure development within Nigerian rice-farming communities.

Keywords: efficiency, productivity, returns to scale, rice.

Introduction

Rice is cultivated in all regions of Nigeria. It ranks fourth after cassava, yam and guinea corn (FAOSTAT 2018). It accounts for about 24 percent of the total cereals produced in Nigeria (FAOSTAT 2018; Knoema 2018a). Five major production systems were identified as upland rainfed, inland shallow swamp, deep water floating, lowland and irrigated rice production systems (Olayemi 1997). In 1990, Nigeria’s rice yield was 2.07 tonnes/hectare. This reduced to 1.4 tonnes/hectare between 2000 and 2005, and fluctuated between 1.8 and 2.0 tonnes/hectare in 2010 – 2015. In 2016, Nigeria rice yield was 2.02 tonnes/hectare (Knoema 2018b). The land area under rice cultivation in Nigeria in 2016 was 2.995 million hectares. But the estimated area planted with rice in 2014 and 2015 stood at 3.122 and 3.082 million hectares respectively (Knoema 2018b). These figures indicated a reduction in area cultivated for rice over the period 2014-2016. Rainfed lowland, upland and irrigated systems accounted for 47%, 30% and 16% respectively to the total land area devoted to rice production (Daramola 2005). Among these systems, rainfed upland system was known as the least productive (Tiamiyu 2008), even relatively lower when compared to lowland and irrigated production systems (Longtau 2003). Nevertheless, a large proportion of rice farmers cultivated and operated in the upland system as a result of limited area availability of lowland for rice production. This is because of government preference for horticultural crops in the lowland. It was noted that World Bank gave loan facility to Nigerian Rice Project to the tune of $3 million in 1998, while in preceding year the same institution gave $300 million for horticultural crops under Fadama II project. In order to enhance
and promote better rice production in Nigeria, WARDA raised NERICA varieties for upland ecologies; this was launched to farmers during the Participatory Varietals Selection (PVS) trials in 1999 and 2001. NERICA varieties were introduced to address low productivity problem of upland rice in Africa. These varieties are suitable to the low input conditions of rainfed upland rice production system. Moreover, it shows significant resistance to drought, weed competition, blast virus diseases, and soil iron toxicity and acidity (Jones et al. 1997); the varieties also possess higher protein content (Diagne 2006: 208-231).

These rice varieties symbolize enhanced seed technology to improve yield and productivity. They represent superior management practices in terms of biological and chemical technologies. The production parameters of the farmers that cultivate these varieties technologies, as well as their levels of productivity and their determinants, the response of the seed to inputs, and the efficiency of the farmers and how these can be used to answer the problems of poor yield, low productivity and rice self-insufficiency in Nigeria necessitate empirical quantification. Consequently, this study observes the measures of productivity, efficiency, and the factors that influence the productivity of rice farmers in Nigeria, and how these would enhance development of rice farmers and their respective communities.

Statement of the problem

Nigeria has a problem of demand-supply gap for rice. In 2018, rice paddy production for Nigeria was about 4.8 million tonnes, while consumption was 7.4 million tonnes (Index Mundi 2019a,b). According to British Broadcasting Corporation (2019), Nigeria imported nearly 17 million tonnes of rice over the past five years, with importation of 2.3 million tonnes in 2016. It was reported that the country spends $5m (£4m) a day for rice shipments. Rice accounted for 1.26% of the entire 2017 budget (BBC 2019). Considering Index Mundi (2019a,b) data, rice self-sufficiency ratio in 2018 was approximately 0.64. In the interim, Nigerians' craving for rice shows no evidence that indicates that the demand for the commodity would slow down.

Fundamentally, resolving the issue of rice production is the question of low productivity. Average Nigeria rice yield was 2.02 tonnes per hectare which is relatively low when compared to 5.28 tonnes and 9.7 tonnes per hectare in Mauritania and Egypt respectively. In addition, there is problem of opportunity cost of foreign exchange used for importation of rice. In 2018, Nigeria imported 2.4 million metric tonnes of rice worth about $US1009.6 million in scarce foreign exchange (Index Mundi 2019c). This amounts to depletion in the foreign reserve/exchange of the country which cannot be over-emphasized. The opportunity cost of persistent importation of rice in Nigeria comprises reduction in local production. Putting the money into the economy will result in multiplier effects of rising local production, provision of employment, and creation and improvement of opportunities for rice processing in the country. Consequently, there would be reduction in rice sector capacity restraint in meeting local consumption. To achieve this, there is need to discover efficient way of increasing production. The problem in this instance is: knowing the efficiency level of the rice farmers (efficient or inefficient); knowing their productivity level; knowing the factors that determine the productivity measures of the rice farmers.

An attempt to improve productivity of these farmers would result in economic development of the rice sector in general, and the producing community in particular. Therefore, it is essential to offer vital information to show the justifiable resources required for rice farming development.

Objectives of the study

The general objective of this study was to assess productivity and efficiency of rice farming in Nigeria. The specific objectives were to:

1. examine the scale efficiency of rice production with respect to technical, managerial and cost efficiency/inefficiency;
2. determine the measures of productivity viz-a-viz average, marginal and total factor productivity; and

3. identify the socio-economic factors that influence average, marginal and total factor productivity of rice farming communities in the country.

**Methodology**

Area of Study: The areas of study were Kaduna and Nasarawa States of Nigeria. They are located in the savanna zone of the country. The reason for the choice of the States was their involvement in Participatory Varietal Selection (PVS) trials organized by WARDA in 1999 and 2001 for the introduction of new rice technology (NERICA). Upland and lowland rice production are the predominant production systems in these study areas (Tiamiyu et al. 2006).

Method of Data Collection: Information was collected from upland rice farmers in the states based on their production activities. Data were collected using structured questionnaire. Four-stage sampling technique was used. First, Kaduna and Nasarawa States were randomly selected from the list of major rice producing states in the country. Then, Soba and Igabi LGAs were randomly selected from the major rice producing LGAs in Kaduna, while Lafia and Obi LGAs were randomly selected from Nasarawa. Afterwards, five villages where new rice technology dissemination activities effectively took place were selected from each LGA. Lastly, there was random selection of 243 rice farmers from the study areas.

Methods of Data Analysis: Descriptive statistics, unrestricted and restricted Cobb Douglas production functions were employed for the study.

Descriptive statistics: This is used to categorize the rice farmers into different classes based on their productivity levels (AP, MP and TFP). It made use of frequency tables, percentages, means and standard deviations.

Unrestricted Model: The study adopted the model specification used by Acheampong and Anoff (2006). The implicit form of the function is given as:

\[ Q_i = f (X_1, X_2, X_3, X_4, X_5, u_i) \] ............... (1)

This can be specified as a Cobb-Douglas production technology given as:

\[ Q_i = A X_1 b_1 X_2 b_2 X_3 b_3 X_4 b_4 X_5 b_5 u_i \] ............... (2)

The model is log-linearized to obtain unrestricted equation given as:

\[ \ln Q_i = \ln A + b_1 \ln X_1 + b_2 \ln X_2 + b_3 \ln X_3 + b_4 \ln X_4 + b_5 \ln X_5 + u \] ............... (3)

where \( Q \) = output (kg), \( X_1 \) = farm size (hectares), \( X_2 \) = labour (mandays), \( X_3 \) = seeds (kg), \( X_4 \) = fertilizer (kg), \( X_5 \) = herbicides (litres), \( u \) = error term, and \( b_i \)'s are parameters to be estimated.

\( A \) = managerial efficiency, \( \ln A \) = technical efficiency/inefficiency.

In this specification, managerial efficiency in production (i.e. the organization of the factors of production) was measured by \( A \). The larger the value of \( A \), the more the production activity is managerially efficient, and vice versa. In economic context, \( A \) is restricted such that \( A > 0 \) (Acheampong and Anoff 2006: 193-209).

Restricted Cobb-Douglas Model: This is required to ascertain the nature of returns to scale that characterize the production process. According to Al-Qunaibet et al. (1995), testing the degree of returns to scale can be done by examining the farm technology as described by its production function. To perform this, we require an imposition of restriction on the Cobb-Douglas production function. The restriction is:

\[ b_3 = 1 - b_1 - b_2 - b_4 - b_5 \] ............... (4)

This restriction is obtained from the relationship \( b_1 + b_2 + b_3 + b_4 + b_5 = 1 \)

The substitution of (4) into (3) results in
ln Q = ln A + (1 – b1 – b2 – b4 – b5) ln X3 + b1 lnX1 + b2 lnX2 + b4 lnX4 + b5 lnX5 + ui  
........(5)

The re-arrangement of (5), following Lardaro (1993), produced the estimating restricted estimation as

ln (Q/X3) = ln B + B1 ln(X1/X3) + B2 ln(X2/X3) + B4 ln(X4/X3) + B5 ln(X5/X3) + u ....... (6)

Where Q/X3 = AP (average productivity of seed); ln B = [ln A + ln X3] from (5), and Xi’s are as already defined.

**Hypotheses**

1. Null hypothesis: The inputs have no significant influence on the response of rice output.

H0: b1 = b2 = b3 = b4 = b5 = 0

2. Null hypothesis: The rice production is not characterized by increasing/decreasing returns to scale.

H0: b1 + b2 + b3 + b4 + b5 = 1

3. Null hypothesis: The hypothesized factors have no significant influence on rice productivity (APP, MPP and TFP).

H0: a1 = a2 = a3 = a4 = ... = an = 0

**Hypothesis Testing**

The hypotheses would be tested following Lardaro (1993) which defines the Wald’s test (F-test) that could be stated as follows:


This has F distribution with r being the number of restrictions (i.e. one (1) for this study); n = sample size; and K = number of parameters in the unrestricted Cobb-Douglas production function.

Decision Rule: for this test (i) if F calculated is less than F tabulated, the null hypothesis is accepted and alternative hypothesis is rejected; (ii) if however, F calculated is greater than F tabulated, then the null hypothesis is rejected and alternative hypothesis is accepted.

**The Productivity (APP, MPP and TFP) Models**

(i) The total factor productivity model used in this study is borrowed from work of Key and McBride (2003). Hence, the total factor productivity is measured as the inverse of the average unit cost of production. It is defined as the inverse of the ratio of total variable cost to total output. The model is approximated by a linear relationship.

TFP = Q / TVC or 1 / AVC

\[ TFP = \frac{Q}{\sum Pxi Xi} \]

TFP = \( f (z1, z2, z3, ..., zm) \)

Where m = number of variables

TFP = d0 + d1z1 + d2z2 + d3z3 + ... + d10z10  

(ii) The average productivity model

APP = f (z1, z2, z3, ..., zm)

APP = d0 + d1z1 + d2z2 + d3z3 + ... + d10z10  

(iii) The marginal productivity model
MPP = f (z1, z2, z3, ..., zm)
MPP = d0 + d1z1 + d2z2 + d3z3 + ... + d10z10 .......................... (9)

Where z1 = farmer’s age (years); z2 = formal education level (years); z3 = farming experience (years); z4 = land tenure status (dummy: owner of farmland = 1, otherwise = 0); z5 = household size; z6 = credit availability (dummy: farmer benefiting credit = 1, otherwise = 0); z7 = extension contact (number of contact with extension agents per annum); z8 = adoption index (proportion of NERICA rice technology package utilized on the farm compared to the standard); z9 = membership of cooperative (dummy: member = 1, non-member = 0); z10 = commercialization index (proportion of sales compared to the total output); u = error term; bi’s = parameters to be estimated.

APP and MPP are related through the elasticity of production for each variable. The productivity measures are therefore related to one another. The idea behind using the same set of explanatory variables in the productivity models was to identify specific factors that may account for or be useful in explaining the different productivity concepts.

Results and discussion

Table 1: Distribution of the selected famers based on the productivity measures

<table>
<thead>
<tr>
<th>Productivity measures</th>
<th>Frequency</th>
<th>Percentage frequency</th>
<th>Mean (Standard deviation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>APP</td>
<td>16.00 – 20.99</td>
<td>71</td>
<td>29.22</td>
</tr>
<tr>
<td></td>
<td>21.00 – 25.99</td>
<td>58</td>
<td>23.87</td>
</tr>
<tr>
<td></td>
<td>26.00 – 30.99</td>
<td>69</td>
<td>28.40</td>
</tr>
<tr>
<td></td>
<td>31.00 – 35.99</td>
<td>33</td>
<td>13.58</td>
</tr>
<tr>
<td></td>
<td>36.00 – 40.99</td>
<td>11</td>
<td>4.53</td>
</tr>
<tr>
<td></td>
<td>41.00 – 45.99</td>
<td>1</td>
<td>0.41</td>
</tr>
<tr>
<td>MPP</td>
<td>8.00 – 10.99</td>
<td>79</td>
<td>32.51</td>
</tr>
<tr>
<td></td>
<td>11.00 – 13.99</td>
<td>58</td>
<td>23.87</td>
</tr>
<tr>
<td></td>
<td>14.00 – 16.99</td>
<td>85</td>
<td>34.98</td>
</tr>
<tr>
<td></td>
<td>17.00 – 19.99</td>
<td>20</td>
<td>8.23</td>
</tr>
<tr>
<td></td>
<td>20.00 – 22.99</td>
<td>1</td>
<td>0.41</td>
</tr>
<tr>
<td>TFP</td>
<td>6.10 – 9.09</td>
<td>33</td>
<td>13.58</td>
</tr>
<tr>
<td></td>
<td>9.10 – 12.09</td>
<td>78</td>
<td>32.10</td>
</tr>
<tr>
<td></td>
<td>12.10 – 15.09</td>
<td>49</td>
<td>20.16</td>
</tr>
<tr>
<td></td>
<td>15.10 – 18.09</td>
<td>70</td>
<td>28.81</td>
</tr>
<tr>
<td></td>
<td>18.10 – 21.09</td>
<td>13</td>
<td>5.35</td>
</tr>
</tbody>
</table>
Table 1 presents the productivity measures among the rice farmers in the study areas. From the data collected, about 53% of the farmers operated below average productivity levels that existed in the study areas. This implies that there is much room for improvement in rice productivity, especially among the farmers that were operating at relatively low productivity levels.

Table 2: The results of unrestricted production function of the selected rice farmers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-statistics</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>lnX1 (land)</td>
<td>-0.06</td>
<td>-1.42</td>
<td>0.04</td>
</tr>
<tr>
<td>lnX2 (labour)</td>
<td>0.63***</td>
<td>6.28</td>
<td>0.10</td>
</tr>
<tr>
<td>lnX3 (seeds)</td>
<td>0.51***</td>
<td>9.94</td>
<td>0.05</td>
</tr>
<tr>
<td>lnX4 (fertilizer)</td>
<td>0.29***</td>
<td>19.19</td>
<td>0.02</td>
</tr>
<tr>
<td>lnX5 (herbicides)</td>
<td>0.07***</td>
<td>5.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Constant</td>
<td>0.89</td>
<td>2.71</td>
<td>0.33</td>
</tr>
</tbody>
</table>

R² = 0.98; R-squared = 0.98; F = 2820.51; RSS = 80.25; RTS = 1.44

NB: *** - 1% significance level

This section assesses the response of rice to inputs in production and returns to scale of the farmers. Table 2 shows the results of the unrestricted model for the rice farmers in the areas of study. A careful consideration of the results indicated that labour, seed, fertilizer and herbicides had significantly positive effect on output. This implies that if the farmers want to increase their output, they may require to increase the levels of utilization of these factors of production. All the variables were significant at 1% level of significance. The R² values for the models were about 0.98. This implies that more than 98 percent of the variation in output was explained by the explanatory variables in the estimated models. The most important of all the inputs is labour, followed by seed, fertilizer and herbicide, in that order. For the farmers to produce at optimal level there might be need for them to increase the level of utilisation of labour, seed, fertilizer and herbicide. The inputs, except land, were significant at 1% level. With fertilizer, herbicides and other inputs being positive, expansion in the farm sizes might be expected to lead to increased output. In the alternative, intensive production system that would be capital intensive may be introduced to increase output. A reduction in the farm size would tend to be at variance with the increasing returns to scale (RTS) result obtained in this study. F value of 2820.51 exceeds critical F value (degree of freedom 5,237) of 2.21; this shows that the inputs have significant influence on the response of rice output, rejecting the null hypothesis 1.

Table 3: Results of restricted production function of the selected rice farmers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-statistics</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>lnX1/X3 (land per seed)</td>
<td>0.11**</td>
<td>2.20</td>
<td>0.05</td>
</tr>
<tr>
<td>lnX2/X3 (labour per seed)</td>
<td>-0.35***</td>
<td>-6.67</td>
<td>0.05</td>
</tr>
<tr>
<td>lnX4/X3 (fertilizer per seed)</td>
<td>0.35***</td>
<td>20.15</td>
<td>0.02</td>
</tr>
<tr>
<td>lnX5/X3 (herbicides per seed)</td>
<td>0.10***</td>
<td>6.05</td>
<td>0.02</td>
</tr>
<tr>
<td>Constant</td>
<td>3.89</td>
<td>18.28</td>
<td>0.21</td>
</tr>
</tbody>
</table>

R² = 0.82; R-squared = 0.82; F = 279.22; RSS = 9.57

NB: *** - 1% significance level; ** - 5% significance level

In the restricted model, average land productivity was positive and significant in the study areas. It is thus assumed that increase in farm size relative to the improved seeds may result in increased output. Table 3 contains the results of the average production function with respect to the seed input. The dependent variable is the average output with respect to seed. This is...
expressed as a function of the average inputs with respect to seed as the explanatory variable. All the variables were significant at 1%, except land which is significant at 5%. The R2 values for the estimated equations are noted to be high and econometrically acceptable. The importance of unrestricted and restricted models is to help in carrying out the linear homogeneity test on the unrestricted equations.

*Table 4: Results of homogeneity test for the unrestricted model*

<table>
<thead>
<tr>
<th>Items</th>
<th>RTS</th>
<th>F-statistic</th>
<th>F (1%)</th>
<th>F (5%)</th>
<th>DF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>1.44</td>
<td>203.25</td>
<td>6.63</td>
<td>3.84</td>
<td>237</td>
</tr>
</tbody>
</table>

Table 4 presents the results of the homogeneity test. The F-statistics are greater than the values of the critical or tabular F-values. The null hypothesis 2 which states that the functions are not characterized by constant returns to scale is rejected. It could be deduced that the sums of the elasticities are significantly different from 1. The alternative hypothesis is accepted. In other words, the functions are characterized by increasing returns to scale. The results show scale parameter value 1.44. The result suggests that rice production in the area of study exhibits increasing returns to scale. Hence, there is scope for expansion in the production of rice up to the point where constant returns to scale is attained.

*Table 5: Scale efficiency measures of the selected rice farmers*

<table>
<thead>
<tr>
<th>Scale efficiency measures</th>
<th>Technical Efficiency (lnA)</th>
<th>Managerial efficiency (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>0.89</td>
<td>2.44</td>
</tr>
</tbody>
</table>

Table 5 shows the value of the estimated managerial efficiency from the unrestricted models (0.83). There was a managerial efficiency of 2.44 among the farmers. These measures were determined using the intercept values in Table 2. This result implies that the selected farmers were better in the combination and proper utilisation of the resources at their disposal. Table 2 shows that the intercept of the estimated equation is positive (0.89). The positive sign indicates technical efficiency. This implies that the farmers might be technically efficient in their rice production.
Table 6: Determinants of APP, MPP and TFP of the selected rice farmers

<table>
<thead>
<tr>
<th>Variables</th>
<th>APP</th>
<th>MPP</th>
<th>TFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>-4.16***</td>
<td>-2.12***</td>
<td>-0.16*</td>
</tr>
<tr>
<td>Education</td>
<td>0.27</td>
<td>0.14</td>
<td>0.05***</td>
</tr>
<tr>
<td>Tenure status</td>
<td>-0.36</td>
<td>-0.18</td>
<td>-0.09*</td>
</tr>
<tr>
<td>Farming experience</td>
<td>1.08</td>
<td>0.55</td>
<td>0.37***</td>
</tr>
<tr>
<td>Household size</td>
<td>0.01</td>
<td>0.01</td>
<td>-0.10</td>
</tr>
<tr>
<td>Extension contact</td>
<td>2.31***</td>
<td>1.18***</td>
<td>0.12***</td>
</tr>
<tr>
<td>Credit facility</td>
<td>0.03</td>
<td>0.02</td>
<td>0.38***</td>
</tr>
<tr>
<td>Commercialization</td>
<td>2.40*</td>
<td>0.22*</td>
<td>0.72***</td>
</tr>
<tr>
<td>Technology adoption</td>
<td>3.17***</td>
<td>1.62***</td>
<td>0.26***</td>
</tr>
<tr>
<td>Cooperative membership</td>
<td>-0.37</td>
<td>-0.19</td>
<td>-0.03</td>
</tr>
<tr>
<td>R2</td>
<td>0.89</td>
<td>0.78</td>
<td>0.92</td>
</tr>
<tr>
<td>R-2</td>
<td>0.78</td>
<td>0.78</td>
<td>0.92</td>
</tr>
<tr>
<td>F</td>
<td>84.47</td>
<td>84.47</td>
<td>278.48</td>
</tr>
</tbody>
</table>

NB: *** - 1% significance level; * - 10% significance level

Table 6 presents the results of the socio-economic factors that influenced average productivity, marginal productivity and total factor productivity of the farmers. The R2’s of 0.89, 0.78 and 0.92 indicate a good fit for the estimated models. The result shows that age of the farmer, extension contact, level of farm commercialization and level of adoption of the new rice varieties (NERICA technology) were the significant variables that influenced average productivity. It could be implied that older farmers had lower average productivity than the younger rice farmers. Also, farmers that had more contacts with extension services had more average productivity. The higher the level of commercialization of the rice farms, the higher the average productivity. Utilization of NERICA technology also enhanced higher average productivity. The R2 of 0.89 showed that almost 89 percent of the change in average productivity was explained by the variables.

A careful observation of Tables 6 tends to indicate that both average productivity and marginal productivity were determined by the same variables. The R2 and adjustment R2 values for the estimated models were the same. The parameters for the two models were however not the same. This finding is intuitive as both parameters are linked by the productivity measure of elasticity of production. The elasticity of production is the ratio of marginal productivity to average productivity. Table 6 also presents the results of estimated equations for the determinants of total factor productivity. The R2 value of the model is 0.92. It was observed that the adjusted coefficient of determination of total factor productivity was more than 90 percent (0.92). This shows that more than 90 percent of the variations in total factor productivity were explained by the explanatory variables. The results indicated that all the variables except membership of cooperative society and family size were significant. Level of formal education, years of farming experience, extension contacts, credit utilization, level of farm commercialization and level of adoption were all significant at 1% level of significance. Farmer’s age and land tenure system are significant at 10% levels of significance. Variables like age and land tenure system were inversely related to total factor productivity for all the study areas. This shows that younger farmers were more productive than the older ones. The negative sign on age might be expected because cultivation of rice in the study areas was labour intensive. It requires so many operations and techniques that were carried out manually. Most of these operations cannot be done successfully by the older ones without youthful assistance.
especially in clearing, weeding and transplanting. From personal observation and interviews, most farmers who were aged usually planned their stages of rice cultivation to school holiday periods when their children would be available to participate fully in the rice field work. It is also revealed that land tenure system that was operational in the study areas seemed to impede improvement in total factor productivity.

The years of formal education of the farmers contributed positively to the total factor productivity of the farmers. Farmers with higher level of rice farming experience had higher level of total factor productivity than those with fewer years of rice farming experience. Moreover, farmers with more extension contacts seemed to have higher productivity than those with fewer extension contacts. Also, farmers that had access to credit facilities seemed to have higher total factor productivity than those without access to credit facilities. In addition, farmers that had higher level of farm commercialization were observed to have higher total factor productivity than those with lower level of farm commercialization. Also, the higher the level of adoption of NERICA technology by farmers, the higher was their total factor productivity level. Hence, every attempt that would result into improved rice technology adoption should be embarked upon by all stakeholders in the areas of study. F value of 84.47 and 278.48 exceeds critical F value (degree of freedom 10,232) of 1.83. This shows that the hypothesized socio-economic factors have significant influence on rice productivity (APP, MPP and TFP), rejecting the null hypothesis 3.

Conclusions

Nigeria should concentrate on increasing rice production so as to reduce its dependence on importation. This can be achieved by improving its production efficiencies and productivity as proven from the study. Technology transfer to farmers in rice producing communities may help through changing the production systems by upward movement in production functions. Moreover, well coordinated technology delivery which enhances timely availability of the improved inputs should be put in place. There is need for increasing the level of production up to the optimal level without necessarily increasing the level of inputs use. This is realizable through improvement on farmers’ efficiencies. Hence, the following are recommended for economic development of rice farming communities, in particular, and the nation in general:

1. Expansion in rice production to make production more efficient and to attain optimum output level.
2. Training the farmers on how to improve on both technical and managerial skills by deployment of improved extension services to educate the farmers on how to improve their production efficiency.
3. Reduction in the cost of improved technologies, as well as easy access to these technologies.
4. Adult education programme is crucial for increasing the productivity of the farmers.
5. Special credit arrangement that would ease access to available credit by the farmers is important.
6. Increases in the level of commercialization of rice production should be encouraged by the government through farm price guarantee scheme.
7. There is need for reconsideration of utilisation of fertilizers and herbicides and, as much as possible, substituting these chemical components of NERICA technology with organic components. This approach would help in amelioration of environmental hazards to the rice farming communities without compromising improved crop productivity.
References


